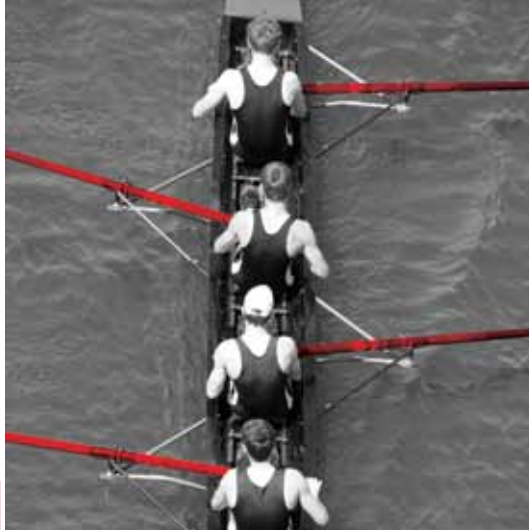




2012 Annual Report



Agenda of the Ordinary General Assembly - March 26Th 2013

- 1- Commencement, constitution of the Meeting Presidency in accordance with the Articles of Association of the Bank and delegation of authority to the Meeting Presidency for the execution of the minutes of the General Assembly,
- 2- Review and discussion of the Annual Reports of the Board of Directors, Declaration of Compliance with the Corporate Governance Principles and Reports of the Auditors and Independent Auditors regarding the accounts and transactions of the Bank within the year of 2012,
- 3- Review, discussion and approval of the balance sheet and profit and loss statement of the Bank for the year of 2012,
- 4- Release of the Members of the Board of Directors and Auditors,
- 5- Adoption of a resolution regarding the determination and allotment of the profit to be distributed, determination of the dividend allotment date,
- 6- Determination of allowance for the Members of Board of Directors,
- 7- Approval of the appointment of the members of the Board of Directors substituting the members leaving their post during the year and approval of the Independent Member nominated and submission of the information regarding the assignments assumed by the members externally and the justifications of such assignments to the shareholders,
- 8- Election of Independent Audit Firm,
- 9- Presenting the amendment proposal of the Articles of Association for the approval of the General Assembly,
- 10- Presentation of the information regarding the donations made within the year and determination of the upper limit for donations to be made within the year 2013,
- 11- Presenting the Profit Allotment Policy for the approval of the General Assembly,
- 12- Presenting the Internal Regulation Regarding the Terms and Procedures of the Operations of the General Assembly for the approval of the General Assembly,
- 13- Presenting the Bank's Remuneration Policy to the Shareholders,
- 14- Authorization of the Members of the Board of Directors for the transactions depicted in Articles 395 and 396 of the Turkish Commercial Code,
- 15- Presenting information regarding the transactions within the scope of Article 1.3.7. of the Communiqué on Determination and Implementation of Corporate Governance Principles of the Capital Markets Board.

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SECTION I

TSKB, which headed off with the mission of financing the private sector investment projects, today provides sustainable development focused loan and project finance to corporate companies from various sectors.

Corporate Profile

The Industrial Development Bank of Turkey, Turkey's first privately-owned development and investment bank, continues to create value for its stakeholders and takes part in macroeconomic development. Having 63 years of experience, TSKB provides long term funding for medium and large scale investment projects by creating corporate strategies focusing on Turkey's economic potential in addition to its contribution to the economy with its private advisory and brokerage services tailored for the client's needs.

TSKB started its journey in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term finance needs of the private sector, TSKB also continues to offer solutions with respect to the newest needs and client demands. TSKB not only enjoys its success in access to medium and long term funds but is also proud of its performance in the distribution of these funds. In various sectors, one of which is mainly energy, the Bank provides its clients project finance, M&A advisory and corporate restructuring services. TSKB also continues to offer capital market brokerage, portfolio management and financial leasing services with increased added value. TSKB maintains its long-lasting relationships with many international finance organizations such as World Bank which played an important role in TSKB's establishment.

With these features, TSKB is among the renowned Turkish trade marks in global markets.

While lending and providing project finance facilities, TSKB considers the environmental risk factor as its main corporate principle. Being the first Turkish bank with ISO 14001 Environment Management Certificate, TSKB is the leading bank which takes part in environmental projects in Turkey, providing renewable energy and energy efficiency loans to manufacturing and service sectors. The environmental bank mission which is strengthened by TSKB's "Environment is Our Priority" approach is applied not only during the distribution of funds but also to social responsibility and environmental awareness projects.

50% of TSKB shares are owned by the Türkiye İş Bankası Group and 39.2% of its shares are quoted on the Istanbul Stock Exchange (ISE) National Market under the "TSKB" ticker. The Bank operates with its head office in Istanbul, branches in Ankara and Izmir. Acting as a pioneer in various areas of the Turkish banking sector, TSKB loan portfolio reached approximately TRY 7 billion together with loans facilitated to the real economy. The total assets of the Bank in 2012 is around TRY 10.3 billion.

TSKB provides medium-long term funding for the private sector investments by creating corporate strategies focusing on Turkey's sustainable development.

Corporate Profile

Pioneer in sustainable banking

TSKB is the first Turkish bank which adapted “corporate governance”, “environment” and “social responsibility” criterias of the sustainable banking concept to its banking services. As a pioneer in sustainable banking, TSKB executes a long-term business model which is not only compatible with financial performance but also involves environmental and social sensitivity.

TSKB, to date, undersigned several accomplishments regarding sustainable banking:

- As the leader and pioneer in the finance of the environment and renewable investment projects, TSKB supports the sustainable development projects of hydroelectricity, wind, geothermal, biomass and energy effectiveness which prevent environmental pollution and protect resources.
- TSKB uses renewable energy in all its service buildings.
- TSKB became the first and only Turkish bank with ISO 14001 Environment Management Certificate in 2007.
- Having calculated its carbon footprint since 2006, TSKB is the only Turkish bank removing its carbon footprint since 2008.
- In 2009, it became the first member of United Nations Environment Program Finance Initiative (UNEP FI).
- In 2009, it participated in Global Reporting Initiative (GRI) as a corporate stakeholder and started to comply with GRI principles regarding its reports.
- In 2010, TSKB became a partner of the Carbon Transparency Project.
- TSKB signed the UN Global Principles Agreement in 2010.
- In 2011, it was one of the first two finance organizations which agreed to the “Water Transparency Project”.
- TSKB won the Financial Times - International Finance Corporation (IFC) “Sustainable Banking Award” under the East European Countries category in three consecutive years between 2008-2010.
- TSKB has played an important role in creating social environmental awareness with its social responsibility projects www.cevreciyiz.com and the cevreciyiz.tv TV channels.
- In June 2011, TSKB launched an energy effectiveness web site “www.tskbenerjiverimlilik.com”.
- Being the first bank in Turkey that prepared a sustainability report in full compliance with international criteria, TSKB issued a report referring to 2008 - 1st half of 2009 period (GRI, C level) and another report referring to 2nd half of 2009 - 2010 period (GRI, B level). With respect to the Bank’s third report, which

TSKB is the first Turkish bank which successfully adapted the “sustainable banking” concept criteria such as “corporate governance”, “environment” and “social responsibility” to its banking services.

will be issued in 2013, the reporting period will encompass 2 years instead of 1.5 years.

- In 2012, TSKB became the first bank qualified for ISO 14064-1 Greenhouse Gas Verification Certificate which is developed in order to reduce the greenhouse gas emissions regarding the effects of climate change.

Our Vision and Mission

TSKB realizes its operations with the vision of being the pioneering bank in Turkey's sustainable development. The mission of TSKB can be summarized as:

- Supplying entrepreneurs with medium and long term financing,
- Supporting foreign capital investments in Turkey as the best local business partner,
- Playing a continuous role in the development of Turkey's capital markets,
- Providing our clients with tailor made and innovative financial solutions and brokerage services,
- Creating increased added value to our employees, shareholders and all other stakeholders,
- Playing a pioneering role in sustainable banking with an environment-friendly approach in the execution of all banking activities.

Our resources

- Solid capital structure and strong shareholders,
- Reliability among international and funding institutions,
- The ability to access low cost, long term funding,
- Professional and expert human resources experienced in international banking and finance standards,
- The capability to reach an extensive

client network with low operational costs,

- Reliable and up to date technology infrastructure.

Our goals

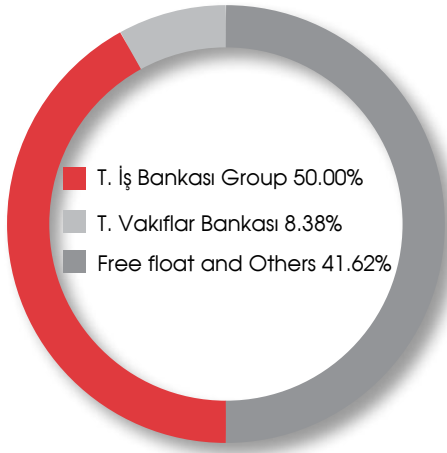
TSKB's corporate objective is to improve its leader position and profitability in the fields of corporate loans, project finance and investment banking which compose its main scope of business. TSKB has vigorously achieved this objective thanks to its proactive business strategies which the Bank has put into practice in recent years.

- TSKB will continue to provide funds for the Turkish economy and support the Turkish private sector.
- Having undertaken significant roles in advisory services for the largest privatization projects, corporate finance transactions and M&As in Turkey, TSKB will continue to be one of the most active players in these markets in the following years.
- In order to raise the funds required to contribute to Turkey's constant economic development, TSKB is determined to provide the most attractive financing facilities of the market for its clients. Within this framework, the bank always maintains and improves a deep, extensive cooperation with international financial institutions and banks.
- As the first bank with Turkish private capital to hold the ISO 14001 Environment Management System certificate, TSKB is determined to pioneer the concept of "sustainable banking" with firsts in the industry, such as eliminating carbon footprints and publishing a sustainability report, as well as in social responsibility projects which it undertakes with the goal of raising environmental awareness.

TSKB realizes its operations with the vision of being the pioneering bank in Turkey's sustainable development.

Capital Structure and Key Indicators

Ownership Structure



Türkiye İş Bankası Group	50.00%
T. İş Bankası A.Ş.	40.52%
Camış Yatırım Holding A.Ş.	5.80%
Milli Reasürans Türk A.Ş.	1.90%
Anadolu Hayat Emeklilik A.Ş.	0.89%
Anadolu Anonim Türk Sigorta Şirketi A.Ş.	0.89%
Türkiye Vakıflar Bankası T.A.O.	8.38%
Free float and Others	41.62%
Total	100.00%

The shares owned by the Board Members, Auditors, Chief Executive Officer and Vice Executive Presidents are negligible.

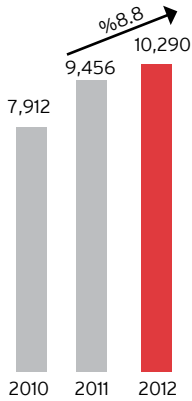
Increasing economic performance

Harmonizing its solid capital structure, international funds and corporate capabilities appropriately, TSKB continues to provide added value to Turkish economy. Being capable of taking advantage of short term fluctuations thanks to its strong corporate clients, working discipline and long term funds, TSKB completely fulfilled its 2012 targets with its robust service model and modern risk management practices.

banking area by offering services in the fields of securities, treasury and portfolio management services to its corporate and individual clients.

As a bank committed to supporting domestic and foreign investors as well as Turkish industry's sustainable economic development target, TSKB is determined to reinforce its leader and pioneer position in development and investment banking in 2013.

Total Assets
(TRY million)



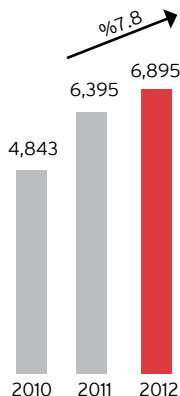
TSKB continued to provide its products and services in a wide array including project finance, company mergers etc. Having a long standing background and well established knowledge pool, TSKB also strengthened its position in the investment

Credit ratings of TSKB

Fitch Ratings

Fitch Ratings, the international credit rating organization, increased the credit rating of TSKB to an investable level on December 14, 2012 upon its annual credit rating

Loan Portfolio
(TRY million)



Key Indicators

(TRY million)	2009	2010	2011	2012
Total Assets	6,905	7,912	9,456	10,290
Loan Portfolio	3,955	4,843	6,395	6,895
Shareholders' Equity	1,041	1,264	1,366	1,755
Net Profit	175	212	255	307

(%)	2009	2010	2011	2012
Average Return on Equity	19.5	18.4	19.4	19.7
Average Return on Assets	2.7	2.9	2.9	3.1
Capital Adequacy Ratio	24.9	22.7	19.1	20.4

evaluation. TSKB's "Long Term Foreign and Domestic Money Credit Rating" is "BBB-" and "Short Term Foreign and Domestic Money Credit Rating" is "F3". Both rating outlooks are "Stable". "Long Term National Credit Rating" is "AAA" and "Support Rating" is "2".

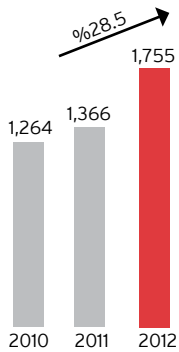
Moody's Investors Service Inc.

On July 3, 2012 international credit rating organization Moody's increased TSKB's "Long Term Foreign Money Credit Rating" to "Baa3" investable level, which was "Ba1" with a "positive" rating outlook. Rating outlook is "Stable". It also increased "Short

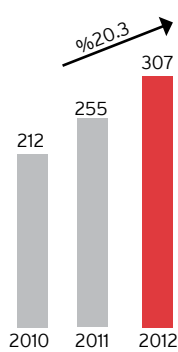
Term Foreign Money Credit Rating" from "NP" to "P-3" investible level. It confirmed "BFSR" maintaining without support rating which was "D+" and kept "Long Term Domestic Money Credit Rating" and "Short Term Domestic Money Credit Rating" at investible level and revised the same from "Baa2" to "Baa3" and from "P-2" to "P-3" respectively.

Credit Ratings of TSKB are detailed on page 181.

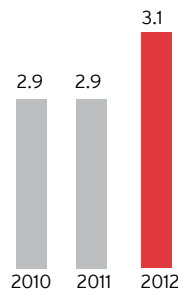
Shareholders' Equity
(TRY million)



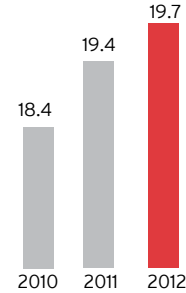
Net Profit
(TRY million)



Average Return on
Assets (%)



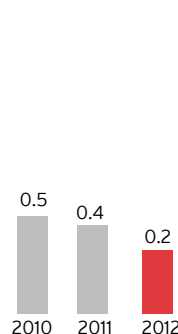
Average Return on
Equity (%)



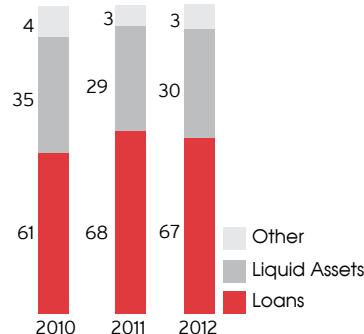
Capital Adequacy
Ratio (%)



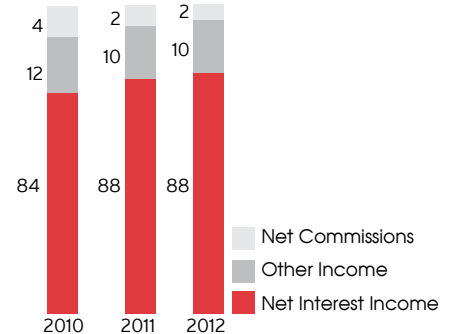
NPL Ratio (%)



Asset Composition
(%)



Income Breakdown
(%)



TSKB Milestones and “Firsts”

In the 1950s TSKB undertook important duties in line with its mission as an development and investment bank such as securing medium and long-term credit for private-sector projects, providing technical support to project sponsors, and conducting preliminary studies and initiatives and then spearheading and initiating the formation of capital markets in Turkey.

During the same period, TSKB was the only bank capable of supplying the foreign currency credit needed to finance imports of capital goods and it was also the only organization handling cash sales of foreign currencies released under the Marshall Plan.

In the 1960s TSKB issued, underwrote and guaranteed company bonds and carried out its first initial public offerings of shares from its own portfolio of holdings. The Bank became the first company in Turkey to be audited by an internationally recognized independent auditor during the same period.

As a Turkish subsidiary of IFC (a member of the World Bank Group), TSKB undertook important roles in the country's industrialization, and provided financial support for a wide range of manufacturing activities such as the first Turkish-made busses and automobiles, automobile tires, LPG cylinders, high-voltage cables, batteries, cardboard, plastics and acrylic fibers.

In the 1970s TSKB played a key role in encouraging private-sector investments in Turkey's developing regions. During this period, the Bank carried out the first issuance of its own long-term bonds while also tapping into the European credit market with its first medium-term syndications. Meanwhile, TSKB achieved another ‘first’ by starting to offer comprehensive research services for the manufacturing and service sectors as well.

In the 1980s TSKB continued to provide funding and resources to the private sector within the context of development and investment banking. During the same period, the Bank embarked on highly important ventures in its international relations: TSKB successfully issued a series of “Samurai bonds” in the Japanese capital market. Through the process of diversifying its relations with European and Japanese financial institutions, the Bank secured new sources of funding. In these years, TSKB played an active role in Turkey's Privatization Master Plan and served as a consultant for the privatization of the country's state-owned cement plants.

In the 1990s TSKB strengthened its effectiveness in the investment banking business in Turkey. At the same time, the Bank also continued to develop and diversify its cooperation with international banks. Long-term foreign currency and interest rate swap agreements were signed with international financial institutions. The Bank acted as a consultant for the European Bank for the Reconstruction and Development (EBRD) in Uzbekistan. The 1990's was also a period of successful initial public offerings done by TSKB. Leading the establishment of over the counter bond and capital stock markets, the Bank has become more effective with the establishment of the ISE (Istanbul Stock Exchange) and maintained its leading position in these markets.

In the 2000s TSKB's journey through sustainable banking continuously accelerated. Seeking to enhance its visibility and reputation in the international arena, TSKB tapped into international syndication and murabaha markets for the first time. In a world where protecting the environment became a priority, TSKB embarked on its first lending activities to incorporate “environmentally aware” criteria. In addition to lending directly to firms, the Bank also began providing indirect funding through commercial banks and leasing companies within the context of its “APEX banking” operations.

TSKB became the first Turkish bank to receive the ISO 14001 Environmental Management System certification. For three consecutive years, TSKB has been awarded the “Sustainable Bank of the Year” award in the Eastern Europe category under the “Sustainable Banking Awards” program conducted jointly by the Financial Times (FT) and the International Finance Corporation (IFC). Meanwhile, TSKB became Turkey's first “carbon-neutral” bank. The Bank has taken yet another important step by joining other international organizations which environmentally conscious and devoted to sustainable development as a member of the United Nations Environment Programme Finance Initiative (UNEP FI). The Bank also signed the Global Compact commitment

In the 2010s Having financed a total of 97 projects with a renewable energy theme during the transition to a low carbon economy, TSKB included energy efficiency within the scope of its loan granting activities in 2009. Having financed 27 energy efficiency projects in diversified sectors where energy consumption is high until the end of 2012, the Bank contributed to both nation's economy and Turkey's target of having a low carbon economy.

In early 2010, the Bank presented its stakeholders the GRI-approved sustainability report, a first in the Turkish banking sector.

Globalization, a process which has gained pace in recent years, has also begun to impact capital markets. While product diversity has rapidly increased, decreasing interest rates due to global crisis have set the ground for new investment opportunities. With the capital guaranteed and other guaranteed funds, alternative investment opportunities in both local and global markets have begun to be introduced to investors. TSKB pioneered with several investment vehicles it developed and introduced to its clients. Consequently, the capital guaranteed funds have earned their place within TSKB product and services portfolio.

In the same period, TSKB also played an important role in electricity distribution privatizations, acquisition finance projects and IPOs.

TSKB is the first privately-owned development and investment bank of Turkey and it played a significant role in the development of the private sector in Turkey.

Firsts which TSKB has brought to the Turkish Banking Sector...

1950s

- Provide technical advisory services to project sponsors
- Provide medium and long term finance to private sector projects

1960s

- Underwrite and guarantee corporate bond issues
- Offer its mature bonds from its investment portfolio to public
- Issue its own long term bonds
- Have its records audited by an independent audit company

1970s

- Promote private investment incentive in under-developed regions
- Mobilize funds through medium term syndicated loans from European markets
- Undertake major sector research services for manufacturing and service sectors

1980s

- Develop short term econometric model of the Turkish economy
- Develop cash-flow model of Turkish financial sector
- Extend hedged foreign currency investment loans
- Issue its own bonds in international capital markets
- Conduct manufacturer surveys among various sectors
- Provide export insurance loans from European and Japanese financial institutions
- Offer advisory services in textile and other sectors in cooperation with international advisors
- Offer advisory services for the privatization of public cement factories

- Issue its short term bonds as well as guarantee and market those of its clients
- Prepare Turkey's first privatization master plan
- Realize the first public offering as an underwriter
- Establish line of equity relations with Islamic Development Bank

1990s

- Sign long term foreign currency and interest swap agreements with international banks
- Provide floating-rate medium term Turkish Lira loans to the banking sector
- Provide consulting services for ERBD in Uzbekistan
- Management of a Risk Capital Fund provided by the European Investment Bank
- Undertake a voluntary "Risk Management Review" supported by World Bank

2000s

- Extend a credit line specifically for a "healthier environment"
- First bank to establish a real estate appraisal company approved by Capital Markets Board of Turkey
- Provide secretariat services to the Istanbul Approach
- Develop a risk-based loan pricing model
- First Turkish bank to receive a loan from the French Development Agency
- First and only Turkish bank to become a shareholder of European Investment Fund (EIF)
- First Bank with Turkish equity having ISO 14001 Certificate
- First Turkish bank to calculate and remove its carbon footprint
- First and only Turkish bank which was awarded "Sustainable Bank of the

Year of Eastern Europe Region" in 3 consecutive years between 2008-2010 in the event organized by Financial Times and International Finance Corporation

2010s

- First Turkish bank to release the GRI-approved sustainability report
- UNEP FI and Global Compact membership
- First and only Turkish bank to be granted a membership in Long-Term Investors' Club (LTIC)
- Issue 16 thematic mutual funds between 2009 and 2012
- Secure the first EBRD loan which aims to finance SME projects for the agricultural industry in Turkey
- First Turkish Bank to be qualified for ISO 14064-1 Greenhouse Gas Verification Certificate
- Sign a restricted mudaraba agreement with the Islamic Development Bank to finance renewable energy and energy efficiency projects
- Become the founder member of International Development Finance Club (IDFC)

Awards

TSKB succeeded in taking place among the first three companies with the highest corporate governance rating in consecutive three years between 2010-2012.

Accepting environment and sustainable banking concepts as the foundation of its management and business philosophy and awarded by IFC and Financial Times three times between 2008-2010, TSKB was granted

Bronze Award by Astrid Awards in 2012.

As a bank which embraces corporate governance and full regulatory compliance as one of the cornerstones in the execution

of banking operations in a responsible manner, TSKB continues to prove its success in this field by receiving awards granted by Corporate Governance Association of Turkey

1997

- Emerging Markets Investor Magazine - "Turkey's Best Research Organization"
- Euromoney - "Turkey's Best Investment Bank"

1998

- Thomson Bankwatch – Highest rating given for a bank in developing economies
- Euromoney - "Turkey's Best Investment Bank"

1999

- Euromoney - "Turkey's Best Investment Bank"

2004

- Euromoney - "Awards for Excellence-2004" / "Best Local Partner"

2005

- Euromoney - "Awards for Excellence-2005" / "Best M&A – Best Corporate Merger and Acquisition"

2008

- Euromoney - "European Renewables Geothermal Deal of the Year" / Gürmat Project
- Euromoney - "Euromoney Project Finance Deal of the Year" / Mersin Port Project
- PFI - "Infrastructure Deal of the Year" / Mersin Port Project

2010

- Corporate Governance Association of Turkey (TKYD) – IV. Corporate Governance Summit, I. Corporate Governance Awards / 2nd Highest Corporate Governance Rating
- Euromoney - "European Hydro Power Deal of the Year" / Boyabat Dam and Hydroelectric Power Plant Finance
- Euromoney - "European Utilities Deal of the Year" / Finance Share Acquisition Project of Uludağ Elektrik Dağıtım A.Ş. (UEDAŞ) and Çamlıbel Elektrik Dağıtım A.Ş. (ÇEDAŞ)

2011

- EMEA Finance 2010 European Banking Awards - Best Equity House in Turkey award
- TIREC 2011 Summit – Turkey Wind Energy Awards / Best Solution Partner Award
- Corporate Governance Association of Turkey (TKYD) – V. Corporate Governance Summit, II. Corporate Governance Awards / Highest Corporate Governance Rating
- Stevie Business Awards –High Honor Award - 2010 Printed Annual Report
- 9th Altın Örümcek Web Awards - TSKB Career Workshop web site (www.tskbkariyeratolyesi.com) 3rd Best Web Site in the Education Category
- Project Finance Deals of the Year 2011 / European Transport Privatization Deal of the Year 2011-IDO

2012

- Corporate Governance Association of Turkey (TKYD) – VI. Corporate Governance Summit, III. Corporate Governance Awards / Highest 10th Corporate Governance Rating
- Astrid Awards 2012 – Bronze Award– TSKB November 2011 Sustainability Report
- Stevie Awards - Bronze Award - 2011 Printed Annual Report

Product and Services of TSKB

TSKB offers its clients a rich product and service portfolio that is cultivated by its 63 year know-how and experience.

The main business lines of TSKB are:

- Medium and long term lending and project finance
- Corporate finance with comprehensive advisory services
- Full range of investment banking services provided for individual and corporate investors

Corporate Clients	<p>Lending and project finance</p> <ul style="list-style-type: none"> • Corporate loans • Project finance 	<p>TSKB offers two types of lending:</p> <ul style="list-style-type: none"> • direct lending • indirect lending (APEX banking) <p>Direct lending consists of financing investment projects of clients ranging from large corporate companies to SMEs. Having gained an increasing importance in the Bank's portfolio in recent years, project finance is especially developed for the finance of energy projects.</p> <p>Renewable energy, energy efficiency and environment related lending holds an important part in TSKB's product line. Indirect lending activities of TSKB are under APEX banking. APEX banking enables the Bank to reach SMEs which are capillary vessels of Turkey's economy.</p>
	<p>Corporate finance</p> <ul style="list-style-type: none"> • Public offerings of stocks • Advisory on Privatization • Mergers&Acquisitions • Buying and selling assets • Issuance of debt instruments • Strategic advisory 	<p>TSKB has unrivalled reliability and prestige in corporate finance. The Bank became one of the leaders in this field thanks to the many advanced projects it has developed since 1960s.</p> <p>TSKB is accepted as the most preferred solution provider on corporate finance in the current dynamic market conditions, undersigning numerous 'firsts' from the Privatization Master Plan of Turkey to first public offering of a company's shares with firm underwriting.</p> <p>The Bank serves a wide range of clients on a non-discriminatory basis (public or private - local or foreign) in various business lines such as M&A's, issuing of bonds, strategic advisory and public offerings.</p>
Individual and Corporate Clients	<p>Capital market brokerage services and portfolio management</p> <ul style="list-style-type: none"> • Mutual funds • TSKB Trading Platform • Portfolio management • Capital and money markets brokerage services • Turkish Derivatives Exchange • Foreign Exchange Warrants 	<p>TSKB provides brokerage and portfolio management services in capital markets for its individual and corporate clients with private banking approach.</p> <p>TSKB mutual funds</p> <p>TSKB offers 5 guaranteed sub-funds structured in accordance with individual and corporate clients' expectations.</p> <p>TSKB Trading Platform (TTP)</p> <p>TTP is the trading platform where TSKB clients can reach stock exchange, futures - options and foreign currency markets on-line and make electronic transactions.</p> <p>Portfolio management, capital and money markets brokerage services</p> <p>In addition to portfolio management services TSKB provides its individual clients a wide range of investment services such as stocks, mutual funds, bonds and equity trade; repo and foreign currency transactions and alternative money and capital market transactions.</p> <p>Turkish Derivatives Exchange</p> <p>TSKB serves the clients of Turkish Derivatives Exchange where options and futures transactions are realized.</p> <p>Foreign Exchange Warrants</p> <p>With its foreign exchange warrants, TSKB enables foreign exchange investors and its clients who demands high leverage, to invest and make transactions under transparent and liquid market conditions at ISE.</p>
Individual and Corporate Clients	<p>Treasury Department</p> <p>Treasury Marketing Unit</p> <ul style="list-style-type: none"> • Spot and Forward FX Transactions • FX Swaps • Repo Transactions • Fixed Income • 'Vanilla' Options, 'Exotic' Options • Financial instruments Related with Interest Rate Risk • Interest Rate Swap • Cross Currency Swap • Caps / Floors 	<p>TSKB offers conventional treasury products, derivatives and tailor-made products in accordance with its individual and corporate clients' needs in organized and OTC markets.</p> <p>Spot and Forward Currency Transactions and FX Swaps</p> <p>TSKB enables its clients to realize spot or forward currency transactions. The Bank also offers FX/TRY and FX/FX Swaps according to its clients' hedging and positioning needs.</p> <p>Repo Transactions</p> <p>The Bank enables its clients to make use of their FX or TRY cash investing in O/N or longer term reverse repo agreements.</p> <p>Fixed Income Security Transactions</p> <p>TSKB offers Bills, Bonds and Eurobond transactions to its clients.</p> <p>Derivatives</p> <p>For FX hedging or positioning purposes, TSKB provides exotic and/or vanilla option transaction services to its corporate and individual clients. In addition, to eliminate interest risk the Bank also realizes pricing of instruments such as IRS, Cross Currency Swap, Caps and Floor.</p>

Chairman's Message

Turkey stands out with its riveting economic performance.

Our esteemed shareholders,

Past the fifth year of the global crisis, uncertainties clouding the world economy are yet to be eliminated. Both financial and real sectors are still struggling with the legacy of the past, awaiting a sea-change.

It is generally admitted that the ongoing crisis is the deepest ever since the Great Depression of 1929. We are eating into the fifth year after Lehman Brothers collapsed: yet the developed world still suffer from the same problems, including high public debt stock, alarmingly high unemployment rates and a rather weak recovery. Developing countries fared better, but expectations of a two-speed recovery whereby emerging markets would take the lead and end the recession proved to be unrealistic.

Central banks' easing bias has certainly reduced market risks: but underlying economic woes can perhaps not be resolved by monetary policy alone. Neither Europe nor the U.S. have been able to jump-start their economies, high initial public debt stocks and budget deficits still constraining their moves. How long this situation will continue depends on how efficiently the strategies for resolving the crisis shall be managed by the central banks of the developed countries and also by how quickly fiscal policy debates will unfold. In Europe especially, the questions surrounding the burning issues of which countries would bear the cost and via which mechanisms the newly established funds would be allocated remain unanswered.

Europe is Turkey's major business partner, but it still muddles through the vicissitudes of the post-Lehman era. Massive budget deficits, for one, are still binding constraints. Upper bounds on the government debt-to-GDP ratios Maastricht Criteria had imposed have already been surpassed by wide margins. The government debt-to-GDP ratio that reached 90% as of the second quarter of 2012 looks rather unusual for Europe. In Spain, for example, youth unemployment hovers around an alarmingly high 40%. The measures taken thus far seem to be ineffective in reducing the unemployment rates in most of the EU countries.

Apparently the Greek exit scenario has been shelved for the predictable future, but it has not yet fallen off the agenda totally. Should Greece leave the Eurozone, and especially if the exit becomes contagious, the EU as a social, cultural and economic project would lose much of its appeal. Hence, the European economic malaise is not only an economic problem, but it embodies further dimensions. For the already massive European debt not to spiral up further, steady growth is required. It should be based on equity capital markets rather than debt capital markets. Many European governments should convince their peoples that relying on credit and public debt is not a viable option today.

Europe aside, Middle East and North Africa were also imbued with political tensions, the Syrian civil war standing out as the ultimate current example. These regions are going through dramatic sea-changes which will inevitably have political, social and economic consequences. As a result, exports to particularly Libya and Syria have already declined dramatically. On the other hand, exports to Iraq and Iran have risen considerably. The ability to adapt itself to changing circumstances allows Turkey to find different markets with growth potential. Turkey's foreign trade composition will inevitably change with the resolution of the political problems in the region.

2012 has been a successful year for Turkey with a riveting economic performance in the last two years. Turkey showcased an outstanding performance compared to other countries in terms of economic criteria including growth, fiscal dynamics, public debt and inflation. Implementation of the structural reforms –and the regulations imposed on the finance sector with the contribution of the EU membership process- following the 2001 crisis, have definitely helped the country to make a sustainable economic achievement. Developing a more liberal economic infrastructure, increasing the cooperation between the private and public sectors, improving the social security system and enhancing the solidity of the finance sector that heavily leans on the banking system continue to be key issues, however. Policies implemented in 2012 have added further credibility to the sustainable growth target.



Its dynamic economic structure enabled Turkey to overcome the adverse effects of the crisis quickly. The Turkish economy shrank drastically after Lehman for four consecutive quarters, but gained a rapid growth momentum in 2010 and 2011. Current account deficit widened rapidly as a result, and amidst concerns for financial stability, measures to soft-land the overheated economy have been taken in the last quarter of 2011. Those measures curbed uncontrolled growth while reducing the momentum of current account deficit. Turkey stabilized its economy through soft-landing and rebalancing, and is likely to attract further foreign investment interest with a second rating upgrade. The ongoing global transformation is expected to change the structure of competition among the countries radically. In the near future, the countries, companies and central banks shall seek the ways to reshape the world trade with a redefined understanding of competition. Turkey must rapidly adapt to this process of change. In an era when developing countries will be the main engines of growth, Turkey shall have to take all the necessary measures to make its economy achieve sustainability.

This significant global change urges Turkey to produce permanent solutions to its structural problems, including a large current account deficit and a low propensity to save.

In an uncertain world, Turkey has more than meets the eye thanks to its large domestic market, young population and geographical position. Located at the cross-roads of oil and natural gas-rich countries, Turkey represents a high potential in transportation of energy resources. As a bridge between two continents, Turkey is also perfectly located to become a major hub for global business initiatives. With its qualified work force and multi-scale production capacity, Turkey has become a pole of attraction for major industrial manufacturers also. Investing in Turkey offers growth opportunities both from a domestic and regional market standpoint.

Turkey continues to geographically diversify its business and finance operations in different regions of the world. Turkey assumes a key role in the new world order where developing countries are anticipated to become driving forces. Turkish

companies take giant steps on the way to become regionally and globally competitive entities. The cooperation between private and public sectors considerably improved compared to the recent past. This process strengthens the dynamic structure of the country. Recently, Turkey has been establishing strong commercial relations with the countries of the Middle East and Africa besides Europe, its traditional trade partner. Many countries in the region see Turkey as a model qua a developing market economy and a democracy, and that adds further strength to the claim that the country could escape the middle-income trap and prosper further. The new image further obliges Turkey to carry on with economic reforms. Keeping inflation and unemployment low are prerequisites, and fiscal discipline is a must. The private sector is expected to take the lead as in the recent past, and support domestic demand with ever-increasing trade volumes and further openness to global financial markets. External shocks are perhaps unavoidable, but the economy shows signs of increasing resilience facing both supply and demand shocks.

Turkey has gained a strong growth momentum in the last ten years compared to many developing countries. In this respect, TSKB supported the SMEs with its various lines of credit.

Turkey has gained a strong growth momentum in the last ten years compared to many developing countries. TSKB supported that initiative with its various lines of credit targeting SMEs.

Esteemed stakeholders,
The global crisis is not over yet, and the entire world lives through its consequences. However, the Turkish banking sector of which TSKB is a member, stands alone with a very healthy balance sheet, high capital adequacy ratios, strong loan and asset growth.

In the past 5 years, both profitability in terms of return on average equity (ROAE) and the equity base of banks grew above trend. The banking sector turned to credit expansion anew in 2010, and played a crucial role in helping the private sector to recover from the shock. The Turkish banking sector had already attained a strong momentum in the last ten years in contrast to a number of countries. This trend will go on intact in 2013, as well. With its strong capital structure, world-class technological infrastructure and, above all, its qualified human resources, the Turkish banking sector will continue to remain credible worldwide. Operating in harmony with the regulating authorities, our sector will combine strong growth with sound balance sheets and active risk management.

TSKB strives to serve to create lasting values for the development of Turkey, for the growth of the business world and for the benefit of its stakeholders.

With 63 years of experience in the development of the private sector in Turkey, TSKB adds strength to its endurance with a wider product range and long funding tenors despite changing conditions. TSKB, the first private development and investment bank of Turkey, continues to promote the development of the Turkish economy in its pioneering capacity thanks to its experienced and talented staff and its energy driven by high motivation. Undertaking a historical mission in the development of money and capital markets, major pathways to capital accumulation, TSKB strongly exists in a number of

platforms to foster the development of the private sector.

Today, Turkey has seized a significant opportunity with its geostrategic location and competitive advantage as developing markets come to the forefront after the outbreak of the global economic crisis. As the post-crisis economic landscape will emerge amidst clouds, Turkey will be seen to have secured a more prominent position both in the Middle East and in Europe. Turkey's ambitious aim to become one of the top-10 largest economies in the world by 2023 can only be achieved by the thorough support and irreversible expansion of its financial sector. And TSKB, a member of the banking sector which is expected to become the driving force of this process will be again one of the pioneering actors, as was the case in the past, and will use its potential in the new period effectively.

Providing funds to corporate clients and to SMEs in Turkey for their growth and development, TSKB produces diversified solutions with its wide product and service range and generates innovative ideas and opportunities with the advisory services rendered for the development of the business world.

TSKB carries out its operations in accordance with the required transparency and accountability dictated by its corporate governance principles. TSKB's high rating note in corporate governance is definitely a reward of this prowess. Both staff and management alike have developed a clear understanding that governance is an essential part of the business process, and indeed of the business itself.

I would like to take this occasion to thank all our shareholders, stakeholders, clients and employees who all contributed to our Bank's achievement. TSKB will continue to create lasting values for Turkey and its stakeholders in 2013, just like it did in the last 63 years.



Adnan Bali
Chairman of the Board



Our esteemed shareholders, clients, business partners and my colleagues,

TSKB has continued its efforts in its 63rd operating year in line with its objective of achieving a sustainable growth. We have maintained our strong leading position despite the changing economic conditions thanks to our corporate approaches, specialized staff and experience.

Our performance in 2012 is quite parallel with our objectives. We achieved a sustainable growth rate with the help of our disciplined management strategy despite the uncertainties with respect to global economy and scarce appetite for investment. Having implemented its client-focused banking approach and adapting to ever changing circumstances successfully, TSKB has managed to increase its business volume and assets in 2012 as well.

TSKB has implemented its growth strategy irrespective of day-to-day market conditions effectively in 2012, the first half of which was far more different from the second

half. The operational and financial results achieved in 2012 clearly indicate that our Bank continues following its strategic vision vigorously.

In the presence of uncertainties regarding the global economy, TSKB increased its assets in 2012 by 8.8% to TRY 10.3 billion. Contribution of TSKB in the real economy by means of cash and non-cash loans reached TRY 3 billion. Total cash loans which grew by 13.8% reaching TRY 6.9 billion, acquired a 67% share in the balance sheet. The share of our SME loans in the total loan portfolio reached 24% which rises to 28% when EFIL projects are also taken into account.

TSKB has continued to enjoy its strong capital structure and innovative clients in 2012. In addition to not having generated any NPL during the year, we achieved to reduce our NPL ratio to 0.2% by year end, collecting about TRY 12 million in the same year. On the other hand, despite having switched to Basel II as of July 2012, we attained a capital adequacy ratio of 20.4% thanks to our strong equity structure.

Operating profit and net profit of the Bank by 2012 year end have been TRY 382.8 million and TRY 307.3 million respectively. TSKB has also continued to defend and enhance its shareholders' equity which exceeded TRY 1.7 billion making up a return on equity of 19.7%. Moreover, our return on assets has been 3.1% at the same period. Such a high return on equity in an environment where inflation rate is around 6.2% is a clear indicator of the Bank's capacity to generate a real value in favor of the shareholders.

As the bank of the firsts for Turkey, TSKB has been performing better each year and striving vigorously in order to fulfill its commitments to its stakeholders. From operations to client relations, all business units in TSKB are managed through workflows which organize various business unit efficiently and accurately. Behind this strong organization stand our executive staff and talented human resources who believe in our corporate values at heart and devote their efforts and professional skills to the success of TSKB. All those factors allow

CEO's Message

us to blend success, strength, sustainability, confidence and strong reflexes accurately to make rapid decisions effectively.

This recipe for success enables us to generate sustainable values for both our stakeholders and Turkey. Hereby, I would like to take this occasion to thank all my team mates who are the unique architects of the bank's performance in 2012.

Our strong features

TSKB has continued to manage the fluctuating market conditions efficiently with its strong financial structure, to offer uninterrupted services to its clients and to manage its current business portfolio by taking the risks into account. The high performance level achieved in 2012 despite the fluctuations in the global economy has been one of most significant indicators of our sustainable banking understanding.

Our esteemed employees are among the main elements in our success. Reflecting their faith in our values and strategies wholeheartedly on their dedicated efforts, our employees act devotedly with respect to client relations. This approach is a key factor in our long-term success.

TSKB's flexible strategic approach based on strong reflexes and proactive thinking continues to help us to achieve our long-term objectives. We are well-aware of the fact that a developed private sector is an important factor for sustainable economic development and that the banking sector will inevitably undertake a major role in this process. As was the case yesterday, TSKB will continue fulfilling its responsibilities.

Acquiring its strength from the dynamism and innovative structure of Turkey, TSKB will even boost its performance by using its talents cited above. The main target of TSKB is to carry its leading bank role into the future by designating exemplary projects and to continue generating value for its stakeholders at the same time.

Energy efficiency is our priority

After strengthening its leading service provider position in the renewable energy

sector, TSKB extended its product range in 2009 to also cover financing of renewable energy projects. Having improved its competency in the field of energy efficiency, our Bank transferred USD 263 million to energy efficiency projects since 2009. TSKB has financed 8 new energy efficiency projects in 2012 which raised the number of such projects financed by the Bank to 27 at the end of four years. TSKB has evaluated the projects of its clients operating particularly in iron-steel, petroleum-chemicals, automotive, cement, packaging and paper sectors with high power consumption and financed feasible ones. Those projects supported by TSKB reduces greenhouse gas emissions by 1,055,649 tons (1,000 Kcal) and provided energy savings equal to 1,852,644,182 (1,000 Kcal) annually, all of which contributed in both our country's economy and to the objective of switching to a low carbon economy.

TSKB will continue to provide sources to the energy efficiency projects that contribute in the reduction of energy consumption of the Turkish industry and of industry-borne carbon emissions in cooperation with its foreign business partners in 2013 and thereafter.

Strong international sources of fund

TSKB continued diversifying its funds in 2012. Our Bank has renewed its syndication loan once again with the participation of 7 international banks from 5 countries while undersigning 5 new fund agreements that further strengthened its funding base. Regarding the finance of renewable energy and energy efficiency projects, a fund agreement worth of USD 75 million was signed with IFC. For the finance of SMEs' and mid cap companies' investments and working capital requirements, European Investment Bank and TSKB signed fund agreement amounting to Euro 75 million. A co-finance agreement worth of Euro 50 million with respect to the second half of the Euro 100 million which was signed with EBRD is related to the finance of the working capital requirements and investments of the agro-industry SMEs. In addition, a limited mudaraba agreement with Islamic Development Bank (IDB) amounting to USD 100 million and a fund agreement with KfW

amounting to USD 125 million were signed in December 2012 regarding the finance of the renewable energy and energy efficiency investment projects.

Our position at the center of a geographical region which is quite compatible with our growth targets makes our achievements permanent at a time when the developing countries and Turkey stand out.

We are operating in a country where exemplary economic developments are achieved despite global fluctuations and considerable changes in the prevailing circumstances. Being one of the first developing countries to get over the economic crisis, our country has taken important steps to bring the structural problems under control in 2012.

During the rebalancing of the economy in 2012, current account deficit and loan growth have been kept under control. During this process, GDP growth of Turkey has diminished. 2012 year end GDP growth is expected to be under government's medium term program target which is 3.2%, but to stand between 2.5-3%. The rapid growth rate which was curtailed in 2012 will gain a sustainable dimension by monitoring the developments in the Eurozone which is our biggest exports market, and discovering new markets for export trade.

Turkey is located at a geographical region with a high economic potential. The socio-cultural changes experienced in the Middle East and North Africa create significant opportunities for Turkey whose economic development gains momentum. The noteworthy pick up in Turkey's export trade to Iraq and Iran during the economic crisis in the Eurozone which is the main export market of our country indicates the economic potential of that region. The African market which is also expected to be an export market for Turkey like the Eurozone, Middle East, the Balkans and Caucasasia will further support the leading position of our country. Located at the middle of the energy corridors like a bridge, Turkey attracts more interest with the transportation of natural resources and revitalizing of the ancient trade routes

at the region. This high potential of Turkey indicates that the socio-economic conditions are being reinforced in accordance with our performance targets.

TSKB is determined to achieve its corporate objectives set for the year 2013 in accordance with the expectations about the country's economy and the global markets irrespective of day-to-day or temporary fluctuations.

We assume that the policies implemented last year for cooling down the economy shall be redesigned in 2013 with a focus on sustainable growth. Hence, we believe that the 4% growth rate targeted under the Medium Term Plan is achievable. The policies, which were introduced by the Central Bank to halt uncontrolled growth at the third quarter of 2011 and implemented until the end of the first half of 2012, have realized their goals. We anticipate a higher but controlled loan growth in 2013 compared to 2012. Domestic demand, export trade and growth rates shall be the determinants of 2013 rather than the inflation rate, exchange rates or loan growth. The EU debt crisis is still a critical issue despite diminished uncertainties in the international markets. The agenda of 2013 will be determined according to the question of which countries are going to incur the cost of the decisions taken and of the new fund (ESM) pooled.

TSKB targets a 15% loan growth in 2013

TSKB will carry out its operations in line with its strategy to attain its 2013 growth targets. Thanks to our corporate awareness, competencies and high quality services, we will continue to expand our client base.

Focusing on a strong client base and efficient projects supported by international funds, TSKB will continue to improve its competencies in the energy sector by means of energy efficiency projects. While diversifying its portfolios, our Bank will continue to play an active role in financing the energy, infrastructure, tourism, agricultural industry, real estate development and acquisition projects. TSKB

will continue to support SMEs through APEX lending while concentrating on letters of guarantee issued for foreign trade transactions and on other non-cash loans. The Public Private Partnership projects of the health care sector will be among our priority sectors. Moreover, TL lending will be on our next year's agenda.

Having embraced the sustainable banking approach and been awarded a number of awards, TSKB will continue finance investments that aim to reduce the effects of climate changes and support switching of the Turkish industry sector to a low carbon economy. Our team believing in the sustainable banking criteria at heart will also act compatible with those criteria during their loan and project financing relationships with clients.

We are willing to offer our 63 years' experience, knowledge and competency with respect to development and investment banking to Turkish economy in 2013, as well. We believe that our experience representing our strongest asset will play a significant role in reflecting our potential on our performance.

TSKB, which operates in accordance with the transparency and accountability principles required by its corporate governance understanding, is determined to continue undertaking long term achievements with its stakeholders' support. This support is the main factor driving us to use our self-confidence and power in a most appropriate and efficient manner.

Our Bank strives hard to produce lasting values and social benefits along with its clients, shareholders, employees, co-operated institutions and other stakeholders. All those operations are shaped by taking the environmental and social conditions into account. Our corporate experience and knowledge in the market that bring along a competitive advantage make TSKB even stronger. All those features of TSKB shall be carried to the future by our highly competent and hardworking human resources who consider

TSKB financed 8 new energy efficiency projects in 2012.

attendance to relevant processes as a must for the ongoing improvement.

TSKB will continue to exist as a corporation which adopted pioneering the development of the country's economy in cooperation with the stakeholders and produces high quality services in order to reshape the future. I would like to take this occasion to thank everyone who continues to work with us, develops thanks to our products and services and relies on us.



H. Fevzi Onat
Board Member and CEO

Winning through experience





SECTION II

We have been providing Long-term Investment Loans to thousands of private sector companies since 1950, thereby supporting our country's sustainable growth.

Developments in the Economy

Global Economy Outlook, Trends and Forecasts

Four years after Lehman bankruptcy and global economic crisis, it seems that maintaining the continuity of the Euro zone within EU proves indispensable.

With the assignment of Mario Draghi as the head of the European Central Bank (ECB) on November 1, 2011, the Bank started monetary expansion and left its "conservative central bank" approach which was executed during the four year period after Lehman. Consequently, the European Central Bank entered 2012 by buying Euro 489 billion of bonds on December 22, 2011. Liquidity as a consequence of monetary expansion could only alleviate the stress on financial markets temporarily and did not proved to be ample. However, with the combination of ECB's decision to buy Spanish and Italian bonds and Fed's ongoing quantitative expansionary policy in 2012 summer, stability was likely to be ensured by the third quarter. It is noteworthy that, the position of ECB which adopted expansionary and active monetary policies after Draghi seem to correspond to Fed's policies.

Market confidence picked up with ECB's determination to keep Greece in the Euro Zone and steps taken for the Greek debt. Debt issue within Europe was re-defined with Italy and Spain involved. A bond-buying program announced in September allowed countries with debt problems to benefit from the European Financial Stability Fund (EFSF) or European Stability Mechanism (ESM).

Diversity and long maturity of financial products extend duration of the crisis

The global economic crisis which started in summer 2007 and was aggravated by Lehman's bankruptcy in the last quarter of 2008 appeared to be different from the previous ones due to diversity and the long maturities of financial instruments that have emerged recently. The fact that financial instruments which also affect the non-financial sector like mortgage instruments makes it difficult to curtail the crisis. This shows that the solution to crisis should

be expected in the long run. All decision makers are acting in order to avoid the crisis evolving into a deeper recession after its fourth year. Under these conditions, lender parties demand stricter repayment plans from countries to borrow. Resolution of the crisis will definitely gain momentum when how the cost of the economic crisis would be undertaken clarifies. It seems that uncertainty will continue for a while.

Structural problems make it difficult for the USA to overcome the crisis

The course of the economic crisis was different in the USA than in Europe. While the USA intervened in the crisis faster by deploying its decision making mechanisms after Lehman, ECB reacted to crisis by balance sheet expansion between the 2007 and 2008 falls but opted to wait after Lehman's bankruptcy. The Fed's balance sheet expansion by diversification and public support to avoid banking system collapse seemed to have had its effect by the end of 2009. Consequently, the time when Fed balance sheet will be tightened and interest rates will be increased was being hotly disputed. Fast and determined decisions led to an expectation that the USA might overcome the crisis quickly. However, structural problems of the USA prolonged the crisis despite the measures taken and treasury bonds and asset backed security acquisitions as well as "Twist Operations" continued. It can be said that all measures were taken with the promise to keep interest rates low for a long period.

One of the major structural problems of the USA is its import dependence on China. The USA had allowed its employment scale in the production sector to drop down importing from China over 20 years. The economic crisis led to a deeper problem in this issue. Another structural problem of the USA is the low pace of fixed asset growth. Capital value increase is only possible with more machinery, equipment, building, road

and other infrastructure investments. The value of labor which declined considerably with the crisis requires a long time to recover.

From another point of view, the extended term to overcome the economic crisis has similar aspects for both the USA and Europe. Based on its previous crisis experiences, the USA primarily acted by expecting an economic boom has it removed the mortgage problem. However, the 1929 crisis and many other ones emerged after having their impacts on the entire global economy in terms of their consequences. On the other hand, terms of loans provided and financial instruments offered in those days were not as complicated as the current instruments. However, the last economic crisis covers different social segments that utilize financial instruments with much longer terms and possible risks. Consequently, this structure results in low-interest environment to continue for a while and economic recovery to be realized with lower growth rates in the USA.

FED policies had an impact; but the final result is not seen yet

The Fed's monetary expansion policy in the early stages of the crisis was preferred with the expectation that money would return to the real economy after a while. It was experienced later that this policy did not give the results expected; on the contrary it seemed that the liquidity parked in the Fed balance sheet. Still in the fifth year of the crisis, the economic actors seem to prefer to keep the released money in the reserves of Fed. At this stage, it should not be disregarded that a sudden flow of liquidity to the market has the risk of triggering inflation and interest rates. We believe that Fed will not let the course, when interest rates had increased to around 20% in the summer of 1980 after the Volcker deflation, repeat again.

Turkish Economy Outlook, Trends and Forecasts

Export growth in new markets and products as well as decreasing volume of imports due to economic slowdown has accelerated the re-balancing of the Turkish economy.

2012 started with the decelerating economic policies of the Central Bank of Turkey (CBT). By the mid-year, as the effects of the policies implemented begun to be seen on the economic activities and markets and due to higher economic risks in Europe and political risks in the Middle East, expansionary policies were applied. The economic easing off in the second half of the year was reflected on economic figures in the last quarter of the year.

While slowing down the economy, the multi-tool policy of CBT strengthened the bank's reserves at the same time. Moreover, the portfolio investments that came to Turkey thanks to global liquidity and the expectation of a second investment grade from another international rating agency contributed to the finance of the current account deficit in 2012. Export growth in new markets and products as well as decreasing volume of imports due to economic slowdown has accelerated the re-balancing of the Turkish economy.

Republic of Turkey Central Bank monitors international money movements

Expansionary policies of European Central Bank and Fed led to portfolio inflows to Turkey together with other developing markets, considerable amounts of foreign investments to Turkish bonds and equities and facilitated the conditions for the domestic companies and banks to borrow from international markets. CBT who followed these portfolio inflows cautiously continued to safeguard financial stability. CBT prevented both speculative movements and encouraged banks to manage liquidity attentively.

In the second half of 2012, CBT signaled narrowing the interest rate corridor with the decrease of the growth rate. The overnight borrowing and lending rates were lowered down to 5% and 9% respectively by the end of 2012, and the interest rate corridor returned back to its level of August 2011. CBT lowered its policy rate to 5.50% in December. Average cost of funding from CBT increased up to 12% at the start of the year before its downfall of approximately 650 bps to 5.55% by the year end depending on the liquidity policy implemented by CBT during the year.

Reserve Option Coefficient (ROC) stands out as the active monetary policy

Against the accelerating capital inflows in the last quarter of 2012, CBT initiated another new policy tool called "Reserve Option Coefficient" (ROC). With this facility which let the banks to keep a certain ratio of their Turkish Lira reserve requirements in gold and foreign exchange, CBT strengthened its foreign exchange reserves and alleviated the need for foreign exchange interventions against capital inflows. Consequently, ROC

enabled CBT to give an instant response to capital flow fluctuations.

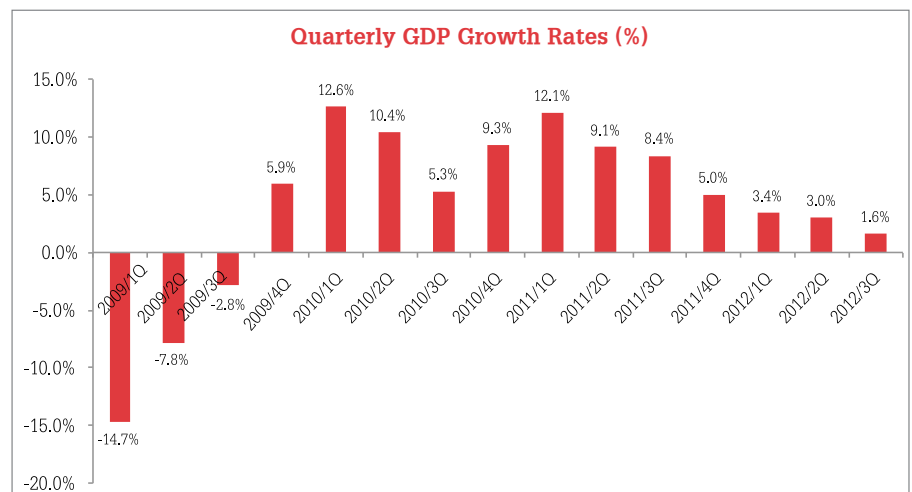
Loan growth rate was curbed

The loan growth rate which reached 35% by the end of 2010 compelled the authorities to take measures. Thanks to prudent policies starting from the last quarter of 2010, the loan growth rate was curbed down to 15% in 2012. With the controlled loan growth rate, domestic economic activity slowed down and volume of imports decreased.

Growth rate of Turkish economy slowed down

In 2012, GDP increased by 3.4% in the first quarter, 3% in the second quarter and 1.6% in the third quarter. GDP growth rate in the first nine months was recorded as 2.6%. A certain recovery is seen on consumption expenditure which was mostly met by inventory sales.

The third quarter growth rate was affected by the decreasing net export contribution relative to other quarters and falling investments. On the other hand, government spending supported the growth.



Turkish Economy Outlook, Trends and Forecasts

Industrial production index increased by 2.3% compared to previous year while manufacturing industry index contracted by 3.6% annually. Due to low foreign demand and pressure on domestic demand business sector tended to act more cautiously, and investment appetite and fixed capital formation contracted more than expected.

Under these circumstances, Turkish economy growth is expected to be around 3% in 2012. To note, the estimated growth rate for 2012 was revised to 3.2% in the Mid Term Program.

Current deficit shrank

Current deficit in the first ten months of 2012 came back to USD 48.8 billion decreasing by 37% compared to the same period of the previous year. The most important reason for the decrease in current deficit is the drop in foreign trade deficit. Having decreased by 26% in 2012, the foreign trade balance was recorded as USD 65.6 billion. The net income from the services balance increasing by USD 3.9 billion and reaching USD 21.9 billion, and the net expenditure from the income balance decreasing by USD 1.3 billion and reaching USD 6.6 billion led to a significant drop in the current account deficit. While the growth rate decreased from 8.5% to below 3% level, energy import volume increased by 13.9% in 2012. It shows that energy dependence still continues.

When the finance side of the deficit is observed, it is seen that portfolio investments' net inflow which was USD 19.3 billion in 2011 rose to USD 38.1 billion in 2012. On the other hand, direct investments item which was recorded as USD 13.7 billion in 2011, fell to USD 8.3 billion decreasing by 39% in 2012. The current account deficit to GDP ratio of 2012 is expected to be below 6%.

Fall in inflation

The inflation rate which was recorded as 10.45% at the beginning of the year dropped to 6.16% by the year end. Fall in the unprocessed food prices in the second half of the year led to a significant drop in the inflation rate in 2012.

The gradual downfall of accumulated effects of the foreign exchange rate and import prices in 2011 and the slowdown in domestic demand kept the annual increase rate of basic good prices under pressure. However, service prices maintained their moderate pace.

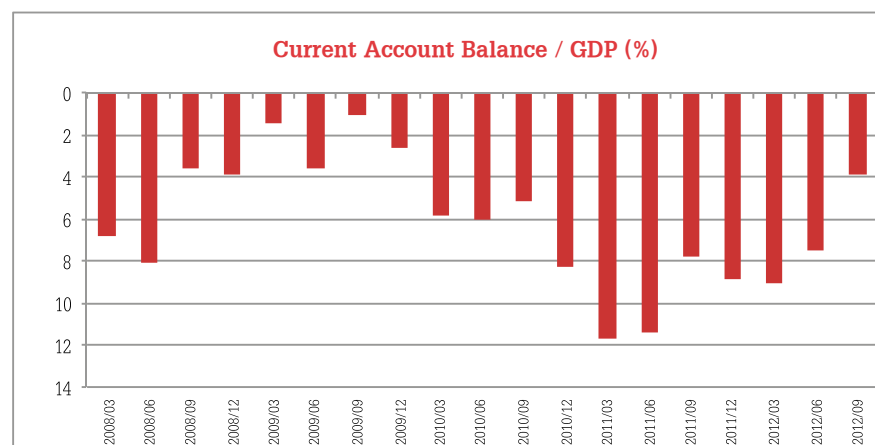
According to seasonally adjusted data, the unemployment rate in November 2012 was recorded as 9.4%. The unemployment rate which was around 15% during the global economic crisis seems to be falling in the last 2 years. The deceleration seems to have slowed down in 2012 and stabilized

between 9-9.4% range. Despite the fact that the Consumer Confidence Index prepared with the collaboration of the CBT and Turkish Statistical Institute increased by 4% and reached 89%, pessimism still seems to dominate because the index is still less than 100.

Budget deficit increased

The increase in budget deficit was above expectations in 2012. Budget deficit which was TRY 17.4 billion in 2011 rose to TRY 28.8 billion in 2012. It is over the foreseen target of TRY 21 billion and below the revised target which was increased to TRY 33.5 billion in October. Primary surplus which was TRY 27.8 billion in 2011 was recorded as TRY 19.6 billion with a 21% decrease in 2012. The budget revenue figure was TRY 331.7 billion with an annual increase of 12%, while the budget expenses figure was TRY 360.5 billion with an annual increase of 15%. Budget expenses excluding interest expense was recorded as TRY 312.1 billion with an annual increase of 15.1%. The budget deficit to GDP ratio which was 1.4% in 2011 is expected to be around 2% in 2012.

In parallel with the slowdown in growth in 2012, the budget deficit increased because of the slow increase rate of tax income including imports. Budget deficit increased in 2012 because of increased defense, personnel and recurring expenditure and transfers. Measures such as the Halkbank public offering of USD 4.5 billion and Bridge and Motorway privatization of USD 5.7 billion were taken by the Privatization Administration by the year end in order to increase budget income. A rapid increase of budget expenditures is not expected for 2013. Government officials state that necessary measures will be taken to reduce expenditure. Tax income is expected to increase with real estate development to trigger domestic demand as well as other sectors.



Banking sector continues growing

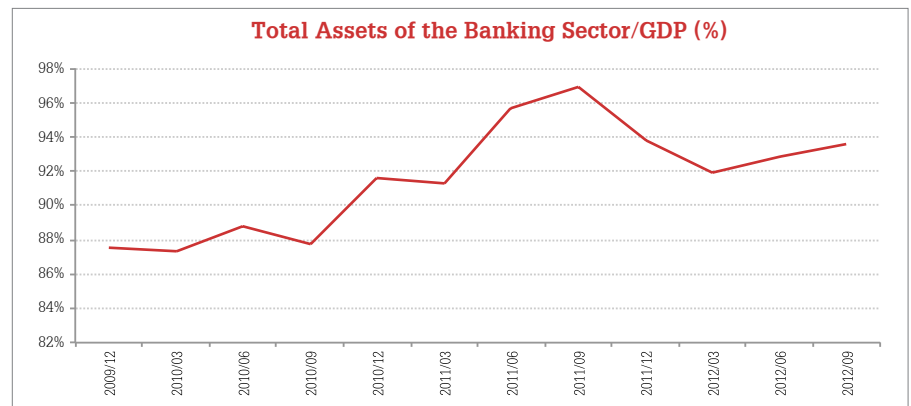
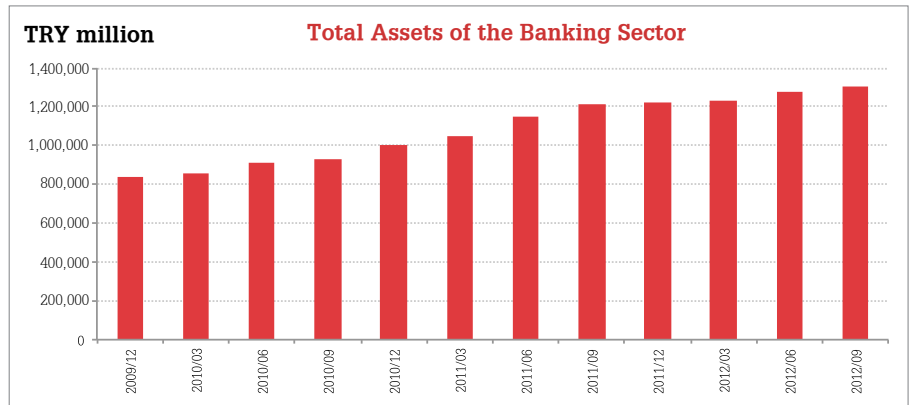
Turkish banking sector that has low penetration rates is expected to reach a size of TRY 6 trillion on the 100th anniversary of the Republic. Assets and loans of Turkish banking sector grow faster compared to other developing countries' banking sectors.

The Turkish banking sector also maintained its growth trend in 2012 thanks to its solid capital structure, high asset quality and effective risk management systems. According to the data published by BRSA, total assets of the banking sector increased by 14.7% in 2012 and reached TRY 1.37 trillion. Net profit of the sector increased by 19.2% in 2012 compared to the same period of the previous year and reached TRY 23.6 billion. The slowdown in the return on assets and return on equity stopped in 2012, and a limited increase was observed by the second half of the year. Return on assets and return on equity of the sector are 1.9% and 14.7% respectively in 2012. Positive developments in the banking sector also reflected on the performance of banks' stocks and a 65% increase was recorded in the ISE banking index in 2012.

The ratio of total loans in total assets increased to 58.4% by the end of December 2012. With an annual foreign currency adjusted loan growth of 18.3%, the amount of total loans reached TRY 795 billion by the 2012 year end.

Capital adequacy ratio of the sector realized as 17.86% by the year end. Transition to Basel II had a low impact on the capital adequacy ratio of the sector since the risk weight of required reserves which is held in foreign currency was cut down.

The banking sector which closed the year by increasing its profit margin with the contribution of the changed policy of the Central Bank will probably maintain its profit margin in the first half while a



contraction is expected in the second half of 2013. The loan growth rate in 2013 might be higher than the loan growth rate of 2012 due to falling interest rates triggering the domestic loan demand. Moreover, the expansionary policies of the central banks are expected to create more favorable conditions for foreign borrowing and bond issuance operations in 2013.

The Turkish banking sector maintained its growth trend in 2012 thanks to its solid capital structure, high asset quality and effective risk management systems.

Take off with our vision

SECTION III

Investors enjoy a superior banking experience in Project Finance field thanks to our acute vision and our strong collaborations in the Turkish banking sector.



An Evaluation of 2012

Strategies, Acquirements and Projections

Starting each year with its sustainable growth target, TSKB establishes relationships with its stakeholders in this respect. TSKB reached its sustainable growth target even in 2012 which was a year of uncertainties and fluctuating market conditions.

Highlights of 2012

TSKB received "Corporate with Highest Corporate Governance Rating" in Corporate Governance Awards. (January 17, 2012)

TSKB issued Capital Guaranteed ISE 30 Rising Fund. (February 20, 2012)

3rd TSKB Career Workshops applications begun. (March 9, 2012)

TSKB signed a fund agreement of USD 75 Million with the IFC to finance renewable energy and energy efficiency projects. (March 27, 2012)

TSKB issued FX-warrants with 3-month term with underlying asset of USD / TRY. (April 4, 2012)

TSKB 2nd Sustainability Report is awarded. (April 12, 2012)

TSKB issued "100% Capital Guaranteed Gold Sub-Fund". (April 27, 2012)

TSKB signed syndication loan agreement of USD 100 Million (June 26, 2012).

TSKB signed a loan agreement with European Investment Bank. (June 28, 2012)

TSKB signed co-financing agreement of Euro 50 Million with European Bank for Reconstruction and Development (EBRD) (July 3, 2012).

TSKB became the first bank qualified for ISO 14064-1 Greenhouse Gas Verification Certificate. (November 5, 2012)

TSKB signed a finance agreement of USD 100 Million in the form of restricted mudaraba with Islamic Development Bank (IDB). (December 4, 2012)

TSKB signed a loan agreement of USD 125 Million with Kreditanstalt für Wiederaufbau (KfW) in Ankara. (December 4, 2012)

TSKB: The common address for development and investment

There are 13 development and investment banks in Turkey. These banks, which do not accept deposit, have their unique features. By having development banking and investment banking arms under one roof, TSKB differentiates from the others. With a market share of 23% TSKB is the biggest private sector bank in the development and investment banking sector.

TSKB did not compromise from its targets and strategies under the changing and volatile conditions of 2012 and continued to support the private sector with its high added-value products and services. Its loan portfolio, based on strong and long term client relations, maintained its sound and effective structure in 2012 as well. The Bank continued to finance the real economy investment projects of its clients from different sectors with medium and long term funding.

The total asset size of TSKB surged by 8.8% compared to 2011 year end and reached TRY 10.3 billion. The total loan portfolio size reached TRY 6.9 billion with an increase of 13.8% compared to last year. The total loans to assets ratio is 67%. TSKB's NPL ratio of

0.2% is much lower than the sector average due to its strong asset quality.

Capital adequacy ratio which was 19.1% at the end of 2011 was realized as 20.4% by the end of 2012. TSKB met its sustainable growth rate target of 12-15% in 2012 as well. Shareholders' equity was recorded as TRY 1,755 million with an increase of 28.5% in 2012. Net profits reached to TRY 307.3 million with an increase of 20.3% by December 31, 2012. Return on equity which was 19.4% in 2011 was recorded as 19.7% by the end of 2012. The return on assets, which was 2.9% by the end of 2011, was recorded as 3.1% by December 31, 2012. Thanks to its strong and sound loan growth, net interest income of the Bank reached TRY 430.5 million with an increase of 18.2% in 2012. Total operating income increased by 17.5% and reached TRY 489.5 million. Cost to income ratio which was 15.6% in 2011 was recorded 14.8% by the end of 2012.

Attaching tremendous importance to the sectoral diversity of its loan portfolio, TSKB pursued a marketing strategy focused on further development of the multi-sectoral nature of its investment portfolio. The Bank, while aiming to attract clients from different sectors, also carried out efforts to deepen its relations with existing clients. TSKB focused on new projects realized in the agro-business, energy, energy efficiency, real estate, logistics, sustainable tourism as well as infrastructure. In 2012, TSKB implemented a work program parallel to its decision to increase the amount of loans in energy efficiency. The Bank's focus on energy efficiency, infrastructure, sustainable tourism and the agro-business will continue in 2013 as well.

39% of loan agreements signed in 2012 belong to new clients. USD 1.1 billion of total loans facilitated by the Bank to its clients in 2012 is direct loans and USD 175 million is indirect APEX loans. In 2012, loan amount in Turkish Liras facilitated by TSKB to its clients is USD 76 million.

Cash and non-cash loan limits (excluding APEX) allocated by TSKB to its clients in 2012 is USD 953 million. The amount of new loan agreements that the Bank signed with clients in 2012 reached to USD 870.4 million.

Loan agreements signed with clients in 2012:

- Direct loans and project finance agreements (USD 670.4 million)
- Syndication loans (USD 62 million)
- Non-cash loans (USD 126.1 million)
- APEX transactions (USD 11.9 million)

Medium and long-term placements

The portfolio that mainly includes medium and long-term loans reflects the Bank's sustainable banking mission. As a result of it, most part of the TSKB loan portfolio in 2012 included medium and long term investment loans. As of 2012 year end, 3% of TSKB loans have a maturity shorter than 1 year whereas 97% of its loans have more than 1 year maturity.

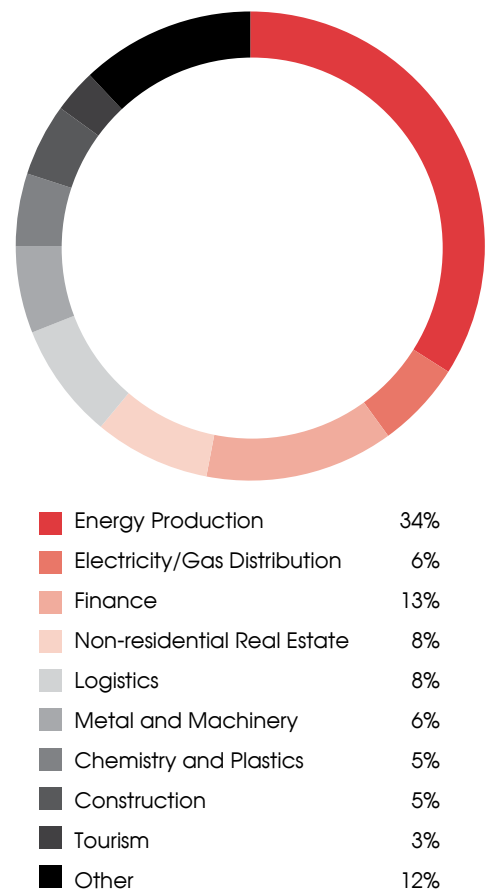
Effective operational management

TSKB uses information technologies effectively and keeps its operational costs at reasonable levels. The Bank continuously increases its corporate performance and performance level per personnel. Expenditure made by TSKB to gain TRY 100 income is TRY 26 less than the sector average. TSKB is able to manage its total asset size of more than TRY 10 billion by its relatively small size of human resources (345 personnel) and contributes to large scale and innovative projects.

Network of international relations ensuring competitive advantage

TSKB has a robust international relations network. The Bank provides medium and long term funding thanks to its sustainable relations with the international development banks, supranationals and global banks. TSKB works in close cooperation with organizations such as the World Bank (IBRD), European Investment Bank (EIB), Council of Europe Development Bank

Sectoral Breakdown of Loan Portfolio



TSKB, which provides services to business world with long term and reliable funds, continues to enhance its performance with new finance sources.

(CEB), Kreditanstalt für Wiederaufbau (KfW), French Development Agency (AFD), International Finance Cooperation (IFC), European Bank for Reconstruction and Development (EBRD) and Islamic Development Bank (IDB).

The rating upgrade of Turkey which is expected to improve the investment environment will definitely affect TSKB positively. In addition, the upgrade of TSKB's rating notes by Moody's and Fitch in 2012 will also have beneficiary effects on the Bank. In this respect, the Bank will continue its search of funding for the finance of sustainable tourism and investments that aim to eliminate industrial pollution.

USD 75 million loan from IFC to TSKB

TSKB received a USD 75 million loan to finance renewable energy and energy efficiency projects in Turkey with the agreement it signed with the IFC (International Finance Cooperation), an organization of the World Bank Group, on March 27, 2012. With this loan which was received without Turkish Treasury's guarantee; energy, energy efficiency projects and manufacturing, agriculture and construction sector clients' machinery and equipment needs for eliminating greenhouse emissions are financed. IFC proved its support to TSKB in the field of energy efficiency finance with this agreement.

Loan of Euro 75 million from European Investment Bank to TSKB

TSKB signed a funding agreement of Euro 75 million with the European Investment Bank to finance the investments and working capital needs of SMEs and medium-sized enterprises located in Turkey. The agreement related with Euro 75 million received under the guarantee of the Republic of Turkey Prime Ministry Undersecretariat of the Treasury was signed in Ankara on June 28, 2012. This agreement will help to increase the support provided by TSKB to SMEs since its foundation.

Co-financing agreement of Euro 50 million with EBRD

TSKB and the European Bank for Reconstruction and Development (EBRD) signed the co-financing agreement of Euro 50 Million on July 3, 2012 which is the second part of Euro 100 Million package to be used to finance the operating capital and investment needs of Turkish SMEs in the agriculture sector. It is TSKB's success to convince EBRD to sign this agreement for the first time in Turkey, which mostly finances development investments in old eastern block countries. The term of this funding related with agriculture received without the guarantee of the treasury is 5 years.

USD 125 million loan from KfW to TSKB

TSKB, accepting environment and sustainable banking concepts as a part of its philosophy, signed a funding agreement with German Development Bank (KfW) on December 4, 2012. The USD 125 Million loan received from KfW under the guarantee of the Republic of Turkey Prime Ministry Undersecretariat of the Treasury will be facilitated to finance fixed capital investments of the public sector in Turkey aiming energy production based on renewable energy and / or energy efficiency. With this loan, TSKB will increase its contribution to renewable energy and energy efficiency investments.

Finance of USD 100 million from Islamic Development Bank

TSKB signed the "Restricted Mudaraba" agreement with Islamic Development Bank on December 4, 2012. With this agreement, TSKB received USD 100 million from the Islamic Development Bank under the guarantee of the Republic of Turkey Prime Ministry Undersecretariat of the Treasury. With this loan, TSKB is going to finance fixed capital investments of the private sector in Turkey aimed at energy efficiency and renewable energy production.

TSKB received a syndication agreement of USD 100 million

On June 26, 2012, TSKB signed a syndication loan agreement of approximately USD 100 Million that consists of two different tranches of Euro 65 million and USD 15 million. The syndication loan was provided by 7 banks from 5 countries including BayernLB, CITI, Commerzbank Aktiengesellschaft, Raiffeisen Bank International AG, Standard Chartered Bank, The Bank of Nova Scotia, WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank.

TSKB will successfully continue to maintain its relations with international finance organizations in 2013, as well. TSKB will strengthen its recognition by correspondent banks and international finance organizations.

Long term funds secured by TSKB between 2008-2012

2008	Amount	Duration (year)	Maturity
World Bank – Export Finance Intermediary Loan (EFIL IV)	USD 197 million	28	2036
World Bank – Export Finance Intermediary Loan (EFIL IV)	EUR 65 million	28	2036
European Investment Bank – Energy and Environment Framework Loan	EUR 150 million	15	2022
KfW – Loan for the Climate Protection Programme in Turkey	USD 41 million	12	2020
KfW – Environment & Energy - Loan for the Climate Protection Programme in Turkey	USD 34 million	12	2020
2009			
World Bank – Renewable Energy and Energy Efficiency Loan	USD 210 million and EUR 110 million	30	2039
World Bank – Clean Technology Fund	USD 70 million	20	2029
European Investment Bank – SME Development Loan	EUR 165 million	12 years per tranche	
European Investment Bank – Energy and Environment Framework Loan II	EUR 150 million	15 years per tranche	
French Development Agency - Renewable Energy and Energy Efficiency Loan	EUR 50 million	12	2021
Council of Europe Development Bank – SME Loan	EUR 100 million	10 years per tranche	
2010			
KfW – Climate Protection Programme in Turkey, Phase 3	EUR 55 million	12 years	2022
KfW – Municipality Infrastructural Finance Loan	EUR 37 million	20 years	2030
2011			
World Bank EFIL IV – Additional Loan for the Fourth Export Finance Intermediation Project	USD 180 million and EUR 87.8 million	28 years	2038
European Investment Bank - TSKB Loan for Midcaps and SMEs / SME Facility	EUR 75 million	12 years per tranche	
World Bank - Additional Loan for Private Sector Renewable Energy and Energy Efficiency Project	USD 100 million and EUR 69.3 million	28 years	2039
EBRD - Turkey Agribusiness SME Financing Facility (TurAFF)	EUR 50 million	5 years per tranche	
2012			
IFC – Renewable Energy and Energy Efficiency Loan	USD 75 million	2+5	2018
European Investment Bank – TSKB Loan / B for Medium Sized Enterprises and SMEs	EUR 75 million	3+9	2024
EBRD - Turkey Agribusiness SME Financing Facility Financing Facility (TurAFF) (CO-FINANCING)	EUR 50 million	5 years per tranche	
Islamic Development Bank – Restricted Mudaraba	USD 100 million	3.5+6.5	2023
KfW – Renewable Energy and Energy Efficiency Loan	USD 125 million	3+9	2024

An Evaluation of 2012

Renewable energy and TSKB

TSKB believes in the importance of renewable energy for the transition to a low carbon economy in Turkey. TSKB, a leader in the finance of renewable energy field, provided loan to 97 renewable energy projects by the end of 2012.

Total installed capacity of energy projects financed by TSKB is 3.460 MW which makes 15.5% of the total renewable energy power of Turkey.

Type	Number of Plants	Total installed capacity in MW
Hydroelectric Power Plant	80	2,957
Geothermal Power Plant	2	58
Wind Farm	10	366
Biomass Facility	4	51
Waste Project	1	28
Total	97	3.460

70 projects of the projects are completed and started to generate energy. Total installed capacity of these projects under operation is 2,125 MW. USD 6.2 billion has been invested in total for the projects financed between 2003 and 2012, whereas TSKB's commitments for these projects amounted to approximately USD 1.8 billion.

Turkey's Energy Saving Potential (%)

Fossil fuel reserves that meet the most part of the world energy demand today are being consumed rapidly and it is forecasted that the reserves will be depleted in the second half of this century. Given these circumstances, effective use of energy resources becomes highly important for a sustainable world.

Turkey consumes 50% more energy than OECD countries to have the same level of national income. With 40%, industry sector in Turkey consumes the most energy in Turkey and it is also one of two sectors demand of which has an increasing trend. The second rank is held by buildings and houses.

World Bank's study indicates a 27% energy saving potential for Turkey.

With energy efficiency investments not only in industry and building/resident sectors but also in all other sectors, Turkey is able to achieve its targets of energy demand security, sustainable growth and development, competitive economy and sustainable environment.

Turkey's Energy Saving Potential (%)

Sectors	Electricity	Fuel
Iron-Steel	21	19
Cement	25	29
Textile	57	30
Paper	22	21
Total (Industry)		25
Residential Real Estate	29	46
Business + Public Buildings	29	20
Total (Buildings)		30
Total (Industry + Buildings)		27

Source: Turkey- Tapping the Potential for Energy Savings, IBRD, 2010

Energy Efficiency Projects

Having consolidated its leading position in the renewable energy sector, TSKB included finance of energy efficiency projects to its product and service portfolio in 2009. TSKB allocated credit lines for 27 projects of 24 companies and financed 25 of them up to today. TSKB which added 2 new energy efficiency projects in its portfolio in 2011 financed 8 new projects enhancing its concentration on energy efficiency in 2012. Up to today, TSKB has allocated USD 315.8 million credit line for 27 energy efficiency projects and undertaken USD 263.2 million loan placements.

Sectors	Number of Projects
Steel Production	10
Plastic, PVC, Packaging	3
Automotive	3
Cement Sector	3
Others (petrochemical, chemical, paper, energy, refining, mining)	8

Contribution to Turkey's energy saving with the finance of projects from various sectors

TSKB allocated most of its energy efficiency loans to projects which focus on electricity saving. Another type of energy efficiency projects which TSKB financed was projects that aims to decrease the consumption of natural gas. TSKB also financed projects related to re-use of chimney gas and electricity production projects of companies. TSKB reviewed its clients' projects in many sectors where energy consumption is high such as cement, iron-steel, petrochemical, packaging, paper, plastic, glass, mining and soft drink production and financed the projects it found proper. Approximately 1,055,449 tonnes of CO₂ gas emissions to atmosphere will be prevented and around 185,264 TEP energy saving will be realized by these energy efficiency projects annually. This equals to the energy consumption of 187,136 houses in one year. With the projects financed by TSKB, the Bank contributes to the Turkish economy and supported Turkey's transition to a low carbon economy.

TSKB, aiming to meet all actors of energy efficiency in one platform, launched the first website in this respect in 2011: "www.tskbenerjiverimililigi.com". Website has a comprehensive Turkish and English content and aims to introduce every kind of visual, audio and written material focusing on the development of projects for energy efficiency together with current circumstances.

In 2013 and following years, TSKB will continue to maintain its mission of financing energy efficiency projects which aims to curtail energy consumption and carbon emission of the industry, with its international partners.

Disciplined treasury management

Significant interest rate volatility was observed in the market especially in the first months of 2012. The double digit interest rates declined gradually to historical levels at the end of the year. While the compound interest rate of the

benchmark bonds decreased to 5.75% from 11.5% level, 5-year CDS ratio which indicates Turkey's risk premium decreased to 123 from 290 during the year. Turkish Lira's basket value appreciated by 5% and asset prices hit their highest record in the same period. While the total security book of the sector contracted by around 5% in 2012, TSKB's TRY security book expanded nominally around 24% and were better positioned under falling interest environment. Interest structure of security book which is managed dynamically was also changed regarding the risks emerged in the market. As a result of effective and profitable portfolio management, treasury realized 130% of its income target in 2012.

Income from treasury products provided to clients in 2012 maintained its stable trend and financial solutions with more enriched and diversified derivative product range were provided to clients. The target of expanding the portion of income from client transactions and brokerage commissions in the total income will be also valid in 2013. TSKB will continue to provide effective financial solutions to its clients with its enriched and diversified derivative product range.

Strong project finance

Despite unfavorable conditions in the market, TSKB had a successful year in terms of project finance at which the Bank is conventionally strong and competitive. 2012 was a productive year in terms of placements of current project finance funds. In addition to cancellation of some privatizations made in the previous years, the fact that there were not many privatization projects or company acquisitions worsened the market conditions. Nevertheless, TSKB's total cash loan placements amounted to USD 600 million in 2012.

As part of its project finance, TSKB continued to focus on investment financing in 2012 as well. It played an active role in the finance of various energy and real estate development projects. Real estate development project portfolio primarily included shopping malls, logistics

warehouses, and office buildings; while energy portfolio included renewable energy projects. In 2012, the amount of project finance realized with respect to these two sectors formed 70% of the total.

2013 is expected to be a year better than 2012 in terms of project finance. We believe that projects already planned by public and private sectors will be under way soon. In this respect, TSKB will continue to take an active role in the finance of its clients' energy, infrastructure, tourism, real estate development projects and acquisition (privatization) plans effectively using its accumulated experience in project finance.

Projects with high cash flow

In terms of project finance, TSKB focuses on feasible projects with cash flow guaranteed by reliable investors. Thematic funds of international organizations, which provide funds to TSKB, have a determining role in sector preference.

Total size of cash and non-cash loans facilitated by TSKB in 2012 hovered around same levels compared to previous year. The portion of investment loans in total loans did not change, as well. On the other hand, the portion of funds provided to SMEs in 2012 was around 10-15% level. A moderate growth is expected in the SME loan book in 2013.

15% loan growth target

Loan growth is expected to be 15% for the next year. The Bank plans to concentrate on energy projects with high efficiency as well as infrastructure, real estate and industry projects. The agenda will also include privatizations planned by Privatization Administration and health sector related Public-Private Partnership ("PPP") projects. Besides long term investment loans, the Bank also plans to meet short and medium term working capital needs of Project Finance clients. While reviewing all these projects, TSKB will continue to be selective and act in line with the economic conditions that will emerge in 2013.

Long standing investment banking

TSKB, being among Turkey's most experienced and competent investment banking service providers, provides services including brokerage for bond issuances and IPOs, M&A advisory and strategic advisory under which company appraisal, feasibility and restructuring studies are undertaken. The bank has a strong capacity for all these fields and actively operates in the market. TSKB differentiates from its competitors thanks to its capability of following and accomplishing various and numerous projects at the same time.

M&A Advisory

TSKB provided strategic advisory services to approximately 10 companies for public offering in 2012. The sector did not have a profitable year in 2012 in terms of public offerings. In 2012, TSKB focused more on bond issues as well as M&As. In 2012, TSKB successfully completed the bond issuance process of İş Leasing and Sarten Ambalaj which are among the best in their fields. In terms of M&As, TSKB simultaneously provided sell-side advisory services to 5 different companies in fruit juice, cosmetics, telecommunication, insurance and retail sectors. It supported several companies with its visionary products in the framework of strategic appraisal and advisory services.

TSKB will continue to provide advisory services regarding the tenders to be organized by the Privatization Administration and TMSF in 2013 as well. 2013 is expected to be a more dynamic year in terms of big and mid-sized enterprise public offerings. TSKB aims to take an active role and participate in public offering and bond issuance processes. The Bank also plans to have a strong position with respect to M&A advisory in 2013.

We recorded success in non-cash loans

The noncash loans hovered around same levels compared to the previous year. The Bank had a successful year in brokerage services regarding import transactions required by its corporate clients for their

An Evaluation of 2012

investment projects. With a 14% growth in letter of credit transactions, TSKB allocated USD 400.1 million non-cash loan in total to its clients in 2012; USD based growth rate in non-cash loan portfolio was 2%. In addition to corporate loans aimed at the agro-business and energy efficiency, the Bank has also provided loans to its corporate clients operating in automotive and steel-iron industries.

SMEs get stronger with APEX banking

TSKB is the leader and reference for APEX banking in Turkey. In terms of APEX banking, Bank cooperates with 23 different intermediary organizations including financial leasing companies and banks. The Bank reaches SMEs indirectly by channeling funds to aforementioned 23 institutions. APEX loans makes up 11% of the total loan book of TSKB and has a major contribution to the export and employment capacity of the private sector.

In the scope of APEX banking, TSKB allocates World Bank EFIL loan programs and other international APEX funds to its clients

EFIL and other APEX loan packages: Contribution in the real economy's export and employment capacity

TSKB is preferred by the World Bank as its Turkish business partner in relation with EFIL loan programs. The Bank has been actively involved in 3 completed and 1 ongoing EFIL programs by the end of 2012. Regarding EFIL loans, the Bank facilitated USD 1.078 million of APEX loan in total to 581 companies.

The export figure of the companies, which received EFIL loans from TSKB, reached approximately USD 13 billion in the following period. EFIL loans aim to support export operations of companies, create new business initiatives and increase employment.

Channeling funds through the banks and financial leasing companies in the framework of APEX lending, TSKB provides SME loans which help to increase

TSKB - APEX Loans Primary Indicators			Number of companies that received loan (as of 2012 year-end)	Current status of program
Program title	Year	Agreement Amount		
Export Support				
EFIL IV Additional Finance	2011	USD 300 million	69	Ongoing
EFIL IV	2008	USD 300 million	133	Completed
EFIL III	2005	USD 305 million	168	Completed
EFIL II	2004	USD 303.1 million	211	Completed
SME				
CEB APEX	2010	EUR 100 million	222	Ongoing
KfW APEX	2004	EUR 7.7 million	54	Completed
EIB APEX	2005	EUR 150 million	343	Completed

employment. In this respect, 618 SMEs received USD 324 million loan in total and new employment opportunities were offered to around 4,800 people.

Financing the real sector

TSKB, working for the development of Turkish economy for 63 years, provided the real economy direct loans of USD 4.5 billion and USD 700 million through APEX lending in the last 5 years, amounting to USD 5.2 billion in total.

Sustainable securities management

Based on its long-standing pool of knowledge and experience in capital markets, TSKB continues to offer quality services to its clients to enable them to invest in the most appropriate instruments pursuant to their risk-return expectations. TSKB provides securities brokerage operations of its clients via its Headquarters and Ankara and İzmir branches as well as its alternative distribution channels which include TSKB Trading Platform (TTP) and TSKB Online Branch.

While monitoring the capital markets closely and taking the necessary steps to add new products and services to its portfolio, TSKB continued to provide brokerage services on equities, mutual funds, bonds, debentures, repos and derivatives transactions. The Bank strengthened its competitive position in the capital markets with its performance

and increasing number of corporate and individual clients. With a vision to develop the most recent technology infrastructure depending on the changing requirements of its clients, TSKB initiated studies to provide solutions that would enable its clients to realize their transactions from their smart phones and tablet computers in 2012.

Public offerings remained limited in 2012 during which market conditions were quite volatile. TSKB acted prudently during this period and provided brokerage services for 4 public offerings including Halkbank, Polisan, Teknosa and Tümosan. In terms of demand, the second public offering of Halkbank was the strongest public offering.

In 2012, income from brokerage services declined dramatically in the sector due to significant drop in the commissions income gained from equity transactions. However, TSKB's income from brokerage services remained relatively same compared to the previous year.

New Capital Markets Law including definite amendments prepared by the Capital Markets Board after a long preparation period was approved by the Turkish Parliament in 2012. Regarding the project that takes Istanbul as the Finance Center as an objective of the new law, TSKB will continue to maintain its innovative and competitive position

during the process where efficiency and performance of banking services will be increased.

Innovative mutual funds

TSKB serves its individual and corporate investor clients with 5 mutual funds it structured according to clients' return-risk preferences. With its innovative mutual funds, the Bank led the way in the market and took an active role in the creation of new return opportunities parallel with falling interest rates in recent years. In 2012, TSKB successfully completed the issuance of 2 guaranteed funds ("100% Capital Guaranteed ISE 30 Rising Fund" and "100% Capital Guaranteed Gold Sub-Fund").

High value added portfolio management

TSKB provides high value added portfolio management services to its individual and corporate clients. Amount of assets under TSKB management is TRY 312 million in 2012. The total size of portfolio managed under the portfolio services provided to individual and corporate clients is TRY 22.7 million.

In 2013, TSKB aims to increase its share in equity transactions and derivative markets, issue new capital guaranteed funds and take active role in stock and bond issuances to be made in the next year. The Bank is planning to extend its client base by increasing its capacity in securities and portfolio management services and to use internet and social media more effectively regarding the needs of its clients. It will closely monitor capital market figures to diversify its products offered to clients and make its system infrastructure ready

to operate in ISE Derivatives Exchange (VIOP).

Rising stock performance

Increasing by 72.1%, TSKB's stock value generated a return of 12.3% relative to ISE100 in 2012. The Bank's market capitalization reached TRY 2.5 billion by the year end. It is expected that second investment grade for Turkey from another international rating agency will create a positive effect on stock performances.

Successful risk management

TSKB adjusted its infrastructure in line with BRSA remarks and instructions according to Basel II that became effective in July. TSKB enabled the Bank's personnel to access to analysis and reports of higher information content thanks to studies it conducted on asset/liability management. The scope of reports presented to the Bank's senior management and Board of Directors is increased to provide the maximum information on the level of Bank's risk, aiming to facilitate decision making processes. TSKB mostly completed its infrastructure studies on Basel III which is expected to be in force in the near future.

Managed Portfolio Sizes 31.12.2012	(TRY million)
Portfolio Management	22.7
Foundation Portfolio	248.3
Mutual Funds	19.0
TSKB Real Property Invest- ment Partnership	22.0
Total	312.0

An Evaluation of 2012

Full compliance to laws and regulations

Full compliance to corporate governance and laws is the essential foundation of sustainable economic performance, fair and ethical competition as well as a balanced and overseen stakeholder interests for TSKB. In this respect, the Bank considers corporate governance and full compliance to laws as an important step for the execution of responsible banking. Not only laws and regulations but also ethic values should be fully respected to realize this mission.

Sub-categories of the Report	Weight (%)	2011	2012
Shareholders	25	8.78	8.79
Public Disclosure and Transparency	35	9.79	9.79
Stakeholders	15	9.73	9.73
Board of Directors	25	8.08	8.10
Total	100	9.10	9.11

* Corporate governance rating report prepared by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. is available on the Bank's web site www.tskb.com.

TSKB has clearly defined policies, procedures and risk management principles for its business, services and products. TSKB's information technologies infrastructure develops the systems which will operate according to this approach.

TSKB ensures external audit operations in compliance with BRSA rules and international regulations. The Bank's target is full and continuous compliance to Corporate Governance Principles published by the Capital Markets Board (CMB) in Turkey. TSKB prepares and publishes its Corporate Governance Principles Compliance Statement in line with the framework set by CMB as well as international and sector principles. (See Page 58)

TSKB's fourth Corporate Governance Rating Report was published on October 18, 2012. The Bank's corporate governance rating was increased to 9.11 which was 9.10 in the 2011 report

High technology maturity

TSKB's IT operations are continuously developed in order to design and develop effective technology solutions to meet internal and foreign clients, use IT opportunities to realize Bank's strategic targets and provide uninterrupted and high level technology support for banking operations. Projects aimed at developing capacity, performance, efficiency and security of information technology infrastructure continued in 2012 as well.

The scope of virtualization technology of which the first phase was completed in 2011 is extended to include banking processes and became available for all users in 2012. Decision making processes were enhanced by increasing management's access to mobile devices. Central Log Management System is created in order to monitor, analyze and evaluate track records of different systems and implementations of the Bank from a single point. A new software is integrated to the system aiming to improve the Bank's asset / liability management process.

With current procedure/reporting infrastructure development studies, operational efficiency is ensured by integrating basic banking implementations with payment systems. Efficiency is increased and risk/error level is decreased by the increasing automation level of management information and reporting systems.

A project called "Information technologies aiming to have corporate memory irrespective of individuals" continued in 2012 as well. The project allows employees to access information depending on their authorization through a homogenous and common infrastructure. Important projects will be undertaken to realize the Bank's transition to the most recent technology platforms in 2013.

Proactive management policy regarding information security will remain active for newly adopted solutions and newly designed control processes. Necessary steps will be taken in line with regulations such as standards, communiqués and regulations that the Bank must comply with.

With the new IT projects, the Bank's security, performance and competitive power will be carried to higher levels. Critically important infrastructure and compliance projects will be developed at the same time decision support systems and new products that will create a competitive advantage for the bank will be activated.



**Trust in our
strategy**

SECTION IV

We boast sound knowledge, experience, prestige and unrivaled trustworthiness in the field of Corporate Finance in Turkey. To create a lasting value for each of our clients, we take their specific needs into consideration and provide tailor-made services and solutions.

Corporate Social Responsibility

TSKB, the first Turkish bank that removed its carbon footprint and received ISO 14001 Environment Management Certificate, shares its expertise on sustainability with its stakeholders on various platforms such as conferences, panels and university collaborations. TSKB continued its social responsibility engagements without interruption under the “Environment is Our Priority” slogan and increased its efficiency with the direct support of the Bank’s management on this area..

Sustainable banking

TSKB provides finance to investments that lessen the impact of climate change in Turkey and help the transition of Turkish industry to a low carbon economy. TSKB’s strategic interest in energy sector with the approach of sustainable banking continued in 2012 as well. International finance opportunities received in this regard are used in all capacity increasing investments made in Turkey which aim at renewable energy efficiency. Thematic loan activities

on energy efficiency have covered quite a distance in the last two years.

Target is energy efficiency

TSKB, who has realized many firsts in Turkey, assumed an important mission in the Turkish banking sector by leading the way for energy financing. In this respect, comprehensive conferences are organized to assist in the business world thanks to cooperation with international fund providers such as the World Bank and European Investment Bank.

TSKB, introduced many social responsibility projects in the last 6 years, launched the website **“www.cevreciyiz.com”** in relation with the project named “Environment is our priority” in 2007 and **“www.cevreciyiz.tv”** being the most comprehensive video portal in Turkey about the environment in 2009. Both websites aim to serve as an important source on the environment and increase environment awareness in more people. Setting off with

this mission, TSKB won many awards for its efforts on the international arena. The Bank won the Financial Times and IFC’s “Sustainable Banking Award of the Year” in East Europe consecutively in 2008, 2009 and 2010. In 2011, it is ranked among the best three banks in Europe.

In recent years, TSKB changed the course of its strategic interest in the energy sector by assuming a leading role in the finance of investment projects aimed at energy efficiency in Turkey.

“www.tskbenerjiverimliligi.com”

with the objective of meeting all the actors of this area on a single platform was launched in 2011. The web site made a great contribution for widespread energy awareness and it was used effectively in 2012. Investors are financed together with energy efficiency projects including environmental aspects at the same time SMEs are provided environment certificates at an international level through the website and the Bank’s other sources.

History of “Environment is Our Priority in TSKB” Project

2007	2008	2009	2010	2011	2012
<ul style="list-style-type: none"> • “Environment is Our Priority” Sculpture Contest with Mimar Sinan Fine Arts Academy • “Environment is Our Priority” Conference with TSKB • Meeting with Nature Day • Launch of Turkey’s most comprehensive Portal www.cevreciyiz.com 	<ul style="list-style-type: none"> • Akasya Platform Sponsorship • Training CD Sponsorship with Tema • Opportunities and Expectations in Renewable Energy Conference • www.cevreciyiz.com celebrated its first year with a fresh design and new sections. 	<ul style="list-style-type: none"> • TSKB’s first sustainability report is published • TV spot project of 26 episodes on environment with TRT cooperation • Launch of cevreciyiz.tv. TV the most comprehensive video portal of Turkey on environment. 	<ul style="list-style-type: none"> • “Wings of Wind” Book Project which trails the course of wind energy and promotes its use • Studies, seminars and sponsorships to increase awareness in Energy Efficiency 	<ul style="list-style-type: none"> • TSKB 2nd Sustainability Report is published • www.cevreciyiz.com and cevreciyiz.tv platforms were continuously updated and e-bulletins were sent to members regularly • “Nature Pictures Exhibition” for the kids of TSKB and TSKB affiliate employees and online presentation of the exhibition on various platforms including www.cevreciyiz.com • Internal communication seminars on sustainable tourism and renewable energy topics 	<ul style="list-style-type: none"> • ISO 14064 Greenhouse Gas Verification Certificate. • Launch of cevreciyiz.com’s social media pages • Case studies on “Energy and Environment from TSKB Perspective” were presented with the cooperation of universities. • ‘Sustainability Assessment Workshop’ is organized for university students with the participation of professionals from the sector. • Best practices were presented during conference and seminars on the finance of environment investments, sustainable banking and energy efficiency. • Conference on “Energy efficiency” organized for clients at Bank’s Training Center. In addition to foreign lecturers, representatives of Ministry of Energy and Natural Sources, Undersecretariat of Treasury as well as finance organizations such as KfW, AFD, IFC attended the conference.

The event that hit the headlines in this year is the “Energy efficiency” conference organized by the Bank in its Training Center for its clients. In addition to foreign lecturers with global experience on energy efficiency, representatives of the Ministry of Energy and Natural Sources, Undersecretariat of the Treasury as well as finance organizations including KfW, AFD, and IFC were ready in the conference which drew great interest from all participants.

University cooperation

As part of the university-sector cooperation, TSKB continued to convey its experiences at university events with its finance and sustainability agenda in 2012 as well. A Sustainability Assessment Workshop organized in November at TSKB Training Center with the cooperation of Boğaziçi and Sabancı Universities stood out in terms of both number of participants and its results. Sustainability workshops will continue to be organized with the leadership of TSKB and Escarus (a TSKB affiliate) for the next few

years. Additionally, different information sharing projects are planned with İTÜ, ODTÜ, Boğaziçi and Sabancı universities.

The “Sustainability” theme continued to be studied in the TSKB Career Workshop which is organized with the aim to increase recognition of TSKB in universities and bring in recently graduated employees to the Bank. University students who pass certain phases in the TSKB Career Workshop organized for the third time in 2012 prepare their sample case projects with the help of TSKB expert executives and most of them get the opportunity to work at TSKB after their graduation.

Digital Communication

TSKB continued to use digital platforms such as internet and social media actively in 2012 same as it did in previous years. While increasing interactions with its stakeholders through platforms such as cevreciyiz.com, cevreciyiz.TV, tsbkariyeratolyesi.com, tsbkenerjiverimliligi.com and TSKBIntranet,

TSKB started to be active on social media as well and used these channels regularly not only to announce its projects but also to provide information on markets in line with its investment banking mission.

tsbkenerjiverimliligi.com

TSKB, assuming a pioneer role in the finance of renewable energy investments over many years in Turkey, turned towards energy efficiency projects in 2011 by taking the initiative to decrease energy costs which is one of the most important inputs in the industry. The website “tsbkenerjiverimliligi.com” which was launched with this perspective aims to meet all actors on a single platform. The web continued to introduce every kind of visual, audio and written material focusing on the development of projects

for energy efficiency together with current circumstances in 2012.

Major topics on the website

- Technical and financial details on energy efficiency (EV)
- Current developments on energy efficiency (EV)
- EV regulation,
- Scientific essays on EV,
- Energy management
- Domestic and foreign EV projects

cevreciyiz.com&cevreciyiz.tv

Most comprehensive environment portal of Turkey: www.cevreciyiz.com

The “www.cevreciyiz.com” portal continues to successfully create an impact on the public by contributing knowledge and awareness levels surrounding environmental issues, as well as sharing TSKB’s sustainability mission with its readers.

The website includes up to date news on the environment, the environment agenda of Turkey and the world, researches and essays of academic, NGOs, professionals, special environment dossiers, environment regulation, corporate success stories, virtual photograph exhibitions of famous nature photographers, a carbon meter to measure the carbon footprint and many other interactive sections. The website started to use social media in a much more active manner in 2012.

“One minute in a day to realize!” with www.cevreciyiz.TV

The most comprehensive environmental video portal of Turkey, “cevreciyiz.TV” continued its desirable performance in 2012 as well. Broadcasting videos under many different categories and inviting those who produce videos on the subject, cevreciyiz.TV aims to be the most comprehensive visual environment archive that environment lovers can follow and benefit from.



Sharing Our Experiences and Expertise

Corporate Social Responsibility Organization Schedule

TSKB shares its expertise on subjects such as corporate loans, sustainable banking, project finance, energy efficiency etc., by means of supporting various events as a sponsor, coordinator or speaker; and thus reaches a wide range of stakeholders. In 2012, TSKB has attended 30 different conferences and events, where TSKB's senior managers have given 39 presentations and speeches. In 7 of these

conferences, TSKB has been the sponsor or coordinator.

In order to raise the knowledge and consciousness of our personnel around the issues of economics, sustainability and business life, 8 different internal communication seminars have been held in 2012; which also attracted a lot of attention.

Organized Events in 2012		
Conferences	Date	Place
3. National Energy Efficiency Forum and Fair	January	İstanbul
TOBB and TBB Informatory Assembly with Aegean Region Muğla Chamber of Commerce and Industry	February	Muğla
International Green Building Summit	February	İstanbul
IFC Europe Sustainability Day	February	İstanbul
Winning Bids in Turkey - PPP International	February	İstanbul
As part of Enterprise European Network Project, Informatory Assembly with Istanbul Chamber of Industry and KOSGEB	March	İstanbul
5 th Annual Turkey Energy and Infrastructure Finance Conference	March	İstanbul
Sustainable Banking-Environmental and Social Risks Management of Investment Projects Training	March	TSKB Training Facility
Finance, Banking and Development 2023 Congress TASAM	April	İstanbul
Fleming Europe 7th Annual PPP in CEE Conference	April	Viyana
Panel for members of German - Turkish Chamber of Commerce and Industry	April	İstanbul
Consulate General of Denmark EU Attaché of Commerce Meeting	April	İstanbul
Institute for International Research Energy Investments Conference 2012	May	İstanbul
Bogazici and Sabanci Universities' Case Study	May	İstanbul



Yildiz Technical University II. R&D Project Bazaar	May	İstanbul
UNDP Rio+20 Sustainable Development Summit Preliminary Meeting	May	İstanbul
Sustainable Brands Conference	May	İstanbul
8. International Recycling, Environmental Technologies and Waste Management Trade Fair	June	İstanbul
Istanbul Chamber of Industry EU School Program Seminar	June	İstanbul
Republic of Turkey Ministry of Development Civil - Private Sector Collaboration Workshop	June	Ankara
EU Horizon 2020 Project Green Banking in Turkey Training	July	İstanbul
3. Istanbul Finance Summit	September	İstanbul
Power Industry Turkey Conference	September	İstanbul
3. Annual Wind Summit	September	İstanbul
EIF International Energy Congress and Fair	October	Ankara
4. Green Business Conference	October	İstanbul
4. Green Business Conference	October	İstanbul
ISO and KOSGEP SME Meeting	October	İstanbul
Sustainability Measurement Workshop	November	TSKB Training Facility
Energy Efficiency Conference	December	TSKB Training Facility

Be sustainable



SECTION V

We provide financial support for investments that will diminish the effect of climate change in our country and help Turkish industry switch to low carbon economy.

TSKB's Subsidiaries

TSKB affiliates operate in areas that are parallel to or complementing the Bank's main activities. Its biggest affiliate, Yatırım Finansman, is the first brokerage company of Turkey and has 15 branches and agents at important hubs to serve its clients. TSKB Real Estate Appraisal Company is Turkey's first company with a Capital Market Board license and continues to grow fast. Real Estate Investment Partnership was founded in 2006 and has a good performance. TSKB is also a shareholder of İş Leasing and İş Factoring which are founded by İş Bankası..

Yatırım Finansman Menkul Değerler A.Ş. (Yatırım Finansman Securities)

Yatırım Finansman Menkul Değerler A.Ş., which is the first capital market company of Turkey, was founded with the participation of 13 big scale banks led by Türkiye İş Bankası and TSKB on October 15th, 1976. Yatırım Finansman, which has shown a fast and consistent growth since its foundation, held a reputable place in the capital markets and became one of the leading organizations of the sector as a "reliability symbol" in every period of its background.

Yatırım Finansman continues to offer value added services to its clients in line with its corporate mission, vision and strategy set again at the beginning of 2012 and its experience and capital structure thanks to its 35-year background in the finance sector. Yatırım Finansman set its vision to be among the top 10 brokerage companies in Turkey and works hard to increase the added value offered to investors and shareholders based on its approach to working with client as closely as possible in addition to its credibility and experience. Yatırım Finansman will continue to act as an organization which defines market trends rather than following them focusing on its strategy to offer an effective and quick service to investors with its strong team and technical infrastructure in 2013 as well.

Yatırım Finansman has a strong and widespread service network throughout the

country and provides reliable, quality and quick capital market services to individual and corporate investors within Turkey and any part of the world. It increased the number of its branches and agencies to 15 after opening two more branches at important centers namely Konya and Çankaya/Ankara in 2012. Investment advisors, client representatives, Internet Branch, Telephone Branch (444 11 44) and mobile products all having Capital Market Board licenses make the service network of Yatırım Finansman all work together. Yatırım Finansman can easily access domestic and foreign corporate investors thanks to its wide investor base and branch network and it became a strategic partner in public offerings.

Yatırım Finansman, having approximately 34.000 accounts, a client portfolio of more than TRY 1,274 thousand by the end of 2012 and the size of its investment fund above TRY 181,900 Thousand stands out among the brokerage companies and takes the service to a higher level in the sector. Yatırım Finansman, having a brokerage company certificate of authority for leveraged trading transactions in its wide product portfolio in 2012 together with all other capital market authority certificates, continues to offer capital market brokerage and investment banking services to domestic and international individual and corporate investors at global standards.

www.yf.com.tr

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO) (TSKB Real Estate Investment Trust - TSKB REIT)

TSKB GYO is a portfolio management company. The Company was founded at the beginning of 2006 and aims to have and develop a profitable real estate portfolio to provide high return to its partners. TSKB GYO which is an affiliate of TSKB, the first privately-owned development and investment bank of Turkey, is supported by the Bank's 63-year corporate experience and strong position in the nation's

economy.

As a capital market organization, TSKB GYO can invest in real estates, capital market instruments based on real estates, real estate projects as well as rights based on real estates and capital market instruments, establish ordinary partnerships to develop certain projects and engage in other activities permitted under Capital Market Board's relevant communiqué.

Essential elements of TSKB GYO's corporate strategy are consistency, transparency, quality, social responsibility, client orientation and team work. Primary principles of its investment strategy are based on growing by project development, sustainability and risk management. The asset size of TSKB GYO, founded with initial capital of TRY 10 million, reached TRY 364 million by December 31, 2012 and the size of rentable area under its management increased from 3,000 m² to 50,000 m².

Real Estate Portfolio

TSKB GYO's primary principle is to provide a reliable and strong real estate portfolio to investors based on the support of expertise, experience and corporate approach it receives from its founder partner TSKB. With this perspective, the Company takes the necessary steps to have an investment portfolio with diversified quality and geographical locations. TSKB GYO's investment activities focus mainly on commercial real estates but investment opportunities of residence and other areas can be put on the agenda.

Sustainability is among the most important elements considered by TSKB GYO in real estate investments. Instead of temporary and short term solutions for project development, the Company tries to realize contemporary, distinctive, commercial and sustainable investments in terms of social and environmental aspects.

The Company's real estate portfolio includes the Pendorya Shopping Mall opened on December 17th, 2009 with approximately

80,648 m² closed area and 30,275 m² rentable area located on E-5 motorway in Pendik, Istanbul, two office buildings with 17,603 m² closed area located in Istanbul, Fındıklı, Tahir Han located in Istanbul and a half share of the land with 3,608 m² surface area where an hotel construction (Divan Adana Hotel) is under progress at the city center of Adana.

Capital Markets

TSKB GYO works hard to have real estate investments accepted in the capital markets as a liquid and strong investment alternative. TSKB GYO is an investment company subject to the Turkish capital market regulations. It has been quoted in ISE Corporate Products Market with the "TSGYO" ticker since April 2010 after it completed its public offering process, has satisfied other requirements and has its real estate portfolio according to the applicable laws.

www.tskbggyo.com.tr

TSKB Gayrimenkul Değerleme A.Ş. (TSKB Real Estate Appraisal)

TSKB Real Estate Appraisal, founded in 2002 to provide a real estate appraisal services in 2002, was included on the "Appraisal Companies" list approved by the Capital Market Board in February 2003. TSKB Real Estate Appraisal became one of the first companies that was authorized to provide "Real estate, real estate project or appraisal of rights and interests related with a real estate" service as per BRSA decision No. 3469, dated December 17th, 2009.

After having BRSA licenses, the Capital Market Board received a RICS license given by the Royal Institution of Chartered Surveyors as an international service guarantee and became one of the leading companies in Turkey offering services with three licenses. The Company is also entitled to receive ISO 9001:2000 Quality Certificate given by BSI (BSI Eurasia Yönetim Sistemleri Belgelendirme Ltd. Şti.) and is proud to be

the "first real estate appraisal company" in Turkey with this ISO 9001:2000 Certificate. In 2005, TSKB Real Estate Appraisal was awarded by Euromoney (England) as "The Best Real Estate Advice in Turkey" and the Company was given "The Best Real Estate Appraisal Company of Turkey" and "The Best Real Estate Advice in Turkey" awards in 2008 under the Real Estate Advice (Liquid Real Estate) category.

TSKB Real Estate Appraisal's long standing experience and expertise base on TSKB's 63-year expertise on the real estate, machinery and equipment areas. TSKB Real Estate Appraisal independently and objectively appraises the current prices of a real estate or property in accordance with Capital Market Board regulation and reports the same to its clients as required by international appraisal standards. TSKB Real Estate Appraisal provides appraisal and advisory services to real estate investment partnerships, real estate development companies, insurance and reinsurance companies, financial leasing companies, independent audit firms, brokerage firms, foundations and municipalities. TSKB Real Estate Appraisal provides appraisal services not only in relation with land, residences, shopping malls but also other types of real estate such as tourism facilities, ports, marinas, plants and warehouse areas. TSKB Real Estate Appraisal continues to provide independent and objective advice, appraisal, project development and feasibility, market research, sector studies, investment review-control, and machinery-equipment expertise services in compliance with international standards (IVSC).

TSKB Real Estate Appraisal has a BREEAM (Building Research Establishment Environmental Assessment Method) license that is accepted among the best environmental assessment system for buildings. TSKB Real Estate Appraisal became one of the leading companies with four licenses received from the Capital Market Board, BRSA, RICS and BREEAM in

Turkey. TSKB Real Estate Appraisal brought something new to Turkey in 2012 and gave its clients the opportunity to see the "Green Value" of their "Green Buildings".

61 TSKB Real Estate Appraisal representatives located in 6 cities with their headquarter office in Istanbul continue to offer real estate appraisal services to companies and banks for guarantee purposes. Having a widespread service network, TSKB Real Estate Appraisal undertakes to deliver appraisal reports within a maximum of 3 – 5 business days without compromising its quality approach.

www.tskbgd.com.tr

Escarus Sürdürülebilir Danışmanlık A.Ş.

ESCARUS Sürdürülebilir Danışmanlık A.Ş., founded by TSKB affiliate Yatırım Finansman A.Ş. with 96% participation share and TRY 240,000 capital on March 24th, 2011, aims to develop sustainability solutions, provide advisory services and integrate internationally recognized global, environmental and sustainable approaches to the Turkish business world with its experienced and professional work force.

The objective of Escarus is to provide the best solutions designed for its clients thanks to its cooperation with advisors and companies having expertise on their fields. Escarus services, which are based on TSKB's long standing environment and sustainability approach, are kept under 4 main categories: "Advisory-Engineering", "Training", "Certification" and "Monitoring / Reporting". Escarus works hard to realize its target to be the reference point in Turkey for sustainability with a corporate project management approach based on international principles.

www.escarus.com

Brief information on TSKB's subsidiaries operating under the Isbank Group is provided below:

	Sector	Capital	TSKB's Share	Website
İş Finansal Kiralama A.Ş.	Finance	TRY 389 million	28.56%	www.isleasing.com.tr
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Finance	TRY 57.9 million	16.67%	www.isgirisim.com.tr
İş Factoring Finansman Hizmetleri A.Ş.	Finance	TRY 16 million	21.75%	www.isfactoring.com.tr

Amendments in the Articles of Association

In the 62th General Assembly Meeting which was held on March 26th, 2012, the registered capital of the Bank was increased to TRY 2.5 billion and the Article 5 of the Articles of Association was ammended as below;

Old Version	New Version
<p>Türkiye Sınai Kalkınma Bankası A.Ş. Articles of Association</p> <p>Share Capital</p> <p>Article 5 – The Bank has accepted the registered capital system in accordance with the provisions of the Capital Market Law and inaugurated the registered capital system upon the Permission of the Capital Market Board No 1909, dated December 25th,1997.</p> <p>The registered capital of the Bank is 1.000.000.000TL (One Billion) Turkish Liras. The registered capital has been divided into 100.000.000.000 (Hundred Billion) shares, each having a value of 1 (one) Kuruş.</p> <p>The issued and paid-in-capital of the Bank is 300.000.000-TL (Three Hundred Million) Turkish Liras. The entirety of share certificates are registered shares. The issued capital has been divided into constituted of share certificates divided into 30.000.000.000 shares (Thirty Billion), each with a par value of 1 Kuruş.</p> <p>100 registered bonus shares have been issued and distributed to the founders, who are stockholders of the Bank, in proportion to their shareholding in the initial capital of the Bank.</p> <p>Within the framework of the provisions of the Capital Market Law and other relevant Legislation, the Board of Directors, when deems it necessary, is authorized to raise the issued capital by issuing registered shares in the amount corresponding to the upper limit of the registered capital notwithstanding the provisions of the Turkish Commercial Code concerning the capital increase. No further issue of share certificates may be made unless all the issued shares are sold and paid in full or those shares not sold are cancelled.</p> <p>All shares to be issued shall be registered shares and shall be quoted on the Stock Exchange. Within the framework of the regulations and rulings of the Capital Markets Board, the Board of Directors is also authorized to issue shares to represent several shares jointly, provided no charge shall be made in the par value of the said share certificates. Provided that the regulations and the rulings of the Capital Markets Board are reserved, these shares may be then exchanged by individual share certificates upon the request of the shareholders in the number equivalent to the share value represented by the former shares.</p>	<p>Türkiye Sınai Kalkınma Bankası A.Ş. Articles of Association</p> <p>Share Capital</p> <p>Article 5 – The Bank has accepted the registered capital system in accordance with the provisions of the Capital Market Law and inaugurated the registered capital system upon the Permission of the Capital Markets Board No 1909, dated December 25th,1997.</p> <p>The registered capital of the Bank is 2.500.000.000TL (Two Billion Five Hundred Million) Turkish Liras. The registered capital has been divided into 250.000.000.000 (Two Hundred Fifty Billion) shares, each having a value of 1 (one) Kuruş.</p> <p>The permission of the registered capital ceiling that was granted by the Capital Markets Board is valid between the years 2012 and 2016 (5 Years). At the end of 2016, even though the permitted registered capital ceiling has not been reached, in order for the Board of Directors to adopt a resolution regarding the capital increase, it is mandatory to obtain a permission from the Capital Markets Board for the ceiling that was previously permitted or for a new ceiling amount and to receive an authorization from the General Assembly for a new time period. If such authorization could not be obtained, it shall be deemed that the Bank has been removed from the registered capital system.</p> <p>The issued and paid-in-capital of the Bank is 800.000.000-TL (Eight Hundred Million) Turkish Liras. The entirety of share certificates are registered shares. The issued capital has been divided into constituted of share certificates divided into 80.000.000.000 shares (Eighty Billion), each with a par value of 1 Kuruş.</p> <p>100 registered bonus shares have been issued and distributed to the founders, who are stockholders of the Bank, in proportion to their shareholding in the initial capital of the Bank.</p> <p>Within the framework of the provisions of the Capital Market Law and other relevant Legislation, the Board of Directors, when deems it necessary, is authorized to raise the issued capital by issuing registered shares in the amount corresponding to the upper limit of the registered capital notwithstanding the provisions of the Turkish Commercial Code concerning the capital increase between 2012 and 2016. No further issue of share certificates may be made unless all the issued shares are sold and paid in full or those shares not sold are cancelled.</p> <p>All shares to be issued shall be registered shares and shall be quoted on the Stock Exchange. Within the framework of the regulations and rulings of the Capital Markets Board, the Board of Directors is also authorized to issue shares to represent several shares jointly, provided no charge shall be made in the par value of the said share certificates. Provided that the regulations and the rulings of the Capital Markets Board are reserved, these shares may be then exchanged by individual share certificates upon the request of the shareholders in the number equivalent to the share value represented by the former shares.</p>

Türkiye Sınai Kalkınma Bankası A.Ş.

Important Developments with respect to Company's Operations

Explanations with respect to private and public audits carried out during the accounting period:

No private or public audits were undertaken during the accounting period.

Explanations with respect to administrative or legal sanctions imposed on the Company and members of the Board and Management due to acts and procedures in violation of the codes:

None.

Subsidiary transactions:

Information regarding the subsidiary transactions of our Bank is indicated in the footnotes of the audit reports. The results section of the Subsidiary Report for 2012 issued in accordance with Article 199 of the Turkish Commercial Code no. 6102 is as stated below:

“There are no legal transactions executed in favor of our Bank and its main shareholder Türkiye İş Bankası A.Ş. and its subsidiaries and with the guidance of our main shareholder's, in favor of our main shareholder and one of the subsidiary companies of our main shareholder and no measures taken or avoided to be taken for our Bank or our main shareholder or one of its subsidiaries.

Further, the commercial transactions and procedures carried out by our Bank and our main shareholder Türkiye İş Bankası A.Ş. and its subsidiaries, which have been stated and explained in detail on the aforementioned report are transactions required by the ordinary course of our Bank's business and activities and have been realized over imputed values currently available in the market and are in compliance with the principle stated in Article 202 of the Turkish Commercial Code that the main shareholder cannot use its authority and control in a manner that will harm and damage its subsidiaries.

There are no decisions passed against our Bank upon the request and claim of our main shareholder Türkiye İş Bankası A.Ş. and its subsidiaries or any damaging transactions.”

Explanations with regards to Shares of the Chairman of Board of Members, the General Manager and Executive Vice Presidents:

Please refer to Corporate Governance Principles Compliance Report Article 18

Independent Auditors'

Compliance Opinion for the Annual Report



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

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

Annual Report Compliance Opinion

To the Shareholders of Türkiye Sınai Kalkınma Bankası Anonim Şirketi:

We have audited the accuracy and the consistency of the financial information in the annual report of Türkiye Sınai Kalkınma Bankası Anonim Şirketi ("the Bank") with the audited financial statements as of 31 December 2012. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on the annual report based on our audit.


Our audit was conducted in accordance with the regulations on preparation and issuance of annual report in (Turkish) Banking Law No 5411 and independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance regarding whether the consistency of financial information represented in the annual report with the audited financial statements and explanatory notes is free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information represented in the accompanying annual report represents fairly, in all material respects, the information regarding the financial position of Türkiye Sınai Kalkınma Bankası Anonim Şirketi as of 31 December 2012 in accordance with the effective regulations described in article 40 of (Turkish) Banking Law No 5411 and includes Independent Auditors' Report issued by us and Summary of Board of Directors' Report and is consistent with the audited financial statements and explanatory notes.

İstanbul,
1 March 2013

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Orhan Akova, SMMM
Partner



**Let our speed
get you ahead**

SECTION VI

Speedy and expert Capital Market Brokerage Services are available for corporate and retail customers. We offer maximum service quality with minimum commissions.

Information About Management and Corporate Governance Practices

Board of Directors



Adnan Bali / Chairman of the Board

Adnan Bali was born in 1962 in İslahiye and graduated from the Economics Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University. Mr. Bali started his professional career at Isbank's Board of Inspectors. Mr. Bali was appointed as Deputy Manager, Unit Manager and Manager at Treasury Department respectively. He was positioned as Şişli Branch Manager, Galata Branch Manager and Deputy Chief Executive Officer. Then he was appointed as the Chief Executive Officer of Isbank in April 1, 2011. Mr. Bali has been a member of TSKB's Board of Directors since April 15, 2011 and the Chairman of the Board of Directors since April 21, 2011.



Mehmet Şencan / Vice Chairman of the Board

Mehmet Şencan was born in Adapazarı in 1964 and graduated from Management Engineering in Istanbul Technical University. He started his professional career at Isbank Galata Branch as officer and joined Isbank's Board of Inspectors. With the title of Financial Analyst and Foreign Exchange Officer, Mr. Şencan appointed to Bursa Branch as Deputy Manager while he has IV. degree inspector title in 1997, then served as Branch Manager at various cities. After serving as Branch Manager at Antakya, Gebze, Denizli, Bursa, Bursa Corporate branches he was appointed as the Capital Corporate Branch Manager in 2011. Mr. Şencan has been a member of TSKB's Board of Directors since June 13, 2011.



H. Fevzi Onat / Board Member, General Director

H. Fevzi Onat was born in Ankara in 1959. He was graduated from the Department of Economics at the Faculty of Social and Political Sciences at Hacettepe University and began his career at Isbank's Board of Inspectors. Mr. Onat served as Deputy Manager in various departments such as Loans Department, Intelligence and Financial Analyst Department and Corporate Loans Department. Mr. Onat was appointed as Branch Manager at Yenisehir/Ankara Branch and became Deputy Chief Executive Officer. In March 28, 2008 Mr. Onat was elected to the Board of Directors of Isbank and served as Deputy Chairman of the Board, Board Member responsible for Internal Systems Committee and Chairman of the Risk Committee since April 2, 2008. Mr Onat, who is a Board Member of The Banks Association of Turkey, had been a member of TSKB's Board of Directors and the Bank's CEO since May 30, 2011. Mr. Onat retired from his position on January 31, 2013.



Prof. Dr. M. Baran Tuncer / Board Member

M. Baran Tuncer was born in Bayburt in 1934 and graduated from the Faculty of Political Sciences, Ankara University. He completed a master's degree at the University of Kansas, doctorate degree at the Faculty of Political Sciences, Ankara University. He also studied at the University of California. In 1976, he became a professor in Economics. He continued his academic career in Ankara and Boğaziçi Universities, while he was lecturing at the Middle East Technical University, the Hacettepe University and the Istanbul Bilgi University. Apart from Turkey, Mr. Tuncer worked at the University of Yale and the University of Minnesota in the USA as a researcher and guest lecturer. In 1960s, he served as the President of Economic Planning Bureau in the State Planning Organization, and he worked as a Board Member in the Customs and the Excise Ministry in 1974 and also in Eczacıbaşı Holding in 1970s. He had worked in the World Bank for 15 years since 1980 in East Africa, Southeast Asia and Latin America divisions. In 1995 before he left the Bank, he was the Chief Economist for the Central American countries. Later he temporarily served as consultant in India, Russia, Kazakhstan and Azerbaijan. He still serves as Vice Chairman at Turkish Family Health & Planning Foundation. He was the Vice Chairman of Isbank's Board of Directors since 2005, where he was a Board Member between 2002-2008. Mr. Tuncer has been a member of the TSKB's Board of Directors since June 12, 2008.



Durmuş Yılmaz / Board Member

Durmuş Yılmaz was born in Uşak in 1947. After having three years education at the Faculty of Law, Ankara University, he went to England in 1970 to study economics on behalf of the Ministry of Trade with a scholarship of Ministry of National Education. He had a bachelor's degree in economics at City University of London, and a master's degree at University of London. After coming back to Turkey, he started working for the Ministry of Trade. Then he started serving for the Foreign Exchange Department of the Central Bank of the Republic of Turkey in 1980, and worked in the areas of Foreign Debt Rescheduling, Exchange Rate and Foreign Exchange Reserve Management. Between 1993 and 2003, Mr. Yılmaz served as Deputy Director of Foreign Exchange Transactions Division, Director of Interbank Money Markets Division, Director of Balance of Payments Division, Deputy Executive Director of Markets Department responsible for the Foreign Exchange Risk Management-Credits-Foreign Exchange and Banknotes Markets and Open Market Operations Divisions. He was appointed to Executive Director of Workers' Remittances. Mr. Yılmaz became the member of the Bank's Board after the General Assembly held on April 7, 200. He was appointed as the Governor of the Central Bank of the Republic of Turkey on April 18, 2006. He completed five years term on April, 2011, and was assigned to the Chief Consultant for the Economy at the Presidency of the Republic of Turkey on April 20, 2011. Mr. Yılmaz has been a member of the TSKB's Board of Directors since April 5, 2012.



Burhanettin Kantar / Board Member

Burhanettin Kantar was born in Trabzon in 1963 and graduated from the Public Administration Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University. He began his professional career at Isbank as an Assistant Inspector on the Board of Inspectors in 1988. Mr. Kantar was appointed as the Assistant Manager in the Participations Department in 1997. In May 2005, he was appointed as Manager in the same department where he has been serving as Group Manager. Mr. Kantar has been a member of TSKB's Board of Directors since March 23, 2005.

Board of Directors (Continued)



Murat Bilgiç / Board Member

Murat Bilgiç was born in Ankara in 1968 and graduated from the International Relations Department of the Faculty of Economics and Administrative Sciences, Middle East Technical University. Then, he completed a master's degree in banking area at the University of Birmingham. He joined Isbank in 1990 as an Assistant Inspector. In 2002, after serving in a variety of positions at the bank, he became the Regional Manager in the Corporate Loans Department. Since 2008, he has been working as the Manager of the Corporate Loans Department. Mr. Bilgiç has been a member of TSKB's Board of Directors since March 30, 2005.



Kemal Serdar Dişli / Board Member

Kemal Serdar Dişli was graduated from the Public Administration Department of the Faculty of Economics and Administrative Sciences, Hacettepe University. He began his professional career as officer at Isbank in 1988 and appointed as Assistant Inspector in the same year. Between the years 1988-2002 he served as Deputy Manager and Group Manager at Accounting and Financial Operations, between 2002-2009 he served as Region Manager, Branch Manager and Group Manager at Marmara Region Directorate, Bursa Branch and Corporate Banking & Marketing Department respectively. Mr. Dişli still serves as the Manager of Maslak Corporate Branch and has been a member of TSKB's Board of Directors since May 28, 2007.



Uygar Şafak Öğün / Board Member

U. Şafak Öğün was born in Ankara in 1974 and graduated from the Business Administration Department, Bilkent University in 1995. In the same year, he started his professional career at Isbank in the Board of Inspectors. In 2002, Mr. Öğün completed his master's degree in International Banking and Finance area at the University of Birmingham. He continued his career at Isbank as the Deputy Manager of the Directorate of Corporate Marketing in 2005 and was appointed as the Deputy Manager of the Board of Inspectors in 2007. Mr. Öğün was appointed as the Corporate Banking Sales Manager in 2008 and Corporate Banking Marketing and Sales Manager on September 29, 2009, where he still serves. Mr. Öğün has been a member of the Board of Directors of TSKB since April 13, 2010.



Feridun Bilgin / Board Member

Feridun Bilgin was born in Sivas in 1964 and graduated from Department of Electrical and Electronics Engineering of Istanbul Technical University. Mr. Bilgin, who studied his masters degree between 1985-1987 at Institute of Science and Technology of Yıldız Technical University, started his professional career as Assistant Specialist at the State Planning Organization in 1986. In 1991, he was appointed as the Planning Specialist. At the same year, he started to work for the Turkish Republic Undersecretariat of Treasury and Foreign Trade as a Branch Manager. Between 1996 and 1999, he served as an Undersecretary of Economy at the Skopje Embassy. Mr. Bilgin was appointed as Deputy General Manager of General Directorate of Incentives Implementation at the Turkish Republic Treasury in 2003. In 2007, he was appointed as the General Manager of the General Directorate of Incentives Implementation at the Turkish Republic Treasury. Feridun Bilgin served as a member of the Board of Directors at several companies between 2002 and 2012. Since 2010, Mr. Bilgin has been positioned as the Deputy Secretary of Treasury. He has served as the Member of Technology Development Foundation of Turkey since 2004, and as a Statutory Auditor at T.C. Ziraat Bankası since 2012. He is a member of the Board of Directors of TSKB since September 21, 2012.



Yonca Koçak / Board Member

Yonca Koçak was born in Ankara in 1969 and graduated from the International Relations Department, Ankara University. After she completed the Public Administration Masters degree at Gazi University, she started her professional career at Türkiye Vakıflar Bankası, Kızılay Branch. She has been working as the Corporate Loan President of Project Development and Investment Loans Department at T. Vakıflar Bankası. Mrs. Koçak has been a member of TSKB's Board of Directors since July 21, 2010.



Hamide Esma Uygun Çelikten / Statutory Auditor

Hamide Esma Uygun Çelikten was born in Gaziantep in 1974 and graduated from the Faculty of Economics and Administrative Sciences, Department of Business Administration, Gazi University. She started his professional career at İsbank in 1997 as an Assistant Specialist. In 2006, Mrs. Çelikten was appointed as Deputy Manager in the Capital Markets Department. She still serves as Unit Manager in the same department since 2010. Mrs. Çelikten has been the Statutory Auditor of TSKB's Board of Directors since March, 2011.



Muzaffer Armağan Saraçoğlu / Statutory Auditor

M. Armağan Saracoglu was born in Amasya in 1974 and graduated from the Department of Business Administration, European University of Lefke. He started his professional career at İsbank in 1998 as an Assistant Inspector. In 2007, Mr. Saracoglu was appointed as the Deputy Manager at the Human Resources Management Department. In 2011, he was appointed as the Unit Manager at the Participations Department. He still serves as Unit Manager in charge of Banks and Finance Participations at İsbank and he is positioned as a member of the Board of Directors of İsbank Leasing and İsbank Factoring Services. Since September 4, 2012, Mr. Saracoglu has been the Statutory Auditor of TSKB's Board of Directors.

Senior Management

H. Fevzi Onat / Board Member, CEO (1)

H. Fevzi Onat was born in Ankara in 1959. He was graduated from the Department of Economics at the Faculty of Social and Political Sciences at Hacettepe University and began his career at Isbank's Board of Inspectors. Mr. Onat served as Deputy Manager in various departments such as Loans Department, Intelligence and Financial Analyst Department and Corporate Loans Department. Mr. Onat was appointed as Branch Manager at Yenişehir/Ankara Branch and became Deputy Chief Executive Officer. In March 28, 2008 Mr. Onat was elected to the Board of Directors of Isbank and served as Deputy Chairman of the Board, Board Member responsible for Internal Systems Committee and Chairman of the Risk Committee since April 2, 2008. Mr Onat, who is a Board Member of The Banks Association of Turkey, had been a member of TSKB's Board of Directors and the Bank's CEO since May 30, 2011. Mr. Onat retired from his position on January 31, 2013.

Orhan Beşkök /

Senior Executive Vice President (2)

Orhan Beşkök was born in Ankara in 1955 and graduated from the Central London Polytechnic University (Department of Economics) after which he completed a master's degree in economics at London School of Economics. After serving in a variety of positions at TSKB, he was appointed as the Head of the Economic Analysis Department in 1995. Mr.

Beşkök was appointed as an Executive Vice President in 2002 and is currently responsible for the Project Appraisal, Evaluation and Financial Institutions Division, which includes the Financial Analysis, Economic Analysis, Engineering Analysis and Financial Institutions. Mr. Beşkök was promoted to Senior Executive Vice President on January 1, 2011.

Burak Akgüç / Executive Vice President (3)

Burak Akgüç was born in Istanbul in 1964 and graduated from the Department of Political Science, Boğaziçi University. Mr. Akgüç joined TSKB in 1991 as a Specialist in the Financial Analysis Department. After serving in a variety of positions, he was appointed as the Head of the Loan and Investment Department in 2001. He was promoted to the Executive Vice President in 2005 and is currently responsible for the Corporate Finance, Research and Corporate Marketing Division which includes the Corporate Banking Department, Ankara and Izmir Branches.

Ömer Eryılmaz / Executive Vice President (4)

Ömer Eryılmaz was born in Giresun in 1964 and graduated from the Faculty of Business Administration, Istanbul University. Mr. Eryılmaz began his professional career at Sınai Yatırım Bankası in 1986 and was appointed as the Manager of Financial Control Department in 1999 and the Head of Risk Management Department in 2002



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at TSKB. Then, he was promoted to the Head of the Board of Inspectors in 2003. Mr. Eryılmaz was appointed as Executive Vice President in 2006 and is currently responsible for the Financial Control & Capital Markets Division, which includes the Financial Control, Budget Planning & Investor Relations and Capital Markets Departments.

Çiğdem İçel / Executive Vice President (5)

Çiğdem İçel was born in Eskişehir in 1966 and graduated from the Department of Business Administration, Boğaziçi University. Mrs. İçel began her professional career at TSKB as an Assistant Investment Advisor in the Treasury Department. After serving in a variety of positions, she was appointed as the Head of Treasury and Correspondent Banking Department in 1998. Çiğdem İçel was promoted to the Executive Vice President in 2006 responsible for the

Operations Division, which includes Loan Operations and Treasury & Capital Markets Operations Departments. Mrs. İçel is currently responsible for the Treasury and Human Resources Division which includes Treasury, Talent Management & Corporate Communication and Human Resources Departments.

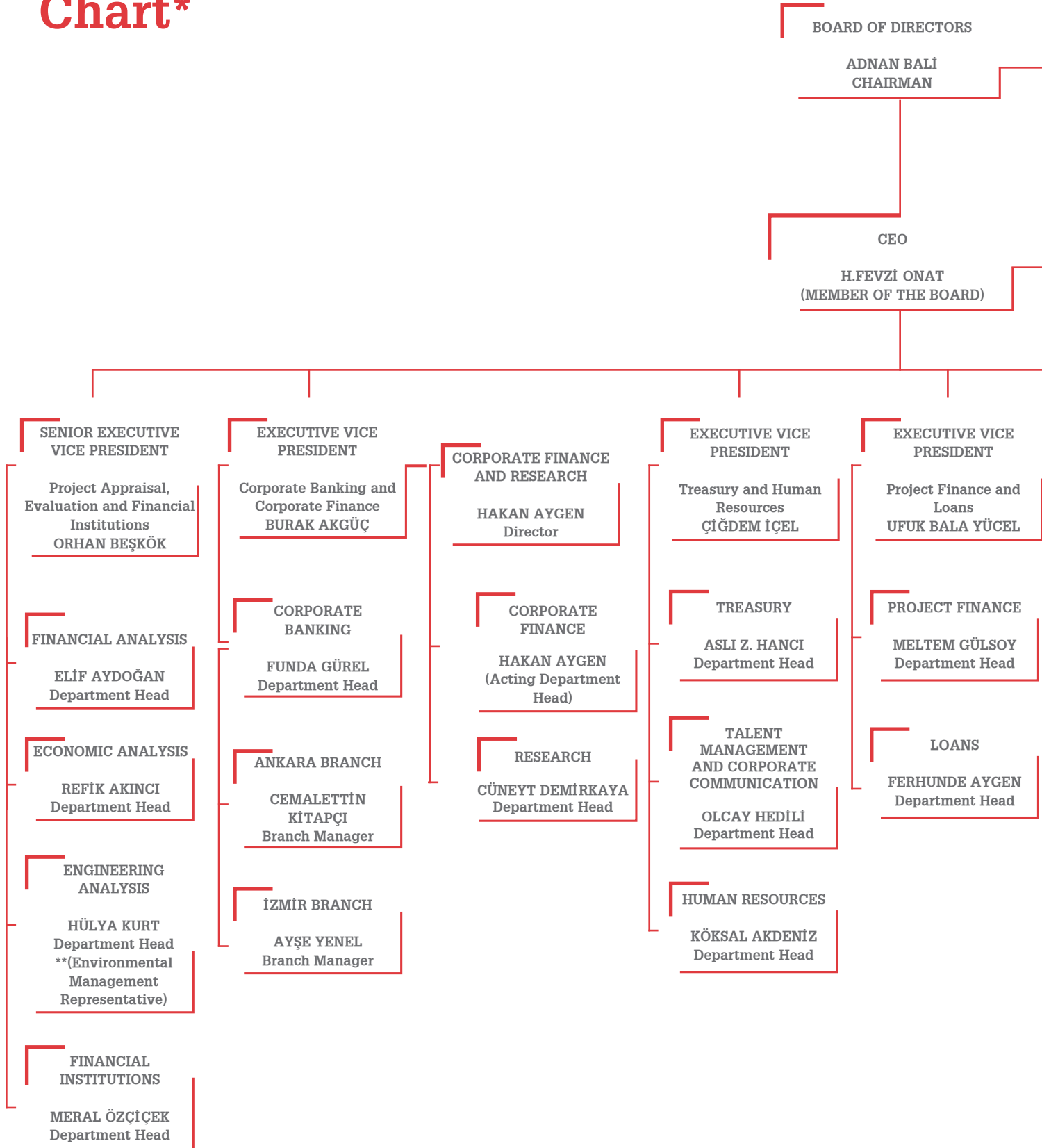
Ufuk Bala Yücel / Executive Vice President (6)

Ufuk Bala Yücel was born in Istanbul in 1964 and is a graduate of the Department of Political Science, Boğaziçi University. Mrs. Yücel began her professional career in 1987. After working in several banks, she joined TSKB as the Head of Loans Department in 2002. She was promoted to Group Manager in 2007. Since 2008, Ufuk Bala Yücel has been working as Executive Vice President responsible for the Loans Division, which includes the Project Finance and Loans Departments.

Gökhan Çanakpınar / Executive Vice President (7)

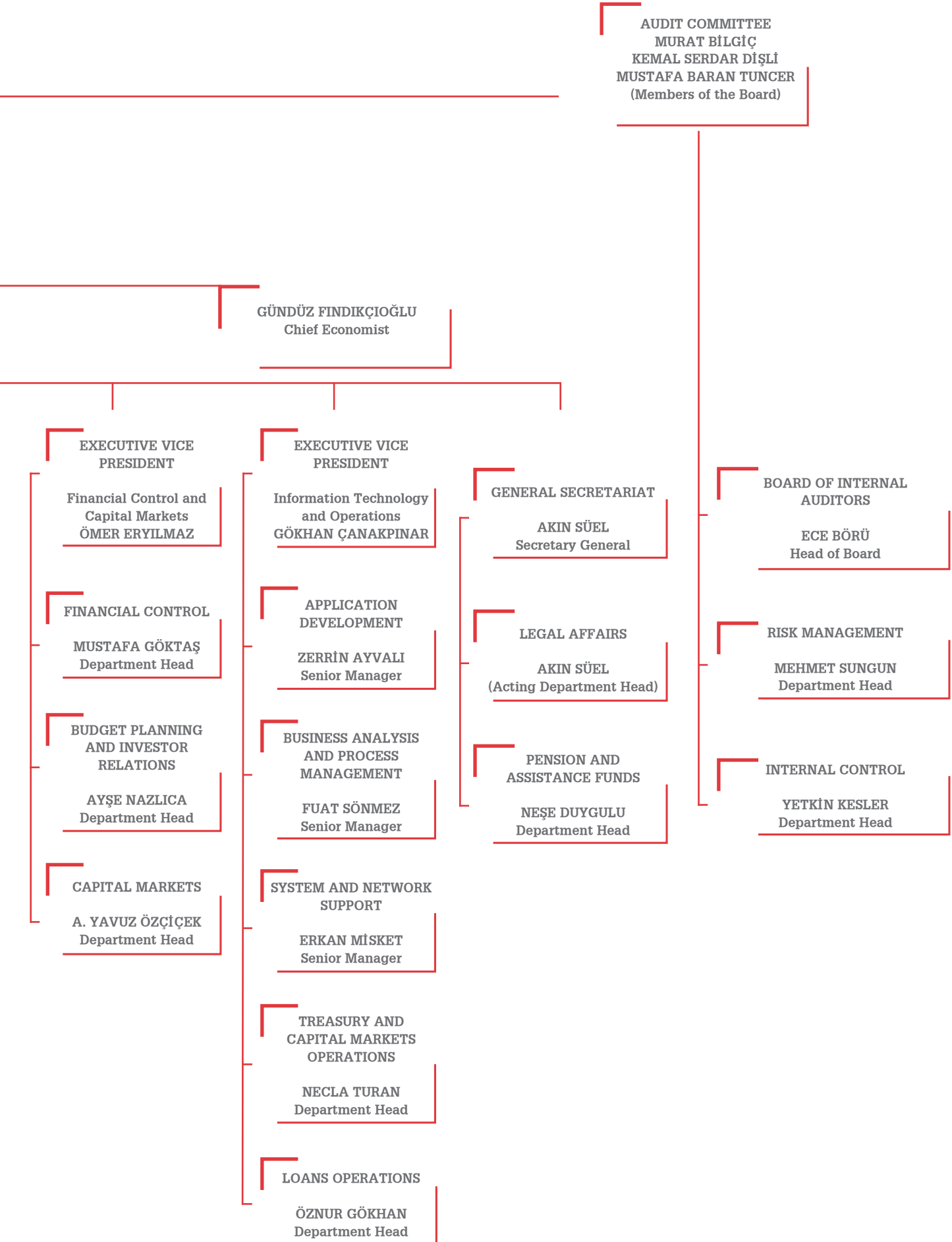
Gökhan Çanakpınar was born in Ardahan in 1964 and graduated from the Department of Business Administration, Middle Eastern Technical University. Mr. Çanakpınar began his professional career at İpekiş Mensucat as System Analyst in 1988. After 1990, Mr. Çanakpınar served as Project Manager at İşbank for six years. In 1995, he started serving as System Analyst at TSKB and appointed as the Head of Application Development Department in 2000. Mr. Çanakpınar promoted to Director of Information Technology Unit in 2011. Since January 1, 2012 he has been working as an Executive Vice President responsible for the Information Technology and Operations Division, which includes Application Development, Business Analysis and Process Management, System and Network Support, Treasury and Capital Markets Operations, Loans Operations.

Organization Chart*



* As of January 01, 2013.

** Environmental Management Representative is directly reporting to CEO.



Activities of the Risk Management Committees That Have Been Set up and the Full Names of the Heads and Members of These Committees and of the Members of the Audit Committee

Audit Committee

The Audit Committee consists of 3 members, all of whom have been selected from the non-executive Board members. The current members of the Audit Committee are Mr. Murat Bilgiç, Mr. Kemal Serdar Dişli and Mr. Mustafa Baran Tuncer.

The Audit Committee is responsible for the following tasks;

- Establishing the internal audit, internal control and risk management systems in compliance with related regulations, ensuring that they function effectively and sufficiently,
- Assisting the Board of Directors during appointment and assessment of external auditors and monitoring the appointed auditor's activities on a regular basis,
- Ensuring that the internal audit functions of subsidiaries are coordinated in line with regulations and on a consolidated basis,
- Reporting to the Board of Directors that the internal audit, risk management, internal control units and the external auditors operate within the framework of the related regulations and informing the Board about any issues or incidents that could have an adverse impact on the continuity or soundness of the Bank's activities,
- If necessary, gathering information and related documents from all units of the Bank, support service contractors and independent auditors; and being subject to Board approval obtaining consultancy services,
- Assessing the internal audit report which is prepared by authorized internal auditors at 3-month intervals; and then submitting the mentioned report to the Board of Directors according to the Banking Law number 5411, 29th clause, 2nd item.

In 2012, the Audit Committee held 34 meetings.

The duties and responsibilities of the Executive Risk Committee, which is responsible for preparing, getting approval from the Board of Directors and monitoring the execution of the risk management strategies and policies the Bank, were transferred to the Audit Committee as of September, 2012.

Managers of Internal Systems

Head of Board of Internal Auditors: Ece Börü

Term of Office	Total Work Experience	Previous Responsibilities	Academic Background
7 Years	23,5 Years	Financial Control, Program and Budgeting	B.A. Degree from a Domestic University

Senior Manager of Internal Control: Yetkin Kesler

Term of Office	Total Work Experience	Önceden Çalıştığı Birimler	Academic Background
2 Years	21 Years	System Development and Quality Management	M.A. Degree from a Domestic University

Head of Risk Management Mehmet Sungun

Term of Office	Total Work Experience	Önceden Çalıştığı Birimler	Academic Background
7 Years	19,5 Years	Financial Analysis, Loans, Corporate Marketing	M.A. Degree from a Domestic University

Summarized Board of Directors Report

Our Esteemed Shareholder;

Welcome to the 63rd Annual General Assembly Meeting of our Bank.

We hereby welcome our shareholders, their proxies and other valuable guests who very kindly attended our meeting. We submit the Board of Directors and Auditors' Reports and profit and loss statements for the 2012 accounting period to your examination and approval.

In 2012, the economic and political uncertainties continued while the global economic crisis was still very much effective all around the world. Within the last quarter, as a result of the decisions passed for overcoming the debt crisis within the Euro zone, the risk appetite seems to increase. In November, Fitch increased the country rating of Turkey to "investment grade" and therefore, capital flow to Turkey accelerated. In 2012, which was a year of low global growth and during which political uncertainties in the Middle East Region were prevalent, Turkey decoupled in terms of its economy and capital markets with its moderate growth and rebalancing process.

The Banking sector further reinforced its financial structure in 2012 with various tightening measures and regulations passed by the regulatory authorities. As of December 2012, the total size of the assets of the banking sector was around TRY 1.4 trillion and the credit stock reached TRY 795 billion with an 18.3% foreign currency adjusted annual growth. Non-performing loans ratio, which was around 2.7% last year increased to 2.9% by December 2012. The securities portfolio was around TRY 270 billion by December 2012. The shareholders' equities of the banking sector grew by 25.7% and reached TRY 182 billion. The capital adequacy ratio of the sector as of December 2012 was 17.9%. Moreover, the total number of banks within the sector reached 49 in 2012.

TSKB, which continued its steady and strong growth in 2012, compared to the previous year increased;

- Its equities by 28.5% to TRY 1,755,335 thousand,
- Its credit stock by 7.8% to TRY 6,895,026 thousand,
- Its total assets by 8.8% to TRY 10,289,598 thousand,
- Its net profit by 20.3% to TRY 307,264 thousand.

Our capital adequacy ratio as of 2012 year-end was 20.4%; return on equity was 19.7%, return on assets was 3.1% and our non-performing loans ratio was around 0.2%.

Our Esteemed Shareholders,

We hereby submit our annual report, which includes our operations in 2012, and our profit and loss statements to your examination and approval.

We would like to thank all our partners, employees and stakeholders for their contribution and support in achieving these results. We would like to thank you once more for attending our General Assembly Meeting.

TÜRKİYE SINAI KALKINMA BANKASI A.Ş.
BOARD OF DIRECTORS

Information Concerning Human Resources Practices

Our Human Resource

The main competitive advantage of TSKB is having qualified human resources. In this regard, TSKB differentiates and steps forward with its employees' high education level, professional expertise, working competence and experience in global markets. In addition to recruiting professionals for experienced positions, TSKB has adopted the approach of bringing out leaders from within for years, and to that extent, it has continued to recruit new graduates in 2012. With the third TSKB Career Workshops, which was organized in 2012, university students from third and fourth grades and MA students were informed about investment banking activities. After these workshops, the appropriate candidates were recruited as MT (Management Trainee).

In order to contribute to the strategies and long-term targets of TSKB, a variable payment compliant with the Bank's ethical values and internal balances is allocated to personnel once in a year in the form of incentive bonus, bonus payment and premium. Total variable payment which was received by 158 employees in this respect amounted to TRY 5,163,494 in 2012.

Two meetings have been organized with the participation of upper and middle level management in order to evaluate our performance in 2012. Having celebrated its 62nd year of service on June 2, TSKB carried on its efforts in the field of sustainable banking. In order to integrate sustainable banking into corporate philosophy and to be embraced by all the employees, in-house trainings were arranged. Moreover, applications held in-house within the context of Environmental Management System, which is an important part of Sustainable Banking, was quoted to the staff and their knowledge on this topic was updated with the Disaster Awareness educations. In addition, studies regarding employee loyalty, which is an important step in the formation of sustainable human resources, were conducted in 2012. Within this scope, Employee Satisfaction Surveys, focus group meetings and one-to-one interviews were undertaken. Having mainly focused on training investments, the Bank organized Manager Development and Effective Performance Management Trainings in 2012.

	%		
Total Personnel	345	100	
Women	170	49.3	
Men	175	50.7	
Average Length of Service (years)	8.21		
Women	9.15		
Erkek	7.23		
Average Age	35.5		
Women	34.2		
Men	36.7		
Educational Status of Banking Personnel	Women	Men	Total
University	154	130	284
Other	11	3	14
Grand Total	165	133	298
Foreign Language Competency Among Banking Personnel	Women %	Men %	Total %
Grand Total	85	92	86

Information on Areas of Activity in which Support Services were Procured and Persons and Organizations from which such Services Provided, Pursuant to Regulations Regarding Support Services Procured by Banks and Authorization of Support Services Organizations

The following services used by our Bank in the year 2012 fall into the scope of the Regulation on Procurement of Support Services for Banks, published on the date of 05.11.2011:

1. **Server Hosting Service for Emergency Services** received from İşnet Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.
2. **Maintenance and Updating Service** for the Internet Site received from Luckyeye Bilgisayar Tanıtım Hizmetleri Yayıncılık ve Ticaret A.Ş.
3. **Adaption of the Online Transaction Software (E-BROKER) to the Bank and Encryption Service** received from Matriks Bilgi Dağıtım Hizmetleri A.Ş.
4. **Risk-free Treasury Valuation System Service** received from Gantek Teknoloji Bilişim Çözümleri A.Ş.

Corporate Governance Principles Compliance Report

1- CORPORATE GOVERNANCE COMPLIANCE REPORT

Believing that corporate governance principles are at least as important as financial performance, the bank sees their implementation as being highly beneficial to the development of national and international capital markets as well as in the bank's own interests.

The Corporate Governance Compliance Report is prepared within the framework of "Principles of Corporate Governance" published by Capital Markets Board (CMB) considering international and sectoral principles. The bank seeks to comply with such principles to the maximum degree possible and it makes an ongoing effort to do so.

The bank's articles of association contain no provisions governing:

- Requests to have a special auditor appointed being granted as an individual right
- The payment of advances on dividends
- The participation of stakeholders in the bank's management
- Use of the cumulative voting system in the election of members of the Board of Directors (BOD)
- Decisions of a highly important nature such as mergers or demergers that make significant changes in the bank's capital or management structures or assets; buying, selling, leasing, renting, donating, or contributing substantial amounts of assets and property; providing guarantees, surety, mortgages, and the like to third parties being taken at a General Assembly
- A shareholder relations policy has been formulated.

Although there have never been any conflicts of interest among stakeholders over the limited number of corporate governance principles that have so far not been implemented, the bank desires to have them implemented within the framework of a plan in the least amount of time possible.

A determination and assessment of the level of the bank's compliance with corporate governance principles and opinions concerning the development of the level of compliance in terms of scope and nature are presented below.

2- SHAREHOLDER RELATIONS UNIT

According to the BOD decision taken at the meeting dated March 16, 2009; the Bank's General Secretary is appointed to act as 'shareholders relations unit', to display activity on the subject of usage of the rights of the Bank's shareholders and reporting to the Board of Directors and provide communication between the shareholders and the Board of Directors, complied with the CMB law of Serial IV, No: 41.

The shareholder relations unit is responsible for managing the exercise of shareholders' rights and for maintaining communication between shareholders and the Board of Directors.

Corporate Governance Committee is founded and the members were assigned at the Board of Directors meeting dated 30 September 2009 and No: 1902.

The reporting of the activities of the Committee to the Board of Directors has been initiated.

The basic functions and duties of the Shareholder Relations Unit are the following:

- Ensure that records pertaining to shareholders are maintained in a reliable, secure, and up-to-date manner.
- Respond to shareholders' written requests for all information about the bank except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret.
- Ensure that General Assemblies are conducted in accordance with the requirements of current laws and regulations and of the bank's articles of association and other bylaws.
- Prepare the documents necessary for the use of shareholders at General Assemblies.
- Record the results of voting at General Assemblies and ensure that such results are reported to shareholders.
- Supervise and follow up on all issues related to public disclosures as required by law and the bank's public disclosure policy.

Also, the Investor Relations Unit founded in the Bank, sustains the relations with international and domestic investors and analysts.

The name of the person employed in this unit and her contact are presented below.

Name - Title	Phone Number	E-mail Address
Ayşe Nazlıca – Head of Budget, Planning and Investor Relations	0212 334 51 94	nazlicaa@tskb.com.tr
Emre Kalelioğlu – Budget, Planning and Investor Relations Associate	0 212 334 52 03	kalelioglue@tskb.com.tr
Özen Haliloğlu – Budget, Planning and Investor Relations Associate	0 212 334 52 49	halilogluo@tskb.com.tr

Corporate Governance Principles Compliance Report

3- SHAREHOLDERS' EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

No written requests for information were received from shareholders during the year of 2012.

All of the verbal requests for information received from shareholders during the reporting period were responded to.

In the reporting period, the Bank's authorized representatives engaged in 206 informative meetings with the investment funds and analysts, at home and abroad. 30 of these meetings were teleconference meetings, 55 of them were held at the headquarters of TSKB and the rest 121 were held during the 12 road-show/conferences.

Shareholders' requests for all information except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret are responded to. Requests for information received from shareholders are evaluated by employees who are at least departmental managers and every effort is made to respond to them, within the limits of trade secrecy and confidentiality, as quickly as possible and in such a way as to reflect the whole truth.

Announcements concerning issues that shareholders are frequently in need of and information about developments that might affect shareholders' exercise of their rights are published on the bank's corporate website (www.tskb.com).

According to the Turkish Commercial Law, minority shareholding interests do not have the right to demand that a General Assembly appoint a special auditor to examine specific concrete issues.

No request for the appointment of a special auditor was made by shareholders at any General Assembly in 2012.

A request to have a special auditor appointed is not an individual right provided for under the bank's articles of association.

In view of the fact that the appointment of a special auditor at the demand of a General Assembly is a requirement of law and that a demand to appoint a special auditor is one of the exceptions to the principle of being bound by a General Assembly agenda and furthermore in view of the practical concerns involved in protecting the confidentiality of information which is in the nature of a trade secret or which has not yet been publicly disclosed, the inclusion of an individual right to demand the appointment of a special auditor in the articles of association is an issue to which consideration will be given in light of future developments.

It is believed that all the information necessary for shareholders to satisfactorily exercise their rights is made available to them through the corporate website, annual reports, and special circumstance announcements as well as by responding to individual requests.

Shareholders' requests for information about the legal and/or commercial relationships between the bank and private individuals and/or corporate entities that have a direct or indirect interest in the bank's capital, management, or audit are responded to within the framework of the bank's public disclosure policy.

For the purpose of increasing the ability of shareholders to have access to information, all information that may affect the exercise of their shareholder rights is provided in an electronic environment and in a timely manner.

4- INFORMATION ABOUT GENERAL ASSEMBLY

One annual Ordinary General Assembly for 2011 was held during 2012. It took place on 26 March 2012.

Shareholders controlling TRY 497,461,834.82 worth of shares corresponding to 62.18% of the bank's paid-in capital of TRY 800 million attended this meeting.

No one other than shareholders and employees took part in the meeting.

The announcements concerning the meeting and specifying its place, date, time, agenda, and specimen proxy statement were published three weeks before the meeting date in the Türkiye Ticaret Sicili Gazetesi, the newspaper named Hürses, and in the ISE's bulletin.

The invitations for the General Assembly were sent out via e-mail three weeks before the General Assembly in Turkish and English to those national and international investors who have invested in the bank's shares and were also published in the Bank's Turkish and English web sites.

An invitation was sent to a representative of the independent auditors and the senior auditor attended to the meeting.

Independent Auditors' Representative and Corporate Governance Rating Analyst were invited to the General Assembly, and they participated.

The information about the meeting was also sent out within the same time frame by fax and registered mail return receipt requested to holders of registered shares.

All shareholders are also able to access directly information about General Assembly in both English and Turkish on the Bank's corporate website at www.tskb.com.

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The entries in the shareholders' register are made by Board of Directors resolution. No period of time is stipulated during which such entries must be made in order to ensure that registered shareholders are able to attend General Assemblies. On the other hand, the share blockage letter is required from Central Registry Agency in accordance with Capital Markets Board declarations. If this letter is not available, there is no right to vote in the General Assembly.

As of the date on which the announcement of the invitation to a General Assembly is made, copies of the annual report, financial statements and reports, dividend payment proposal, the agenda, other documents pertaining to the items on the agenda, the current text of the articles of association, and if the articles of association are to be amended, the texts and justifications of the amendments are all made available for the inspection of shareholders at the bank's headquarters.

Such information and documents have also been accessible on the corporate website at www.tskb.com.

During the Ordinary General Assembly held on 2012, the shareholders exercised their recognized right to ask questions and their questions were duly responded to.

By unanimous votes of the shareholders who were present at the meeting passed motions to:

- According to the bank's articles of association, authorize the Presiding Committee to sign the meeting's resolutions and minutes of annual general assembly meeting on their behalf,
- Approval of the election of the Members of the Board of Directors in replacement of resigned members during the year,
- Review and approval of the balance sheet and profit and loss statement of the Bank for the year 2011,
- Election the Members of the Board of Directors,
- Election of the statutory auditors for the year 2011, give permission to Board of Directors about the procedures appearing on the Turkish Commercial Law Article 334 and 335.

The following motions are accepted by majority votes;

- Reading and deliberation of the Board of Directors' report, the Annual report, and the statutory and independent auditors' report concerning the Bank's 2011 financial accounts and transactions,
- Determination and apportionment of profit distribution and the date of dividend distribution,
- The clearance of the Board of Directors and Auditors,
- Determination of the payments to be made to the Members of the Board of Directors and the statutory auditors.
- Approval of the change article 5 of the articles of association, approved by the Capital Markets Board of Turkey, Banking Regulation and Supervision Agency, Ministry of Customs and Trade,

The Information was given regarding the donations on the financial year.

According to the bank's articles of association, the Board of Directors is authorized to make decisions involving:

- Allocations of credit above a specified limit
- The acquisition of equity stakes and the establishment of partnerships and the disposition thereof
- Matters of a highly important nature such as the management, acquisition, rental, or sale of real estate properties.

The bank's articles of association contain no provisions requiring that decisions of a highly important nature such as demergers or share swaps that cause substantial changes in the bank's capital, management structure, or property assets or buying, selling, leasing, renting, or contributing substantial amounts of tangible/non-tangible assets or providing guarantees such as surety, mortgages, etc on behalf of outside parties be taken at a general meeting.

The absence of such provisions in the articles of association is thought to be justified on the grounds that their inclusion would give rise to consequences that would not be in the best interests of the bank or its stakeholders because they would:

- Reduce the effectiveness of management and
- Seriously hamper the bank's competitive strength and cause important opportunities to be missed.

The General Assembly meeting is held on the electronic medium as well, so that the shareholders can participate in and vote on the electronic general assembly meeting system.

Maximum attention is given to strictly complying with at least the minimum requirements of law so as to facilitate participation in general meetings. It is thought that bank's shareholders encounter no difficulties in participating in general meetings and to date no feedback on this issue has ever been received from a shareholder.

Copies of the resolutions of the General Assembly are handed out to attending shareholders when the meeting is over and also, since 2005, they have been made available in electronic format by publishing them up on the bank's corporate website (www.tskb.com) in order to inform shareholders who do not attend the meeting.

In General Assembly announcements the following items should be clearly stated:

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- The date and time
- The location so as not to leave any doubts
- The agenda
- Pertinent information about the items on the agenda
- If the agenda includes amendments to the articles of association, the old and new texts of the amended articles that have been approved by authorities
- Who is summoning the meeting?
- If another general meeting is being called because a previous one was postponed for any reason, the reason for the postponement and the quorum that will be required at the new meeting
- If the announcement is for an annual meeting, where the annual report, financial statements, and other meeting-related documents are available for examination.

Before a General Assembly is held, information about changes in senior management or organizational activities that took place in the previous fiscal year or are planned in future ones, information about such changes together with their justifications will be provided to shareholders.

At such meetings, the following information and documents will be made available for the examination of shareholders:

- Explanations concerning changes in the bank's organizational structure and their justifications
- If one exists, a consultancy's report on the matter; otherwise a report on the subject prepared by the bank itself
- If organizational changes are to be made in subsidiaries or affiliates, the annual reports, financial statements, and proforma balance sheets for the three most recent fiscal years of all the companies affected by the organizational changes.

When preparing general meeting agendas, care is given to presenting each item to be voted on under a separate heading; to make the headings as clear and explicit as possible so as not to be interpreted in any other way; and to refrain from including such legally prohibited items as "Other" or "Miscellaneous".

Specimen proxy statements for shareholders that wish to have themselves represented at meetings are published along with meeting announcements and are also made available for the information of shareholders in electronic format.

The principles and procedures that govern voting at the bank's general meetings are presented below in main outline.

- Each share of stock with a par value of 1 Kuruş is entitled to one vote. There are no special voting rights.
- If a share of stock has more than one owner, only one of those owners may cast the share's vote on behalf of them all.
- Shareholders may participate in general meetings personally or may have themselves represented by a proxy.
- Voting at general meetings is by an open show of hands. Recourse may be had to secret ballot upon the demand of shareholders representing at least one-tenth of the capital present and voting.

The principles and procedures that govern voting at general meetings are also read out at the beginning of the meeting.

Issues that shareholders have told the Shareholder Relations Unit they wish to have included on meeting agendas are given consideration by the Board of Directors to the degree possible when it prepares a meeting's agenda.

As required both by law and by the bank's articles of association, annual general meetings are held as soon as possible and within three months after the close of a fiscal year.

Annual General Assemblies are held as soon as possible after the end of the fiscal year but on no account more than three months later.

As required by the bank's articles of association, annual general meetings are held in the same locality as the bank's headquarters and in such a way as to make it possible for all shareholders to attend.

At the start of the meeting and for the information of all shareholders, the total number of votes that may be exercised at a general meeting are classified on the basis of shareholders and indicated in the attendance roster along with a statement that there are no special voting rights.

News and analyses pertaining to disputed issues appearing in the media concerning the bank are presented for the information of shareholders at general meetings.

Questions that shareholders ask to the members of the Board of Directors or to the statutory auditors are responded to, provided that the answers are pertinent to the exercise of shareholder rights and do not fall within the scope of trade secrets.

The president of a General Assembly conducts the meeting effectively and in such a way as to ensure that shareholders are able to exercise their rights.

Care is given to responding directly to every question raised by shareholders at a General Assembly during the meeting. Every effort is made to provide a written response within one week's time at the latest in situations where a question raised by a shareholder at a General Assembly which cannot be addressed directly, which is unrelated to the agenda, or which is too complex to be answered immediately.

The members of the Board of Directors, the bank officers responsible for preparing the financial statements, and the statutory auditors as

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well as other involved parties take pains to be present at general meetings in order to provide information about issues of a special nature that are on the agenda.

Each item on the agenda of a General Assembly is voted on individually. To forestall any doubts about the results of voting, votes are counted and the results of the voting are announced to all shareholders before the meeting is adjourned.

The resolutions of General Assemblies are always available in printed format and are also accessible in electronic format on the corporate website (www.tskb.com).

5- VOTING RIGHTS AND MINORITY RIGHTS

According to the bank's articles of association, each share of stock with a nominal value of 1 Kuruş is entitled to one vote. There are no shares that have special voting rights.

As required by banking legislation and by the provisions of the Turkish Commercial Code, the members of the Board of Directors and the statutory auditors are elected by shareholders convened in a General Assembly.

As required by the bank's articles of association, one member of the Board of Directors is chosen from among candidates designated by the Central Bank of the Republic of Turkey.

As required by law, the general manager is a member of the Board of Directors as of right.

Vakıflar Bankası T.A.O. which controls an 8.38% stake in the bank's capital, has one seat on the Board of Directors.

The articles of association contain no provisions governing the cumulative voting method.

There is no upper limit on the number of votes a shareholder may cast at a General Assembly.

Voting rights are acquired the moment the shares on which they are contingent are acquired. There are no rules stipulating that voting rights may be exercised only after a specific period of time has passed after shares have been acquired.

The articles of association contain no provisions preventing non-shareholders to act as proxies for the shareholders.

The shareholders may exercise their voting rights personally at General Assemblies and may also do so through any other party irrespective of the shareholder status of that party.

A non-corporate shareholder may only be represented by a single proxy at General Assemblies. If a corporate shareholder is represented by more than one individual at a meeting, only one of them may cast votes. The proxy statement must identify the individual who is authorized to cast votes.

6- DIVIDEND POLICY AND TIMING

The profit distribution proposals that the Board of Directors submits to the General Assembly of shareholders are prepared according to a policy that:

- Avoids upsetting the delicate balance between shareholders' expectations and bank's need to grow
- Takes the bank's profitability into account.

The Bank's dividend payment policy is approved by the Board of Directors on 13 March 2006 and published on the Bank's Turkish and English websites. The bank's dividend payment policy is to pay out 30% of distributable profit as a dividend provided that there are no adversities in global and/or national economic conditions and the bank's own financial position and the capital adequacy ratio are at expected levels.

The principles concerning the distribution of the bank's profits are governed by article 55 of the articles of association.

There exist 100 founders' shares that receive a portion of the profits distributed within the framework of the principles.

Dividends are paid within the legally prescribed periods of time.

Care is given to paying dividends as quickly as possible but in no case later than the end of the 5th month of the year as prescribed by the law. Recommendation of The Board of Directors about dividend proposal was accepted during the General Assembly and the distribution is completed as following; the dividends of the year 2011 equivalent to 137,000,000.-TL as bonus shares subsequent to the registration of the said shares by the Capital Markets Board and the cash dividends equivalent to 45,000,000.-TL on March 28, 2012;

The articles of association contain no provisions governing the payment of advances on dividends.

There are no significant donations or grants in aid that the bank made during the year or had planned to make as of year-end. As required

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by the “Regulations concerning the donations and grants in aid that may be made by banks and organizations subject to consolidated audit with them” that went into effect on 1 November 2006, the bank does not make political contributions

7- TRANSFER OF SHARES

The articles of association contain no provisions restricting the transfer of shares.

All shareholders, including minority shareholding interests and foreign nationals, are treated equally.

8- COMPANY INFORMATION POLICY

The bank's Information Policy has been formulated and approved by the Board of Directors. It was publicly announced on March 16, 2006. The Policy is updated on September 30, 2009 and then on February 28, 2011 and approved by the Board of Directors. The policy is published in both Turkish and English on the bank's website. The updated information policy was presented to the Ordinary General Assembly which was held on March 25, 2011.

Any changes that may be made in the Information Policy are publicly announced, together with their justifications, after being approved by the Board of Directors.

9-DISCLOSURE ANNOUNCEMENTS

The bank announced 39 public disclosures between January 1–December 31, 2012, as required by Capital Markets Board regulations.

There were no special disclosure announcements that were not made in due time or for which either CMB or ISE demanded additional information.

The shareholder relations unit is responsible for overseeing and following up on all issues related to public disclosure. The Investors, financial analysts, media representatives, etc who are in need of information about the bank are directed to the Investor Relations Unit.

In addition

- In line with the principle of transparency and in keeping with the accounting principles to which the bank adheres and with the truthful reporting of financial results, the public is continuously kept informed and up to date on:
- Developments that might have an impact on the value of the banks' capital market vehicles, without delay and within the periods of time prescribed by law
- In situations in which a significant change takes place in the bank's financial standing and/or its activities or in which such a change is expected in the near future, all essential information is provided subject to the reservations made by laws and regulations
- Any changes or developments subsequently emerging with respect to public announcements that the bank has already made.

10- THE COMPANY'S CORPORATE WEBSITE AND ITS CONTENT

The bank makes active and intensive use of its corporate website for public disclosures and announcements. This website contains all the information and data required by corporate governance principles and by regulatory authorities on a historical basis and in both Turkish and English. The website also contains announcements about General Assemblies that are to be held, the items on their agendas, reporting documents pertaining to agenda items, other information, documents, and reports related to agenda items, and information about how to participate in General Assemblies. The corporate website is kept up to date on a continuous basis.

In bank's corporate website address is (www.tskb.com). This address is included in the bank's letterhead stationery

11- DISCLOSURE OF ULTIMATE NON-CORPORATE CONTROLLING SHAREHOLDER(S)

There are no ultimate non-corporate controlling shareholders in the bank.

The bank's current shareholder structure is shown below.

Name	Nominal Value (TRY 1,000)	Percentage (%)
T. İŞ BANKASI A.Ş.	445,690,117	40.52
CAMIŞ YATIRIM HOLDİNG A.Ş.	63,761,385	5.80
MİLLÎ REASÜRANS TÜRK A.Ş.	20,944,131	1.90
ANADOLU HAYAT EMEKLİLİK A.Ş.	9,798,536	0.89
ANADOLU ANONİM TÜRK SİGORTA ŞTİ. A.Ş.	9,806,929	0.89
T. İŞ BANKASI GRUBU	550,001,098	50.00
TÜRKİYE VAKIFLAR BANKASI T.A.O.	92,152,326	8.38
FREE FLOAT AND OTHER SHAREHOLDERS	457,846,576	41.62
GRAND TOTAL	1,100,000,000	100.00

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12- PUBLIC DISCLOSURE OF THOSE WHO MAY HAVE ACCESS TO INSIDER INFORMATION

The Bank's "those who may have access to insider information list" has been updated on December 31, 2012 according to the Central Registry Agency's No: 570 Principles In addition to the Chairman, Members of the Board of Directors, CEO, Senior Management, Unit Managers and Departments Heads, the people listed below are also named in the list because of their positions within the bank;

TSKB A.Ş.	Tolga Sert	Financial Control-Senior Manager
TSKB A.Ş.	Handan Zamire Or	Reporting and Tax-Manager
TSKB A.Ş.	Dilek Pekcan	Financial Reporting-Assistant Manager
TSKB A.Ş.	Abdullah İhsan Atagün	Financial Control-Senior Associate
TSKB A.Ş.	Öjen Arslanyan	Financial Reporting-Senior Associate
TSKB A.Ş.	Selen Şentürk	Financial Reporting- Assistant Manager
TSKB A.Ş.	Aslı Yasemin Zortuk	Tax-Assistant Manager
TSKB A.Ş.	Yasemin Yılmaz Cabbar	Financial Reporting-Senior Associate
TSKB A.Ş.	Yeliz Tanrıverdi	Financial Control-Supervisor
TSKB A.Ş.	Can Katırcıoğlu	Financial Control-Supervisor
TSKB A.Ş.	Zeynep Serin	Financial Reporting-Assistant Manager
TSKB A.Ş.	Yavuz Yılmaz	TCU-Manager
TSKB A.Ş.	Ersin Türkmen	Budget and Planning-Senior Associate
TSKB A.Ş.	Mesut Kutbay	Budget and Planning-Assistant Associate
TSKB A.Ş.	Emre Kalelioğlu	Budget Planning and Investor Relations-Associate
TSKB A.Ş.	Özen Haliloğlu	Budget Planning and Investor Relations-Associate
TSKB A.Ş.	Bahadır Tokgöz	Inspector
TSKB A.Ş.	Harun Taygur	Inspector
TSKB A.Ş.	Yasemin Mandacı	Inspector
TSKB A.Ş.	Seda Toykan Doğançün	Internal Control-Manager
TSKB A.Ş.	Nesrin Beyer	Internal Control-Assistant Manager
TSKB A.Ş.	Utku Öztok	Internal Control-Associate
TSKB A.Ş.	Betül Bayraktar Ertaş	Internal Control-Associate
TSKB A.Ş.	Can Subaşılar	Internal Control-Associate
DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.	Niyazi Çömez	Tax-Partner
DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.	Hamit Sarı	Tax-Auditor
DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.	Duygu Erden	Tax-Auditor
DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.	Eda Öğütmen	Tax-Junior Auditor
DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.	Deniz Kahraman	Tax-Junior Auditor
DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.	Mehmet Yılmaz	Tax-Junior Auditor
KPMG-AKİS Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavir A.Ş.	Murat Alsan	Audit-Partner
KPMG-AKİS Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavir A.Ş.	Orhan Akova	Audit-Partner
KPMG-AKİS Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavir A.Ş.	Nurgül Bilgiçer Filis	Audit-Manager
KPMG-AKİS Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavir A.Ş.	Alper Güvenç	Audit-Partner
KPMG-AKİS Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavir A.Ş.	Aslı Işık	Audit-Junior Auditor
KPMG-AKİS Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavir A.Ş.	Hilal Akbulut	Audit-Junior Auditor
KPMG-AKİS Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavir A.Ş.	Halil Coşgun	Audit-Junior Auditor
KPMG-AKİS Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavir A.Ş.	Didem Tarhan	Audit-Junior Auditor
KPMG-AKİS Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavir A.Ş.	Sinem Ismarlama	Audit-Junior Auditor

The personnel declare that they acknowledge the liabilities depicted in the Capital Markets Law and Capital Markets Legislation in relation to insider information of the Bank and that they acknowledge the sanctions regarding the abuse and improper disclosure of such information in breach of law and legislation. .

13- INFORMING THE STAKEHOLDERS

Care is given to keeping stakeholders—those who have an interest in the bank and include shareholders, employees, creditors, customers, suppliers, non-governmental organizations, the government, and potential investors—informed on issues concerning the bank that are of interest to them as much as possible in writing. Insofar as is possible, the bank's relationships with stakeholders are governed by written agreements.

In situations where the rights of stakeholders are not governed by law or contract, the bank safeguards them within the framework of the rules of good faith, to the degree possible, and mindful of the bank's own reputation.

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14- STAKEHOLDER PARTICIPATION IN MANAGEMENT

The articles of association contain no provisions governing stakeholder participation in the bank's management.

An "employee satisfaction survey" is conducted twice a year to solicit bank employees' views. The results of these surveys are evaluated by management, are announced to employees, and are taken into account when formulating policies.

"General assessment" meetings are held four times a year in order to inform employees about the bank's activities and progress in general and to solicit their suggestions. At such meetings the bank's financial structure and performance are also assessed together with employees.

15- HUMAN RESOURCES POLICY

The principles of the human resources policy adopted by the bank are set out below.

Job descriptions, assignments, and performance criteria are determined by management and announced to employees.

When hiring, it is a principle that individuals are to be given equal opportunity under identical conditions. Hiring criteria are set forth in writing for each job position and are strictly complied with in practice.

When making training, assignment, and promotion decisions, particular care is given so as to make use of objective criteria and to protect the bank's best interests.

Training plans are developed and implemented so as to enable employees to improve their professional knowledge and skills, as well as plans improving their personal and administrative competence which are appropriate for their career plans.

Employees are provided with a secure work environment and safe working conditions. Work is currently in progress to further improve these conditions in line with social and technological requirements.

Employees are kept informed about all bank decisions and developments that may be of concern to them and feedback is solicited from them on such issues.

Measures are taken to prevent discrimination among employees on the basis of race, religion, language, or sex; to ensure respect for human rights; and to protect employees against physical, mental, or emotional abuse in the workplace.

It is not a practice of the bank to appoint a representative to conduct relations with employees.

The human resources policy is also publicly disclosed on the corporate website.

16- INFORMATION ABOUT RELATIONS WITH CUSTOMERS AND SUPPLIERS

The bank is mindful of the continuity of service quality and of standards in all aspects of its products and services.

Customers' wishes are quickly satisfied at every stage and customers are kept informed whenever delays may occur.

Care is given to protecting the integrity of customers' and suppliers' confidential information.

17- SOCIAL RESPONSIBILITY

Social responsibility projects have always been on the essentials of sustainable banking philosophy of TSKB. In this context, TSKB undersigned an extensive social responsibility project on environment using its corporate potential and communication networks with the aim of increasing public awareness. Under the scope of this project TSKB established an information platform that would be supported by wide participation of various segments in society.

As being the communication channel of the project, www.cevreciyiz.com and www.cevreciyiz.TV became the most comprehensive environmental portals of Turkey. Both technological infrastructure and editorial process are supported by TSKB, and has been in close collaboration with environmental NGO's for providing reliable content. Within www.cevreciyiz.com, there are categories like news on environment, articles and researches, success stories, book promotions as well as interactive applications such as competitions, carbon foot print calculation and photograph exhibitions which aim to increase the public awareness on environment. On the other hand TSKB's video portal www.cevreciyiz.TV broadcasts striking videos on environment through internet with the motto "It takes a minute to see the global change!" in order to give inspiration on environmental solutions.

18- STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS; INDEPENDENT BOARD MEMBERS

With the exception of the general manager, the Board of Directors consists entirely of non-executive directors.

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The positions of general manager and board chairman are held by different people.

As the bank has no ultimate non-corporate controlling shareholders, it is thought that all the members of the Board of Directors are naturally able to act with complete independence and have the advantage of acting impartially in their decisions by holding the interests of the bank and its stakeholders above everything else.

Information about the members of the Board of Directors and general manager is presented below.

Name	Title	Educational background	Working Experience	Appointed Date	Company employed by and position
Adnan Bali	Chairman	Middle East Technical University / Economics and Administrative Sciences	27 years	21.04.2011	T. İş Bankası A.Ş. Chief Executive Officer
Mehmet Şencan	Board Member and Vice Chairman	İstanbul Technical University/ Management Engineering	25 years	07.06.2011	T. İş Bankası A.Ş. Manager-Ankara Başkent Corporate Branch
H. Fevzi Onat	Board Member and CEO	Hacettepe University/Economics	31 years	30.05.2011	TSKB A.Ş. Chief Executive Officer
M. Baran Tuncer	Board Member	Ankara University/ Faculty of Political Science	33 years	12.06.2008	Retired
Durmuş Yılmaz	Board Member	University of London	33 years	05.04.2012	Chief Consultant for the Economy at the Presidency of the Republic of Turkey
Burhanettin Kantar	Board Member	Middle East Technical University/ Public Administration	24 years	23.03.2005	T. İş Bankası A.Ş. Manager - Participations Dept.
Murat Bilgiç	Board Member	University of Birmingham	22 years	30.03.2005	T. İş Bankası A.Ş. Manager-Corporate Loans and Allocation Department
Kemal Serdar Dışlı	Board Member	Hacettepe University/ Public Administration	25 years	28.05.2007	T. İş Bankası A.Ş. Manager - Maslak Corporate Branch
Uygur Şafak Ögün	Board Member	Bilkent University/ Business Administration Department	18 years	13.04.2010	T. İş Bankası A.Ş. Manager-Corporate Banking Marketing and Sales
Feridun Bilgin	Board Member	Istanbul Technical University/ Faculty of Electrical and Electronic Engineering	16 years	12.09.2012	Treasury Under Secretariat General Manager - Public Finance Department
Yonca Koçak	Board Member	Ankara University / Faculty of Political Science	22 years	21.07.2010	T. Vakıflar Bankası T.A.O. Manager-Project Evaluation and Loans
M. Armağan Saraçoğlu	Statutory Auditor	Lefke European University / Faculty of Administrative Sciences	14 years	04.09.2012	T. İş Bankası A.Ş. Unit Manager- Banking and Finance Participations Department
Hamide Esmâ Uygun Çelikten	Statutory Auditor	Gazi University / Faculty of Economic and Administrative Sciences	16 years	25.03.2011	T. İş Bankası A.Ş. Manager – Capital Markets Department

In the fulfillment of its decision-making functions, the Board of Directors' fundamental concerns are to:

- Maximize the bank's market value
- Ensure that the banks' activities are conducted in such a way as to secure long-term, stable gains for its shareholders
- Maintain the delicate balance between shareholders' expectations and the bank's need to grow

When choosing new members to fill vacancies on the board, attention is given to the following matters.

- Candidates are required to be present at General Assemblies at which board elections are to be held.
- Shareholders are provided with complete information about candidates.

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- Shareholders have the right to put questions to candidates
- Candidates are required to inform shareholders about what, if any, seats they hold on the boards of other companies and state whether or not they will comply with bank regulations about such matters.

Attention is given to the conduct of regular board meetings, which are held at least once a month.

Since they are the representatives of corporate shareholders, the law does not require the members of the Board of Directors to be shareholders in the bank themselves.

For the same reason, the usual requirement of directors to entrust shares of stock to the bank as guarantees are fulfilled by the corporate entities that board members represent.

The stocks in the bank owned by the Board of Directors are symbolic.

The articles of association contain no provisions governing the use of the cumulative voting system in the election of members of the Board of Directors.

19- QUALIFICATIONS OF MEMBERS OF THE BOARD OF DIRECTORS

Because their qualifications are stipulated by law, the bank's articles of association contain no other provisions governing the minimum qualifications required to be elected to a seat on the board.

By law, the general managers of banks must have at least four years of university education in one or more of the disciplines of law, economics, business administration, public finance, public administration, or the equivalent of these or in the engineering branches of those disciplines and must have and at least ten years of professional experience in banking or business administration. More than half of the members of the board must have the same qualifications save for that of length of professional experience.

All of the members of the Bank's Board of Directors have at least the following qualifications:

- A satisfactory level of knowledge and experience in banking and/or finance
- Financial statement and report reading and analysis skills
- Basic knowledge about the legal framework governing the bank and about the conditions of its market
- The willingness and ability to regularly take part in board meetings during their elected term of office.

The Board of Directors consists of eleven members and this number makes it possible for the board's activities to be organized effectively. A newly-elected member of the board takes part in an orientation program that includes:

- Becoming acquainted with bank managers and visiting bank units
- Reviewing bank managers' backgrounds and performance evaluations
- Being familiarized with the bank's strategic goals, current standing, and problems
- Examining the bank's market share, financial structure, and performance indicators.

While there are no specific rules concerning board members' undertaking other duties outside the bank, no member has any duties other than the ones naturally incumbent upon them in the corporate entities they represent and in the organizations belonging to the corporate entities they represent.

20- MISSION, VISION, AND STRATEGIC GOALS OF THE COMPANY

The Bank's

- Vision:

To be the pioneering bank in Turkey's sustainable development

- Mission:

For Turkey's sustainable development:

Provision of mid to long term financing for entrepreneurs,

- Supporting foreign capital investments in Turkey as the best local business partner,
- Playing a significant and continuous role in the development of Turkey's capital markets,
- Providing our customers with tailor made and innovative financial solutions and mediation services,
- Creating increasing value added to our employees, shareholders and all other stakeholders,
- Playing a pioneering role in sustainable banking with an environment-friendly approach in the execution of all banking activities.

The bank's vision and mission are publicly disclosed on the corporate website (www.tskb.com).

Strategic objectives are determined by management taking into account competitive conditions, the overall economic situation, general expectations in national and international financial markets, and the bank's medium and long-term objectives and they are presented to the Board of Directors for its approval.

These strategies and objectives are debated thoroughly and comprehensively by the board.

Corporate Governance Principles Compliance Report

Performance with respect to approved strategies and objectives is regularly reviewed at monthly board meetings at which the bank's activities, financial structure, and related issues are reviewed and assessed.

In order to effectively and continuously carry out its supervision and control functions, the Board of Directors in principle meets every month.

At such meetings, consideration is given to the bank's activities, the degree to which the approved annual budget and business targets are being achieved, the position of the bank in its sector, its financial structure and performance standing, and the compliance of its reporting and activities with international standards.

21- RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

A risk catalogue has been prepared that defines the potential risks to which the bank may be exposed. This catalogue has been approved by the Board of Directors and is now in force.

Risk policies that were formulated for the risk categories which are included in this catalogue and which are of the highest importance from the standpoint of the bank's activities have been approved by the Board of Directors and are now in force.

Under the heading of processes concerning the measurement, assessment, and management of the bank's risks, a structure that reports to the Board of Directors has been created to ensure that risk management and internal control activities are conducted in an organized way and within the framework of the risk catalogue that has been prepared.

An "Audit Committee" has been set up within the Board of Directors to assist the board in the performance of its audit and oversight functions. This committee carries out its activities subject to the board through the Board of Inspectors (internal audit), Risk Management, and Internal Control Departments. The Audit Committee is responsible for ensuring on the Board of Directors' behalf, the effectiveness and adequacy of the units referred to as "internal control systems".

The duties and responsibilities of the Board of Inspectors, Internal Control Department, and Risk Management Department are all in compliance with the requirements of existing laws and regulations and they are governed by internal regulations that have been approved by the bank's Board of Directors.

22- AUTHORITIES AND RESPONSIBILITIES OF MEMBERS OF THE BOARD OF DIRECTORS AND OF EXECUTIVES

The authorities of the Board of Directors are set forth in the bank's articles of association, according to which the board is responsible, among other things, for:

- Ensuring that all the transactions made necessary by the matters making up the bank's principal business activities are carried out and making such decisions to that end as are necessary
- Identifying general rules concerning internal regulations and bank policies in line with the bank's objectives and identifying those who exercise power of signature over the bank
- Determining what bank transactions are to be performed by the general manager and which ones will require a board decision
- Making credit allocations that are above a specified limit
- Acquiring equity stakes, entering into partnerships, and disposing thereof
- Managing, acquiring, renting, and selling real estate properties.

The Board of Directors exercises its authorities fully cognizant of all information needed to fulfill its duties, prudently, and within the framework of the rules of good faith.

As stipulated in the articles of association, the general manager is responsible for the day-to-day conduct of the bank's business within the framework of the principles and limits set by the Board of Directors.

Authorities concerning the conduct of the bank's business are delegated to executive organs within the framework of the bank's published powers of signature.

The sanctions that are to be imposed in the event of illegal or irregular acts on the part of employees are set forth in the personnel regulations approved and put into effect by the board.

The members of the board devote a sufficient amount of their time to the bank's business.

The board has taken necessary precautions to ensure that information about the bank that is not to be publicly disclosed or is in the nature of trade secrets is not divulged outside the bank.

Periodic financial statements and the bank's annual report are published with the board's approval.

Outside its basic functions, the Board of Directors also takes the opinions and recommendations of executive organs and committees into account in the fulfillment of its responsibilities such as:

- Approving the bank's annual budget and business plans

Corporate Governance Principles Compliance Report

- Having the bank's annual report prepared and finalizing it for presentation to the General Meeting
- Ensuring that General Assemblies are held in accordance with the requirements of law and the bank's articles of association
- Carrying out the decisions made at General Assemblies
- Checking significant expenditures that amount to more than 10% of the bank's most recent balance sheet
- Approving manager career plans and incentive programs
- Determining policies related to shareholders, stakeholders, and public relations
- Determining the bank's public disclosure policy
- Determining bank and employee rules of ethics
- Determining the working principles of committees and ensuring that committees are effective and productive in their work
- Taking measures to ensure that the bank's organizational structure is able to respond to current needs
- Examining the activities of predecessor boards of directors.

In addition the Board of Directors also has ultimate responsibility for the creation of the internal audit, internal control, and risk management systems-the "internal control systems" required by the Banking Regulation and Supervision Agency's "Regulations concerning the internal systems of banks"; for their effective, adequate, and proper operation; for the protection of the information provided by the accounting and financial reporting system; and for the determination of authorities and responsibilities throughout the bank.

23- OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

A draft of the agenda for a board meeting is prepared by the general manager and finalized in line with the suggestions of the chairman and other directors.

The Board of Directors convened 62 times between January 1, 2012 and December 31, 2012.

Special care is given to setting meeting dates that will allow all board members to attend. Meetings are regularly held with all members in attendance, except in unforeseen exceptional cases.

Notifications concerning board meetings are sent out first by telephone and are then followed up in writing.

A secretariat has been set up that is responsible for keeping the members of the Board of Directors and the statutory auditors informed and for communicating with them.

Dissenting votes at BOD meetings and the justifications for them are entered into the meeting's resolutions and the statutory auditors are notified of this situation as well. No member of the board cast a dissenting vote at any board meeting in 2012.

All members of the Board of Directors take particular care to be present at meetings dealing with important issues related to the bank's activities such as:

- Determining businesses that the bank is to engage in and approving business and financial plans
- Summoning ordinary and extraordinary General Assemblies and taking care of matters related to their organization
- Finalizing the annual report that is to be submitted at a General Assembly
- Electing the chairman and deputy chairman and appointing new members to the board
- Creating and winding up administrative units
- Appointing and dismissing general managers
- Setting up committees
- Approving mergers, demergers, and restructurings; selling more than 10% of the bank's non-current assets or undertaking investments amounting to more than 10% thereof; approving expenditures amounting to more than 10% of the bank's total assets
- Determining the bank's dividend payment policy and how much of current profit is to be paid out as a dividend
- Increasing or decreasing the bank's capitalization.

The Board's first meeting is preferably held on the same day that the board is elected into office.

At this first meeting, the chairman and deputy chairman are elected, duty assignments are made, and committees are formed.

In principle, the board members take part in all meetings.

The board meets regularly at least once a month as previously scheduled and occasionally as circumstances seem to warrant.

Information and documents pertaining to items on the board's agenda are normally sent out to members for them to examine at least seven days before the meeting date. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

Each board member is entitled to a single vote. All members' votes carry equal weight and no member has a positive or negative veto power.

Corporate Governance Principles Compliance Report

As stipulated in the articles of association, the board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

24- PROHIBITION ON DOING BUSINESS OR COMPETING WITH THE COMPANY

Members of the Board of Directors engage in no activities which would be subject to any prohibition on doing business or competing with the bank. Regarding the aforementioned issues, the General Assembly gives permission pursuant to Article 395 and 396 of the Turkish Commercial Code.

25- RULES OF ETHICS

The bank adopted the Code of Banking Ethics published by the Banks Association of Turkey under Board of Directors resolution dated 16 March 2006. The board has also adopted the new form of the code as revised by the Banks Association of Turkey on 15 September 2010. The complete authorized Turkish and English versions of Code of Banking Ethics are available on the TSKB corporate website.

The Code of Banking Ethics also applies to the Board of Directors.

The Members of the Board of Directors and the names of the people who may have access to insider information stated on the Article no:12 are announced and they have signed statements at the Board meeting regarding the following issues; not to comply with suppression resulting against in favor of the shareholders, not to accept monetary advantage and information about not disclosing the Bank's confidential and/or trade secret information.

Trade secret mentioned above is made up of interior establishment structure and organization, monetary, financial, loan and cash situation, research and development, activity strategy, pricing policies, marketing tactics and expenditures, market shares, client potential and network, contract connection, documents, electronic recording and data that can be learned and obtained only by qualified individuals that are related to Bank's activity area and individuals who may have access to insider information. So called intelligence cannot be learned by rivals and third parties and not to be publicly disclosed and has a great significance for the Bank's success and efficiency.

26-NUMBER, STRUCTURE, AND INDEPENDENCE OF COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

Audit Committee

According to the Banking Law's 24th clause, the Audit Committee established by two members of Board of Directors whom do not have act of commission. Regulation about the assignment, authorization and liability of the Audit Committee, has been approved and inured.

The Committee has three members, who are member of board of directors without act of commission. It is chaired by Kemal Serdar Dişli, Murat Bilgiç and Mustafa Baran Tuncer.

Duties of Audit Committee are:

Establishing the internal audit and risk management systems in compliance with legal and internal regulations, ensuring that they function effectively and sufficiently,

-Helping Board of Commission out with assessment of external auditors and monitoring the appointed auditor's activities on a regular basis,

-Ensuring that the internal audit functions of subsidiaries on a consolidated basis are coordinated in line with regulations.

-Reporting to the Board of Directors that the internal audit, risk management, internal control unit and the external auditors operate within the framework of the related regulations and informing the Board of any issues or incidents that could have an adverse impact on the continuity or soundness of the Bank's activities.

-If necessary, gathering information and related documents from all units of the bank, support service contractors, and independent auditors; being subject to Board approval obtaining consultancy service.

-Analyzing and submitting quarterly internal audit reports to the Board of Directors, which are prepared by responsible internal auditors according to 2nd paragraph of 29th article of the Banking Law No: 5411.

Between January 1 – December 31, 2012, Audit Committee held 34 meetings.

Executive Risk Committee

The Executive Risk Committee is responsible for preparing, getting approval from the Board of Directors and monitoring the execution of the risk management strategies and policies the Bank will follow. The Executive Risk Committee represents the Risk Management Group before the Board of Directors.

The members of the Executive Risk Committee are Mr.H.Fevzi Onat (CEO and Board Member), Mr. Murat Bilgiç (Board Member and Audit Committee Member) and Mr. Mehmet Sungun (Head of Risk Management).

According to Article 44 of the Regulation on the Internal Systems of Banks, published in the Official Gazette dated November 1, 2006, Nr. 26333, Audit Committee is made mandatory instead of Executive Risk Committee. In line with this regulation, the Board of Directors decided to dissolve the Executive Risk Committee in September 28, 2012. The duties and responsibilities of the Audit Committee covers all the duties and responsibilities of the Executive Risk Committee.

Corporate Governance Principles Compliance Report

Corporate Governance Committee

Corporate Governance Committee was formed and approved at the Board meeting on 30 September 2009, in order to accomplish the Board of Directors' activities according to the corporate governance principles announced by Capital Markets Board (CMB) in July 2003 and revised in 2005. Corporate Governance Committee is formed by 2 Members of the Board of Directors who have no executor duties. Mr. Mustafa Baran Tuncer (president) and Mr. Mehmet Şencan are the current members of Corporate Governance Committee.

Mission, authorities and responsibilities and working manner and fundamentals are arranged by the Board of Directors as below;

- Corporate Governance Committee, in the name of the Board of Directors, determines if the corporate governance principles are put into practice, if not determines the reasons and conflict of interests resulting disobedience and propose reformative regulations to the Board of Directors,
- Coordinate the activities of the shareholders relations unit and in this content monitor the relations with shareholders and investors and fulfill their rights to obtain information. Creating a transparent environment when determining, evaluating and training the suitable members for the Board of Directors and working on deciding policies and strategies on this subject,
- Ensure the independency and efficiency of the Board of Directors, by following the domestic regulations supervising the conflict of interests between the Committee, the Members of the Board of Directors, Senior Management and other employees and bad usage of information about trade secret,
- Propose recommendations about public disclosure and presentations to be in accordance firstly to law and regulations and Bank's 'Information Policy' and active usage of Bank's website in public disclosures,
- Working collaboratively with the executives who are responsible with public disclosure declarations,
- Assimilation and implementation of Bank's rules of ethic and Corporate Governance Principles inside the Bank,
- Advise on mechanism, structure and efficiency of the Board of Directors and related committees,
- Advise on financial benefits provided to the Board of Directors with reasoning.

Corporate Governance Committee meets minimum 4 times a year and at a request of a member with predetermined agenda if necessary.

The Committee has performed 4 meetings at February 27th, July 20th, September 28th and November 30th of 2012 in the headquarters of the Bank.

Remuneration Committee

Remuneration Committee has been established on February 16th, 2011 according to the stipulations of article # 1 of the Amendments of Regulation on the Banks' Corporate Governance Principles-Draft issued by Banking Regulation and Supervision Agency and published on the Official Gazette dated November 1st, 2006 and has been approved by the Board of Directors meeting dated December 27th, 2011.

Committee is comprised of two Members of Board of Directors, Mr. Mehmet Şencan and Mr. Burhanettin Kantar.

Duties, authorities and responsibilities of the Remuneration Committee has been stipulated by the Board of Directors as outlined below;

- Committee is responsible for a written remuneration policy that is in line with the scope and structure of the bank's operations, bank's strategies, long term goals and risk management structures; that prevents taking excessive risks and that contributes to effective risk management,
- Board of Directors shall review remuneration policy at least once a year to ensure its efficiency,
- Remuneration Committee shall evaluate remuneration Policy and its applications with respect to risk management each year and present a report which also includes Committee's suggestions, to the Board of Directors.
- Duties and activities related to ensuring preparation, issuance, update and efficient adherence to practice criteria and principles of the bank regarding remuneration are performed, managed and coordinated by Human Resources Department,
- Staff of the bank at all levels shall perform their duties and responsibilities for efficient practice of remuneration policy and procedures, continuously, accurately and in full.

Activities of the bank regarding remuneration are under regular inspection and evaluation with respect to adherence to relevant legislation and policy provisions.

27- FINANCIAL BENEFITS PROVIDED TO THE MEMBERS OF BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Members of the Board of Directors receive no financial benefits other than the monthly honorarium that is paid to them.

The amount to be paid as an honorarium is determined in line with the proposals put forward by shareholders at a General Assembly.

No member of the Board of Directors is or has ever been the direct or indirect recipient of any cash loan or non-cash credit extended by the bank.

The total amount of financial benefits paid such as bonus, dividend, wage, etc. to members of Board of Directors and senior management is total of TRY 6,310 thousand.

Other payments with respect to travelling, accommodation and etc. paid to members of Board of Directors and senior management is total of TRY 267,026.

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2012 Statutory Auditors' Report

Türkiye Sınai Kalkınma Bankası A.Ş. 2012 Statutory Auditors' Report

TO THE GENERAL ASSEMBLY OF SHAREHOLDERS OF
TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

Based upon our examination made in accordance with the Turkish Commercial Code, Banking Law-5411, Capital Market Law, general accounting standards, the articles of the Bank's Statutes and the necessary assessments made with the Bank's executives, it is declared that the Bank's balance sheet and profit/loss statement are in conformity with its accounting records.

The Board of Directors has prepared the dividend proposal according to the articles of the Bank's Statutes and the related legislations.

We would like to present to your approval the balance sheet and profit/loss statements as of 31/12/2012, which is presented by the Board of Directors.



Statutory Auditor
Hamide Esma Uygun Çelikten



Statutory Auditor
M. Armağan Saraçoğlu

01.03.2013

Profit Distribution Proposal

To the allocation and distribution of Net Profit of 2012 equivalent to TRY 307,263,663.43 as follows in accordance with Article 55 of our Articles of Association;

1. in accordance with the 1st subparagraph of paragraph (a) of 55th article of our Articles of Association, to the allocation of TRY 15,363,183.17 which is 5% of the net profit as legal reserve fund,
2. in accordance with the 2nd subparagraph of paragraph (a) of 55th article of our Articles of Association, to the allocation of TRY 15,363,183.17 which is 5% of the net profit as provision for loss, which may come into existence in the future,
3. According to article 5-(1)/e of Corporate Tax Code numbered 5520, TRY 2,141,466.71 will be classified into a specific account of Equity as "property sale income", to be used in the capital increase if needed,
4. in accordance with the paragraph (b) of 55th article of our Articles of Association, to the allocation of 110 billion shares, paid-up and non-paid-up, with 1 Kuruş nominal value, (on account of 6%) to be 0.06 Kuruş to each of them, the total amount of TRY 66,000,000 as first profit share,
5. Out of the TRY 208,395,830.38, the remnant after the reduction of 1-4 articles above, in accordance with the paragraph (c) of 55th article of our Articles of Association,
 - a) to the distribution of gross amount of TRY 1,894.51 which is 5% of the aforementioned remainder (to be limited with the part of TRY 200,000 of paid-in-capital), to the founder shares to be TRY 18.95 to each founder share;
 - b) to the distribution of gross amount of TRY 1,041,979.15, which is the 0.5% of the aforementioned remainder, to the Members of Board of Directors;
 - c) to the distribution of gross amount of TRY 6,251,874.91, which is the 3% of the aforementioned remainder, to the employees in accordance with the Resolution of Board of Directors;
6. in accordance with the paragraph (d) of 55th article of our Articles of Association, to the allocation of 110 billion shares, paid-up and non-paid-up, with 1 Kuruş nominal value, (on account of 14.73%) to be 0.1473 Kuruş to each of them, the total amount of TRY 162,000,000 as second profit share,
7. in accordance with 519th article of Turkish Trade Code, to the allocation of TRY 18,029,574.86 as statutory reserve fund,
8. to the allocation of TRY 21,070,506.95, the remainder, as extraordinary reserve fund,
9. to the distribution of TRY 228,000,000, in full, which is the total of first and second profit shares stated in 4th and 6th articles above, TRY 60,000,000 which is 5.45% of the paid-in capital is to be distributed to shareholders as cash dividend and remaining TRY 168,000,000 which is 15.27% of the paid-in capital, shall be distributed as stock dividend in the capital increase from TRY 1,100,000,000 to TRY 1,300,000,000,
10. to the allocation of TRY 28,378,468.32, due to expiry of the time determined by the relevant regulation, as extraordinary reserve fund, which was exempted from Corporate Tax and allocated from 2007 profit to be retained in a special account in accordance with the Article 5-(1)/e of the Corporate Tax Code,
11. to the distribution of dividends of the year of 2012 equivalent to TRY 168,000,000 as bonus shares subsequent to the registration of the said shares by the Capital Markets Board and the distribution of cash dividends equivalent to TRY 60,000,000 starting March 27th,2013; to recommend to the General assembly to entitle the Board of Directors for all procedures related to all issues projected above.

Board of Directors

Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems, and Their Activities in the Reported Period 2012

General Information about TSKB Internal Systems

As required by the provisions of the Banking Act (Statute 5411) and the Banking Regulation and Supervision Agency's "regulations concerning the internal systems of banks", TSKB Board of Inspectors, Internal Control Department and Risk Management Department conduct their activities subject to the Audit Committee set up to assist the Board of Directors in the fulfillment of its audit and oversight responsibilities. Information concerning internal audit, internal control and risk management activities are given to the Audit Committee through regular meetings. The duties and responsibilities of the Board of Inspectors, the Internal Control Department and the Risk Management Department are in compliance with the requirements of existing laws, regulations, and administrative provisions and have been set out in internal regulations approved by the Board of Directors.

The fundamental principles of the Bank's risk management are: risk-focused auditing; active oversight of the Board of Directors and senior management; setting and monitoring of proper policies and limits; independent, accurate, and timely measurement, assessment, and reporting of risks; and establishment of effective internal control systems.

TSKB Board of Inspectors

TSKB Board of Inspectors reports directly to the Board of Directors through the Audit Committee and is responsible for conducting audit functions concerning all activities of TSKB. In this regard, the Board's audits, investigations and inquiries are carried out at all of the Bank's units, branches and subsidiaries.

The Board of Inspectors prepares a detailed internal audit plan for the following year including the units that will be audited; and submits this plan to the Audit Committee for an approval. Internal audit and IT audit activities are carried out by bank inspectors and IT auditors within the framework of the audit plan, in an objective and independent manner, and with all due professional diligence.

Risk assessments are being prepared by the Board of Inspectors that serve as the basis for the preparation of audit plans that take a more effective, risk-focused approach to auditing. In these risk assessments, the risks to which the bank is exposed and the ways in which they are controlled are taken into consideration to determine priorities in the conduct of audits and how frequently audits should take place. In this way, resources can be used more efficiently and it becomes possible to intervene in potential risky issues more quickly and effectively.

Reports prepared as a result of inspection activities are submitted to the Audit Committee, which examines them and then forwards them to the general manager. The findings and recommendations in these audit reports, as well as the measures and actions taken by the headquarter's units are monitored by the Board of Directors.

TSKB Board of Directors maintains a close watch over the activities of TSKB Board of Inspectors, which submits a report setting out the internal audit activities and their results to the Board of Directors through the Audit Committee at 3-month intervals.

In accordance with 7th paragraph of 19th article and 1st paragraph of 33th article of "Regulation on Bank Information Systems and Banking Processes Audit to be Performed by External Audit Institutions" published in the Official Gazette dated January 13th, 2010 and numbered 27461, Banks are obliged to submit a "Management Statement", which is prepared by the Board of Directors as of the audit period concerning the internal controls of the information systems and banking processes, to the independent auditor. Related operations are executed under the coordination of the Board of Inspectors which is authorized by the Board of Directors.

In addition to audit activities, the members of the TSKB Board of Inspectors undertake duties on projects being carried out in the Bank and they take an active part in all aspects of these projects from their original design to final execution.

TSKB Internal Control System

TSKB Internal Control System is structured to ensure that all financial and operational risks involved in the Bank's activities are continuously kept under a reasonable level of control.

The Internal Control System has been reorganized by the Board of Directors' resolution, dated December 30, 2010 and numbered 1978. In accordance to this resolution, the Internal Control Department was restructured on January 1, 2011.

The Internal Control Department is responsible for the presence of the internal control system that covers control activities to identify in advance and manage the risks to which the Bank may be exposed in its efforts to achieve its aims; to ensure that the Bank's operations

Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems, and Their Activities in the Reported Period 2012

are effective and productive; to protect the Bank's assets; to comply with current laws and regulations; and to safeguard the reliability and integrity of the accounting and financial reporting systems.

The business procedures, work flows, responsibilities, authorities, and limits are continuously reviewed and updated parallel to changing needs, risks, and conditions. Whenever internal controls embedded in the Bank's primary activities and business processes are formulated or changed; they must also be reviewed and approved by the Internal Control Department. During the development of new projects and products, the Internal Control Department plays a proactive role in addition to its regular responsibilities and helps to identify where new internal control points need to be placed.

Business activities take place in a controlled environment thanks to appropriate control mechanisms within individual business processes which respond to risks related to specific activities. Functional responsibilities on an individual activity basis as well as authorities to perform and approve transactions and their limits, system controls, post-transaction controls, and other transaction-specific controls ensure that activities and transactions are always conducted in an effective, correct, and secure manner.

Findings, opinions and recommendations resulting from the control activities of the Internal Control Department are first shared and evaluated with related process owners. In this way, additional controls are put into effect and preventive measures are taken timely; practical and effective process improvement solutions are implemented. All processes and activities are continuously and closely monitored and assessed by the Internal Control Department as well as by those who perform them.

TSKB Audit Committee periodically assesses the effectiveness of the internal control system and the results of internal control activities through activity reports prepared by the Internal Control Department.

The duties and responsibilities of the Compliance Officer as stated in the "Prevention of Laundering Proceeds of Crime" Law and other related regulations in effect have been fulfilled by a legal "Compliance Officer" assigned by the Bank since October 31, 2008. Mr. Yetkin Kesler who is the Head of Internal Control Department has been "Compliance Officer" of the Bank since November 28th, 2011. The activities and controls regarding prevention of laundering proceeds of crime and financing of terrorism are executed in compliance with related legislations and the Bank's internal policies. The results of the activities regarding compliance are also regularly evaluated by the Audit Committee through the annual reports.

Regarding the compliance obligations, new computer applications and control processes have been established during 2012. Thanks to these implementations, announcements, directives and regulations of legal authorities are being followed up efficiently by related departments and the Internal Control Department, and effective control mechanisms have been developed.

TSKB's Risk Management System

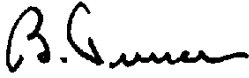
The risk management process, which is organized under risk management regulations and serves for the establishment of a company-wide common risk culture, is of such a structure in which risks are defined in compliance with international regulations governing the performance of measurement, analysis, monitoring and reporting activities.

The Risk Management Department is responsible for the formulation of risk management strategies to be followed by the Bank, as well as of its targets and policies, implementation of risk management activities and definition, measurement, monitoring, analysis, assessment and reporting of risk exposures. Within this scope, it contributes to the studies aimed at the development and integration of systems that will facilitate the monitoring of the compliance of risks with policies and standards and Bank's limits, identification of breaches, analysis of the risk dimension through various scenarios, measurement, monitoring and reporting of risks. The Risk Management Department identifies the main risks faced by the Bank, measures the risks undertaken, determines and develops methods to be used in risk measurements and checks consistency. The Risk Management Department also conducts studies of compliance with the Basel criteria.

Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems, and Their Activities in the Reported Period 2012

The Risk Management Department submits to the Board of Directors, through the Audit Committee, the detailed solo and consolidated risk management reports that are prepared on monthly and quarterly basis.

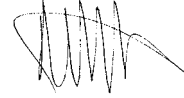
TSKB has determined in the TSKB Risk Management Policies and TSKB Capital Adequacy Policies the regulations not only for the existing risks but also for possible future risks. In this framework, the executive management prepares strategic plans which take into account the economic activities in the country, sectoral developments, competition, funding and placement opportunities and develops and projects base and alternative scenarios for one year and long term periods. With the help of these studies, possible various scenarios and the related bank's financial structure and capital adequacy levels are identified and the relevant action plans are developed.



Mustafa Baran TUNCER
Member of the Board of Directors and
Audit Committee



Kemal Serdar DIŞLI
Member of the Board of Directors and
Audit Committee



Murat BİLGİÇ
Member of the Board of Directors and
Audit Committee



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

Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No:3
Beykoz 34805 İstanbul

Telefon +90 (216) 6819000
Faks +90 (216) 6819090
İnternet www.kpmg.com.tr

To the Board of Directors of

Türkiye Sınai Kalkınma Bankası A.Ş.İstanbul

We have audited the unconsolidated balance sheet of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") as of 31 December 2012 and the related unconsolidated income statement, unconsolidated statement of cash flows and unconsolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' Responsibility for the Financial Statements:

The Board of Directors of the Bank is responsible for the establishment of an internal control system, selection and application of appropriate accounting policies for the preparation and fair presentation of the financial statements in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency (BRSA) and declarations by the Banking Regulation and Supervision Board, free of material misstatement, whether due to fraud or error, that could lead to false information within.

Auditors' Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Authorization and Activities of Institutions to Perform Independent Audit at Banks" published on the Official Gazette dated 1 November 2006 and numbered 26333 and International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into and assessing the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion expressed below.

Opinion:

In our opinion, based on our audit, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Sınai Kalkınma Bankası A.Ş. as of 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the Article 37 of (Turkish) Banking Law No: 5411 and other regulations, explanations and circulars on accounting and financial reporting principles announced by BRSA.

İstanbul,
12 February 2013

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Orhan Akova
Partner

Additional paragraph for convenience translation to English:

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

**The Unconsolidated Financial Report of Türkiye Sınai Kalkınma Bankası A.Ş.
For The Year Ended 31 December 2012**

Address: Meclis-i Mebusan Cad. No: 81 34427 Fındıklı/Istanbul

Telephone and Fax: (212) 334 50 50, (212) 334 52 34

Web Site: <http://www.tskb.com.tr>

E-mail Address for communication: NAZLICAA@tskb.com.tr

The unconsolidated financial report for the year end includes the following sections in accordance with "Communiqué on the Financial Statements and Related Explanations and Notes that will be made Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The accompanying unconsolidated financial statements and the explanatory footnotes and disclosures for the year end, unless otherwise indicated, are prepared **in thousands of Turkish Lira ("TL")**, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, and have been independently audited and presented as attached.

12 February 2013

Adnan BALI

Chairman of Board of
Directors

A. Orhan BEŞKÖK

Deputy General
Manager

Ömer ERYILMAZ

Executive Vice President in Charge of
Financial Reporting

Mustafa GÖKTAŞ

Head of
Financial Control
Department

M. Baran TUNCER

Member of Audit
Committee

Kemal Serdar DİŞLİ

Member of Audit
Committee

Murat BİLGİÇ

Member
of Audit
Committee

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

Name-Surname / Title : Ayşe Nazlıca / Head of Budget Planning and Investor Relations

Telephone Number : (212) 334 51 94

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

SECTION ONE**GENERAL INFORMATION****I. Bank's incorporation date, beginning statue, changes in the existing statue**

The 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 Bank is "Development and Investment Bank". The Bank does not have the license 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 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 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:

Current Period	Share	Shareholding	Paid in	Unpaid
<u>Name Surname/Commercial Title</u>	<u>Capital</u>	<u>Rate (%)</u>	<u>Capital</u>	<u>Capital</u>
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)	457.829	41,62	457.829	-
Physically Under Custody (Other Institutions and Individuals)	18	-	18	-
Total	1.100.000	100,00	1.100.000	-

Prior Period	Share	Shareholding	Paid in	Unpaid
<u>Name Surname/Commercial Title</u>	<u>Capital</u>	<u>Rate (%)</u>	<u>Capital</u>	<u>Capital</u>
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	-
Total	800.000	100,00	800.000	-

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 Bank

The Chairman and The Members of Board of Directors:

Name Surname	Title (1)	Date of Appointment	Academic Background	Experience in Banking and Management Before Appointment
Adnan Bali (6)	Chairman of the Board of Directors	15 April 2011	Undergraduated	27
Mehmet Şencan	Vice Chairman of the Board of Directors	7 June 2011	Undergraduated	25
Durmuş Yılmaz (2) (7)	Member of the Board of Directors	26 March 2012	Postgraduate	33
Mustafa Baran Tuncer	Member of the Board of Directors and Audit Committee	30 April 2008	Doctorate	33
Ertan Burhanettin Kantar (6)	Member of the Board of Directors	23 March 2005	Undergraduated	24
Kemal Serdar Dışlı	Member of the Board of Directors and Audit Committee	25 May 2007	Undergraduated	25
Murat Bilgiç (3)	Member of the Board of Directors and Audit Committee	23 March 2005	Postgraduate	22
Yonca Koçak (3)	Member of the Board of Directors	21 July 2010	Undergraduated	22
Peridun Bilgin (7)	Member of the Board of Directors	12 September 2012	Doctorate	16
Uygur Şafak Ögün (7)	Member of the Board of Directors	2 April 2010	Postgraduate	18
H. Fevzi Onat (8)	Member of the Board of Directors and General Manager	30 May 2011	Undergraduated	31

General Manager, Vice Presidents and Statutory Auditors :

Name Surname	Title / Area of Responsibility	Date of Appointment	Academic Background	Experience in Banking and Management Before Appointment
H. Fevzi Onat (8)	General Manager	30 May 2011	Undergraduated	31
A.Orhan Beşkök	Senior Vice President - Technical Services and Financial Institutions	24 January 2002	Postgraduate	30
Burak Akgüç	Vice President – Corporate Marketing and Corporate Finance	29 December 2004	Undergraduated	23
Ömer Eryılmaz	Vice President – Financial Control and Securities	27 January 2006	Undergraduated	27
Çiğdem İlçel	Vice President – Treasury and Human Resources	27 January 2006	Undergraduated	23
Ufuk Bala Yücel	Vice President - Project Finance and Loans	25 December 2007	Undergraduated	26
B. Gökhan Çanakpınar	Vice President – Information Technology and Loan-Treasury Operation	10 January 2012	Undergraduated	23
M. Armağan Saraçoğlu (5)	Statutory Auditor	4 September 2012	Undergraduated	14
Hamide Esmâ Uygun Çelikten	Statutory Auditor	25 March 2011	Undergraduated	16

(1) The shares of above directors in the 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.

(3) In the Board of Directors meeting held on 29 August 2012, in accordance with the Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103, Murat Bilgiç and Yonca Koçak who have resigned of their duties member of the Board of Directors were elected again as Member of Board of Director in accordance with article no.363 of Turkish Commercial Code to be submitted to approval on the First General Assembly.

(4) Mehmet Coşkun Cangöz, member of the Board of Directors, resigned from his duty of the member of the Board of Directors on 31 August 2012.

(5) Volkan Kublay, auditor of the Bank has resigned his duty and Muzaffer Armağan Saraçoğlu was elected as auditor of the Bank.

(6) In the Board of Directors meeting held on 4 September 2012, in accordance with the Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103, Adnan Bali and Burhanettin Kantar who have resigned of their duties in member of the Board of Directors were reelected as members of the Board of Directors in accordance with article no.363 of Turkish Commercial Code to be submitted to approval on the First General Assembly.

(7) In the Board of Directors meeting held on 12 September 2012, in accordance with Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103, Adnan Bali and Burhanettin Kantar who have resigned of their duties in member of the Board of Directors were reelected as member of the Board of Directors in accordance with article no.363 of Turkish Commercial Code to be submitted to approval on the First General Assembly. Feridun Bilgin was elected as a member of the Board of Directors substituted for Mehmet Coşkun Cangöz who has resigned from his duty from member of the Board of Directors in accordance with Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103 and Article no. 363 of Turkish commercial Code to be submitted to approval on the First General Assembly.

(8) Member of the Board of Directors and General Manager H. Fevzi Onat has retired from his duty as the member of the Board of Directors and General Manager of the Bank due to retirement. As the date of 1 February 2013, Özcan Türkakan was elected to vacant position on the Board of Directors in accordance with the Article No. 363 of Turkish Commercial Code and has started his duty after he has sworn on 4 February 2013. Appointed General Manager of the Bank is expected to be Özcan Türkakan and Özcan Türkakan will be start his duty after completion of legal procedure.

Notes to the Financial Statements For the Year Ended 31 December 2012

(Currency: 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 Bank**

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

Current Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
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)	457.829	41,62	457.829	-
Physically Under Custody (Other Institutions and Individuals)	18	-	18	-
Total	1.100.000	100,00	1.100.000	-
Prior Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
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	-
Total	800.000	100,00	800.000	-

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

Türkiye Sınai Kalkınma Bankası A.Ş. ("the 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 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 Bank has supported the development of the private sector by extending medium-term loans to more than 4.000 firms. After 1960's the Bank had continued to finance over 100 firms by investing in these entities as a shareholder. The Bank has also participated in improvement of capital markets by organizing public offerings of some firms.

The 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 Bank and in this context, General Management was authorized for the required operations. In accordance with the decision, the Bank management has started to executions in order to terminate the Bahrain Branch activities. As of 27 December 2012, closing procedures of the Bahrain Branch have been completed.

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

VI. Differences between the communiqué on preparation of consolidated financial statements of banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiaries and associates, TSKB Gayrimenkul Değerleme A.Ş., TSKB Gayrimenkul Danışmanlık A.Ş., Terme Metal Sanayi ve Ticaret A.Ş. and Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. are not consolidated since they are not in scope of financial institutions according to related communiqué.

Türkiye Sınai Kalkınma Bankası A.Ş. and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul 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 Bank has no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

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, Factoring and Financing Companies Law No: 6361. The Company started its leasing operations in July 1988. The Company's headquarters is located at Istanbul/Türkiye.

İş Factoring Finansman Hizmetleri A.Ş. :

İş Factoring Finansman Hizmetleri A.Ş., was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. 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: 2, Levent, Istanbul.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION ONE (Continued)**GENERAL INFORMATION (Continued)****VII. The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Bank and its subsidiaries or the reimbursement of liabilities**

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charge or pay cost of the services according to the service agreements done between the Bank and its subsidiaries. Dividend distribution from shareholders' equity is made according to related legal regulations.

Written policies of the Bank related to compliance to publicly disclosed obligations of the Bank and assessment of accuracy, frequency and compliance of mentioned disclosures

TSKB Disclosure Policy approved by the meeting of the Board of Directors and entered into force on 28 February 2011. Compliance to publicly disclosed obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Bank accessible from the TSKB corporate website.

Unconsolidated Balance Sheet (Statement of Financial Position) at 31 December 2012

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

		Audited Current Period 31 December 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)	25.412	107.201	132.613	5.390	115.652	121.042
II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	6.997	17.100	24.097	71.573	32.651	104.224
2.1 Trading financial assets		6.997	17.100	24.097	71.573	32.651	104.224
2.1.1 Public sector debt securities		194	-	194	59.040	-	59.040
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		6.143	17.100	23.243	11.961	32.651	44.612
2.1.4 Other marketable securities		660	-	660	572	-	572
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)	2.545	35.026	37.571	6.752	52.803	59.555
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	2.405.854	474.649	2.880.503	1.749.463	571.043	2.320.506
5.1 Share certificates		33.811	2.957	36.768	27.198	2.957	30.155
5.2 Public sector debt securities		2.127.232	342.798	2.470.030	1.617.661	378.877	1.996.538
5.3 Other marketable securities		244.811	128.894	373.705	104.604	189.209	293.813
VI. LOANS	(5)	1.768.357	5.117.237	6.885.594	1.893.502	4.473.548	6.367.050
6.1 Loans		1.768.357	5.117.237	6.885.594	1.893.502	4.473.548	6.367.050
6.1.1 Loans to risk group of the Bank		207.789	129.431	337.220	200.426	99.149	299.575
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		1.560.568	4.987.806	6.548.374	1.693.076	4.374.399	6.067.475
6.2 Non performing loans		8.357	5.418	13.775	10.998	14.675	25.673
6.3 Specific provisions (-)		(8.357)	(5.418)	(13.775)	(10.998)	(14.675)	(25.673)
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)	141.127	-	141.127	129.479	-	129.479
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		141.127	-	141.127	129.479	-	129.479
9.2.1 Financial investments		139.601	-	139.601	128.388	-	128.388
9.2.2 Non-financial investments		1.526	-	1.526	1.091	-	1.091
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	136.468	-	136.468	118.888	-	118.888
10.1 Unconsolidated financial subsidiaries		135.856	-	135.856	118.276	-	118.276
10.2 Unconsolidated non-financial subsidiaries		612	-	612	612	-	612
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-	-	-	-
11.1 Consolidated under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(10)	-	9.432	9.432	-	28.400	28.400
12.1 Finance lease receivables		-	9.758	9.758	-	29.577	29.577
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(326)	(326)	-	(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)	(12)	8.212	-	8.212	9.009	2	9.011
XV. INTANGIBLE ASSETS (Net)	(13)	618	-	618	452	-	452
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		618	-	618	452	-	452
XVI. INVESTMENT PROPERTY (Net)	(14)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	4.844	-	4.844	14.140	-	14.140
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		4.844	-	4.844	14.140	-	14.140
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(16)	-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	12.424	16.095	28.519	5.314	50.885	56.199
TOTAL ASSETS		4.512.858	5.776.740	10.289.598	4.130.917	5.324.984	9.455.901

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

Unconsolidated Balance Sheet (Statement of Financial Position) at 31 December 2012

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

		Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011			
LIABILITIES		Note Ref.	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	-	-	-	-	-	-
1.1	Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2	Other		-	-	-	-	-	-
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	1.565	19.264	20.829	6.470	38.506	44.976
III.	FUNDS BORROWED	(3)	22.000	6.862.664	6.884.664	23.763	6.755.520	6.779.283
IV.	MONEY MARKET BALANCES	(3)	1.017.327	237.310	1.254.637	769.792	177.962	947.754
4.1	Interbank money market takings		-	19.458	19.458	-	-	-
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Funds provided under repurchase agreements		1.017.327	217.852	1.235.179	769.792	177.962	947.754
V.	MARKETABLE SECURITIES ISSUED (Net)		-	-	-	2	-	2
5.1	Bills		-	-	-	2	-	2
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	FUNDS		1.909	7.836	9.745	1.559	6.335	7.894
6.1	Borrower funds		1.909	7.836	9.745	1.559	6.335	7.894
6.2	Others		-	-	-	-	-	-
VII.	SUNDRY CREDITORS		66.380	32.298	98.678	72.765	17.391	90.156
VIII.	OTHER LIABILITIES	(4)	-	-	-	-	-	-
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	(5)	6	-	6	-	-	-
10.1	Finance lease payables		6	2	8	-	2	2
10.2	Operating lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance lease expenses (-)		-	(2)	(2)	-	(2)	(2)
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	-	-	-	-	-
11.1	Fair value hedge		-	-	-	-	-	-
11.2	Cash flow hedge		-	-	-	-	-	-
11.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	(7)	144.494	-	144.494	108.664	-	108.664
12.1	General loan loss provisions		83.714	-	83.714	64.564	-	64.564
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		6.904	-	6.904	3.792	-	3.792
12.4	Insurance technical reserves (Net)		-	-	-	-	-	-
12.5	Other provisions		53.876	-	53.876	40.308	-	40.308
XIII.	TAX LIABILITY	(8)	32.085	-	32.085	16.413	-	16.413
13.1	Current tax liability		32.085	-	32.085	16.413	-	16.413
13.2	Deferred tax liability		-	-	-	-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	(9)	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(10)	-	89.125	89.125	-	95.000	95.000
XVI.	SHAREHOLDERS' EQUITY	(11)	1.685.950	69.385	1.755.335	1.345.753	20.006	1.365.759
16.1	Paid-in capital		1.100.000	-	1.100.000	800.000	-	800.000
16.2	Capital reserves		91.465	69.385	160.850	4.245	20.006	24.251
16.2.1	Share premium		-	-	-	-	-	-
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Marketable securities value increase fund	(11)	55.934	69.385	125.319	(27.303)	20.006	(7.297)
16.2.4	Tangible assets revaluation differences	(11)	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 funds (Effective portion)		-	-	-	-	-	-
16.2.9	Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		374	-	374	374	-	374
16.3	Profit reserves		187.221	-	187.221	286.166	-	286.166
16.3.1	Legal reserves	(11)	122.876	-	122.876	95.361	-	95.361
16.3.2	Statutory reserves		60.277	-	60.277	47.510	-	47.510
16.3.3	Extraordinary reserves	(11)	1.148	-	1.148	140.375	-	140.375
16.3.4	Other profit reserves		2.920	-	2.920	2.920	-	2.920
16.4	Profit or loss		307.264	-	307.264	255.342	-	255.342
16.4.1	Prior years' income/losses		-	-	-	-	-	-
16.4.2	Current year income/loss		307.264	-	307.264	255.342	-	255.342
TOTAL LIABILITIES AND EQUITY			2.971.716	7.317.882	10.289.598	2.345.181	7.110.720	9.455.901

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

Unconsolidated Statement of Off-Balance Sheet Items at 31 December 2012

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

	Note Ref	Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		1.217.771	5.325.467	6.543.238	2.255.167	7.434.041	9.689.208
I. GUARANTEES AND COLLATERALS (1)		290.755	921.802	1.212.557	298.455	970.524	1.268.979
1.1 Letters of guarantee		286.530	349.238	635.768	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		286.530	349.238	635.768	278.215	411.262	689.477
1.2 Bank acceptances		-	-	-	-	3.333	3.333
1.2.1 Import letters of acceptance		-	-	-	-	3.333	3.333
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	572.564	572.564	-	555.929	555.929
1.3.1 Documentary letters of credit		-	572.564	572.564	-	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		4.225	-	4.225	20.240	-	20.240
1.9 Other collaterals		-	-	-	-	-	-
II. COMMITMENTS (1)		757.446	1.643.773	2.401.219	1.087.925	2.985.994	4.073.919
2.1 Irrevocable commitments		15.346	22.102	37.448	42.801	146.519	189.320
2.1.1 Forward asset purchase and sales commitments		2.770	7.405	10.175	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		120	-	120	-	-	-
2.1.4 Loan granting commitments		-	4.007	4.007	-	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		12.456	10.690	23.146	20.656	11.372	32.028
2.2 Revocable commitments		742.100	1.621.671	2.363.771	1.045.124	2.839.475	3.884.599
2.2.1 Revocable loan granting commitments		742.100	1.621.671	2.363.771	1.045.124	2.839.475	3.884.599
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS (2)		169.570	2.759.892	2.929.462	868.787	3.477.523	4.346.310
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		169.570	2.759.892	2.929.462	868.787	3.477.523	4.346.310
3.2.1 Forward foreign currency buy/sell transactions		110.621	364.896	475.517	172.110	684.463	856.573
3.2.1.1 Forward foreign currency transactions-buy		55.432	182.456	237.888	88.151	341.027	429.178
3.2.1.2 Forward foreign currency transactions-sell		55.189	182.440	237.629	83.959	343.436	427.395
3.2.2 Swap transactions related to f.c. and interest rates		27.481	2.275.575	2.303.056	50.895	1.969.223	2.020.118
3.2.2.1 Foreign currency swaps-buy		13.411	318.374	331.785	18.415	304.520	322.935
3.2.2.2 Foreign currency swaps-sell		14.070	311.327	325.397	32.480	287.787	320.267
3.2.2.3 Interest rate swaps-buy		-	822.937	822.937	-	688.458	688.458
3.2.2.4 Interest rate swaps-sell		-	822.937	822.937	-	688.458	688.458
3.2.3 Foreign currency, interest rate and securities options		31.468	119.421	150.889	644.850	822.904	1.467.754
3.2.3.1 Foreign currency options-buy		15.734	43.896	59.630	322.425	386.498	708.923
3.2.3.2 Foreign currency options-sell		15.734	44.325	60.059	322.425	386.498	708.923
3.2.3.3 Interest rate options-buy		-	15.600	15.600	-	24.954	24.954
3.2.3.4 Interest rate options-sell		-	15.600	15.600	-	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		-	-	-	932	933	1.865

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

Unconsolidated Statement of Off-Balance Sheet Items at 31 December 2012

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

		Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011		
	Note Ref	TL	FC	Total	TL	FC	Total
B.	CUSTODY AND PLEDGED SECURITIES (IV+V+VI)	5.394.070	70.536.520	75.930.590	6.500.022	64.237.278	70.737.300
IV.	ITEMS HELD IN CUSTODY	1.260.870	264.060	1.524.930	1.070.518	228.362	1.298.880
4.1	Customers' securities held	8.619	-	8.619	4.712	-	4.712
4.2	Investment securities held in custody	270.138	264.060	534.198	295.649	228.362	524.011
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	3.335	-	3.335	18.402	-	18.402
4.8	Custodians	978.778	-	978.778	751.755	-	751.755
V.	PLEDGED ITEMS	3.179.702	46.066.494	49.246.196	4.487.011	39.004.982	43.491.993
5.1	Marketable securities	2.935	1.208.830	1.211.765	2.931	1.282.865	1.285.796
5.2	Guarantee notes	52.622	1.299.865	1.352.487	65.423	1.574.739	1.640.162
5.3	Commodity	-	-	-	-	-	-
5.4	Warranty	-	-	-	-	-	-
5.5	Real estates	90.594	16.297.684	16.388.278	112.594	7.130.658	7.243.252
5.6	Other pledged items	3.033.551	27.260.115	30.293.666	4.306.063	29.016.720	33.322.783
5.7	Pledged items-depository	-	-	-	-	-	-
VI.	ACCEPTED BILLS OF EXCHANGE AND COLLATERALS	953.498	24.205.966	25.159.464	942.493	25.003.934	25.946.427
TOTAL OFF BALANCE SHEET ITEMS (A+B)		6.611.841	75.861.987	82.473.828	8.755.189	71.671.319	80.426.508

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

Türkiye Sınai Kalkınma Bankası A.Ş.
Unconsolidated Income Statement For the Year Ended 31 December 2012

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

	Note Ref.	Audited Current Period 1 January 2012 – 31 December 2012	Audited Prior Period 1 January 2011 – 31 December 2011
I. INTEREST INCOME	(1)	589.384	513.097
1.1 Interest on loans		334.970	292.398
1.2 Interest received from reserve deposits		-	-
1.3 Interest received from banks		306	8.091
1.4 Interest received from money market placements		6.615	3.692
1.5 Interest received from marketable securities portfolio		246.299	206.608
1.5.1 Financial assets held for trading		1.279	4.573
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		237.327	166.218
1.5.4 Investments held-to-maturity		7.693	35.817
1.6 Finance lease income		1.066	2.144
1.7 Other interest income		128	164
II. INTEREST EXPENSES	(2)	(158.863)	(148.773)
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(90.461)	(79.933)
2.3 Interest on money market borrowings		(68.285)	(64.772)
2.4 Interest on securities issued		-	(4.033)
2.5 Other interest expense		(117)	(35)
III. NET INTEREST INCOME (I - II)		430.521	364.324
IV. NET FEES AND COMMISSIONS INCOME		12.223	9.898
4.1 Fees and commissions received		13.242	10.949
4.1.1 Non-cash loans		10.115	5.617
4.1.2 Other		3.127	5.332
4.2 Fees and commissions paid		(1.019)	(1.051)
4.2.1 Non-cash loans		(3)	(3)
4.2.2 Other		(1.016)	(1.048)
V. DIVIDEND INCOME	(3)	27.711	25.829
VI. NET TRADING INCOME	(4)	280	(10.951)
6.1 Securities trading gains/ (losses)		(1.792)	(2.491)
6.2 Derivative financial instruments gains/losses		9.579	(26.882)
6.3 Foreign exchange gains/losses (net)		(7.507)	18.422
VII. OTHER OPERATING INCOME	(5)	18.707	27.563
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		489.442	416.663
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(34.175)	(34.032)
X. OTHER OPERATING EXPENSES (-)	(7)	(72.474)	(64.916)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		382.793	317.715
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)	(8)	382.793	317.715
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(75.529)	(62.373)
16.1 Provision for current income taxes		(94.286)	(49.194)
16.2 Provision for deferred taxes		18.757	(13.179)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV+XVI)	(10)	307.264	255.342
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX+XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	307.264	255.342
Earnings / (losses) per share		0,279	0,232

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

Unconsolidated Statement of Comprehensive Income For the Year Ended 31 December 2012

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

PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY		Audited Current Period 1 January 2012– 31 December 2012	Audited Prior Period 1 January 2011 – 31 December 2011
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	147.171	(64.010)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	-
V.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion of fair value differences)	-	-
VI.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS	-	-
VIII.	OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS	13.498	(53.123)
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	(28.053)	10.521
X.	NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	132.616	(106.612)
XI.	CURRENT YEAR PROFIT/LOSS	307.264	255.342
11.1	Net changes in fair value of securities (Recycled to Profit/Loss)	(756)	(1.770)
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	308.020	257.112
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	439.880	148.730

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

Unconsolidated Statement of Changes In Equity For the Year Ended 31 December 2012

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

				Effect of Inflation on		Share			
	CHANGES IN SHAREHOLDER'S EQUITY	Note Ref.	Paid in Capital	Paid in Capital	Share Premiums	Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves
Prior Period – 31 December 2011									
I.	Opening Balance		700.000	374	-	-	73.559	36.929	108.328
Changes during the period									
II.	Increase / Decrease related to merger		-	-	-	-	-	-	-
III.	Marketable securities value increase		-	-	-	-	-	-	-
IV.	fund		-	-	-	-	-	-	-
IV.	Hedging (Effective portion)		-	-	-	-	-	-	-
4.1	Cash-flow hedge		-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign		-	-	-	-	-	-	-
	operations		-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	-
VI.	Intangible assets revaluation differ-		-	-	-	-	-	-	-
	ences		-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates,		-	-	-	-	-	-	-
	subsidiaries and jointly controlled enti-		-	-	-	-	-	-	-
	ties (Joint Vent.)		-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-
IX.	Disposal of assets		-	-	-	-	-	-	-
X.	Reclassification of assets		-	-	-	-	-	-	-
XI.	Effect of change in equities of associ-		-	-	-	-	-	-	-
	ates on bank's equity		-	-	-	-	-	-	-
XII.	Capital increase		100.000	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-
12.2	Internal sources		100.000	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-
XV.	Effect of inflation on paid-in capital		-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-
XVII.	Period net income		-	-	-	-	-	-	-
XVI-	Profit distribution		-	-	-	-	21.802	10.581	32.047
II.	Dividends distributed		-	-	-	-	-	-	-
18.1	Transfers to reserves		-	-	-	-	21.802	10.581	32.047
18.2	Other		-	-	-	-	-	-	-
18.3			-	-	-	-	-	-	-
Closing Balance			800.000	374	-	-	95.361	47.510	140.375
Current Period – 31 December 2012									
I.	Opening Balance		800.000	374	-	-	95.361	47.510	140.375
Changes during the period									
II.	Increase / Decrease related to merger		-	-	-	-	-	-	-
III.	Marketable securities value increase		-	-	-	-	-	-	-
III.	fund		-	-	-	-	-	-	-
IV.	Hedging (Effective portion)		-	-	-	-	-	-	-
4.1	Cash-flow hedge		-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	-
VI.	Intangible assets revaluation differ-		-	-	-	-	-	-	-
	ences		-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates,		-	-	-	-	-	-	-
	subsidiaries and jointly controlled enti-		-	-	-	-	-	-	-
	ties (Joint Vent.)		-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-
IX.	Disposal of assets		-	-	-	-	-	-	-
X.	Reclassification of assets		-	-	-	-	-	-	-
XI.	Effect of change in equities of associ-		-	-	-	-	-	-	-
	ates on bank's equity		-	-	-	-	-	-	-
XII.	Capital increase	(1)	300.000	-	-	-	-	-	(163.000)
12.1	Cash		-	-	-	-	-	-	-
12.2	Internal sources		300.000	-	-	-	-	-	(163.000)
XIII.	Share issuance		-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-
XV.	Effect of inflation on paid-in capital		-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	175
XVII.	Period net income		-	-	-	-	-	-	-
XVI-	Profit distribution		-	-	-	-	27.515	12.767	23.598
II.	Dividends distributed		-	-	-	-	-	-	-
18.1	Transfers to reserves		-	-	-	-	27.515	12.767	23.598
18.2	Other		-	-	-	-	-	-	-
18.3			-	-	-	-	-	-	-
Closing Balance			1.100.000	374	-	-	122.876	60.277	1.148

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

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

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

Unconsolidated Statement of Cash Flows For the Year Ended 31 December 2012

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

		Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
	Note Ref.		
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		209.782	432.418
1.1.1 Interest received		469.762	545.310
1.1.2 Interest paid		(161.536)	(149.416)
1.1.3 Dividends received		4.957	5.586
1.1.4 Fees and commissions received		13.242	10.949
1.1.5 Other income	(1)	28.286	20.707
1.1.6 Collections from previously written off loans		7.642	6.815
1.1.7 Payments to personnel and service suppliers		(46.084)	(49.495)
1.1.8 Taxes paid		(76.830)	(47.762)
1.1.9 Others	(1)	(29.657)	89.724
1.2 Changes in operating assets and liabilities		41.054	(279.551)
1.2.1 Net (increase) decrease in financial assets		58.779	(5.454)
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		(983.284)	(1.794.027)
1.2.5 Net (increase) decrease in other assets	(1)	62.750	(102.194)
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		583.579	1.853.464
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	319.230	(231.340)
I. Net cash provided by/(used in) banking operations		250.836	152.867
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided by/(used in) investing activities		(199.655)	(22.161)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	(420)	(800)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-	392
2.3 Fixed asset purchases	(2)	(912)	(1.234)
2.4 Fixed asset sales	(3)	3.325	17.706
2.5 Cash paid for purchase of financial assets available for sale		(297.030)	(215.671)
2.6 Cash obtained from sale of financial assets available for sale		-	-
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities (*)		95.787	177.795
2.9 Others		(405)	(349)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided by/(used in) financing activities		(50.481)	(237.941)
3.1 Cash obtained from funds borrowed and securities issued		-	2
3.2 Cash used for repayment of funds borrowed and securities issued		(2)	(190.744)
3.3 Capital increase		-	-
3.4 Dividends paid		(50.479)	(47.199)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	(2.820)	5.887
V. Net increase / (decrease) in cash and cash equivalents		(2.120)	(101.348)
VI. Cash and cash equivalents at beginning of the period	(4)	67.686	169.034
VII. Cash and cash equivalents at end of the period	(4)	65.566	67.686

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

Statement of Profit Distribution For the Year Ended 31 December 2012

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

	Audited Current Period 31 December 2012 (*)	Audited Current Period 31 December 2011
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	382.793	317.715
1.2 TAXES AND DUTIES PAYABLE	(75.529)	(62.373)
1.2.1 Corporate Tax (Income tax)	(94.286)	(49.194)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	18.757	(13.179)
A. NET INCOME FOR THE YEAR (1.1-1.2)	307.264	255.342
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	12.767
1.5 OTHER STATUTORY RESERVES (-)	-	12.767
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	307.264	229.808
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	48.000
1.6.1 To owners of ordinary shares	-	48.000
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	4.590
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	889
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	134.000
1.9.1 To owners of ordinary shares	-	134.000
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	14.748
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	23.598
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	3.983
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (pre-emptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	307.264	255.342
3.2 TO OWNERS OF ORDINARY SHARES (%)	27,93	31,92
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	182.000
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	22,75
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*)Since the Board of Directors has not yet prepared any proposal for profit distribution relating to the year 2012, profit distribution for the year 2012 was presented only.

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

I.a Presentation of financial statements:

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

The 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. The situation does not result in a change in basis of preparation as of reporting date.

Amounts in the unconsolidated 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 unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the unconsolidated financial position and unconsolidated 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 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 XXII.

I.c The accounting policies for the correct understanding of the financial statements

The following accounting policies that applied according to BRSA regulations and TAS for the correct understanding of the financial statements and valuation principles used in preparation of the financial statements are presented in more detail below.

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

The main sources of the funds of the Bank 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 Bank have the flexibility of reflecting the changes in market interest rates to customers, the interest rate risk is kept at minimum level. Moreover, the highly profitable Eurobond and the foreign currency government indebtness securities portfolio have the attribute of eliminating the risks of interest rate volatility.

The Bank 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 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.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION THREE (Continued)**ACCOUNTING POLICIES (Continued)****II. Explanations on usage strategy of financial assets and foreign currency transactions (Continued)**

The Bank'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.

III. Explanations on forward and option contracts and derivative instruments

The Bank is exposed to financial risk which depend on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate.

Mainly derivative instruments used by the Bank are foreign currency forwards, swaps, futures trading, futures and option agreements.

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

According to Capital Markets Board (CMB) 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.

IV. 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.

V. 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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VI. Explanations on financial assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments constitute the both of the Bank'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 Bank's balance sheet in all respects. The Bank 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 Bank. 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 Bank. 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 Bank 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 Bank. The Bank 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.

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.

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. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION THREE (Continued)**ACCOUNTING POLICIES (Continued)****VI. Explanations on financial assets (continued)**

Interest income earned from held-to-maturity investments is recognized as interest income on income statement. The Bank has no held to maturity investments as of 31 December 2012 (31 December 2011: TL 126.955).

As of the reporting date, the 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 unconsolidated financial statements.

Explanations on investments in associates and subsidiaries:

Investments in associates and subsidiaries are recorded within the scope of the "Turkish Accounting Standard No.39: Financial Instruments: Recognition and Measurement" (TAS 39). Investments in subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market). Investments in subsidiaries and associates, whose shares are not traded in an active market (stock market) are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of, if any, impairment provisions.

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 (including received from Loans and receivables with doubtful collectability)" 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.

VII. Explanations on impairment on financial assets

At each reporting date, the Bank 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 Bank 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 provisions, 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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on impairment on financial assets (continued)

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

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 twenty percent of total loans, general loan loss provision ratio is four percent for consumer loans which are followed under standard loans and receivables except car and housing loans; and is eight percent for the loans under close monitoring except car and housing loans. Since the consumer loans of the Bank are composed of personnel loans as of 31 December 2012 and do not exceed the ratios mentioned above, additional general loan loss provision has not been calculated.

In accordance with the communiqué "The Amendment to the Communiqué on Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 21 September 2012 No: 28418 Official Gazette, the Bank has calculated general loan loss provisions with the rates stated in the first paragraph of Article 7 of the Communiqué.

VIII. Explanations on offsetting of financial assets and liabilities

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

IX. 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 Bank 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.

X. 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. 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.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION THREE (Continued)**ACCOUNTING POLICIES (Continued)****XI. 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.

As of reporting date, The Bank has no goodwill on the unconsolidated financial statements.

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.

XII. Explanations on tangible assets

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

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

Normal maintenance and repair expenditures are expensed.

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

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

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

Tangible Assets	Expected Useful Lives (Years)	Depreciation Rate (%)
Cashboxes	4-50	2-25
Vehicles	5	20
Other Tangible Assets	1-50	2-100

XIII. Explanations on leasing transactions

The Bank as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank'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 Bank's net investment outstanding in respect of the leases.

The Bank as Lessee

Assets held under finance leases are recognized as assets of the Bank 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 Bank's general policy on borrowing costs. Tangible assets acquired by financial leases are amortized based on the useful lives of the assets.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIV. 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. If aforesaid criterias did not compose, the Bank has disclosed mentioned issues in note to financial statements. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

Explanations on contingent assets

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

XV. Explanations on liabilities regarding employee benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Bank. In retirement and involuntarily leaving, the Bank 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 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. 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 22 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 four-year extension was published in the Official Gazette No: 28277 dated 8 March 2012. 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.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION THREE (Continued)**ACCOUNTING POLICIES (Continued)****XV. Explanations on liabilities regarding employee benefits (continued)**

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2012 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated February 2013, as of 31 December 2012, there is no technical or actual shortage requiring provision.

In addition, the 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 Bank.

XVI. 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.

XVII. 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.

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

XVIII. Explanations on share certificates issued

In the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the 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 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

In the prior period, In the meeting of the General Assembly held on 25 March 2011; it has been resolved that, paid-in capital of the Bank will be increased from TL 700.000 to TL 800.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 100.000 of this increase will be incorporated from the profit of the year 2010. The increase in paid-in capital was approved by the BRSA on 15 April 2011, has registered on 12 May 2011 and has been published in the Turkish Trade Registry Gazette No: 7824 on 27 May 2011.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIX. 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.

XX. Explanations on government incentives

The Bank does not use government incentives.

XXI. Explanations on segment reporting

In accordance with its mission, the 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.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION THREE (Continued)**ACCOUNTING POLICIES (Continued)****XXI. Explanations on segment reporting (continued)**

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

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	242.277	188.244	-	430.521
Net Fees and Commission Income	10.185	1.751	287	12.223
Other Income	7.010	10.375	34.041	51.426
Other Expense	(58.668)	(23.464)	(29.245)	(111.377)
Profit Before Tax	200.804	176.906	5.083	382.793
Tax Provision				(75.529)
Net Profit				307.264
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	6.895.026	3.074.784	42.193	10.012.003
Investment in Associates and Subsidiaries	-	-	277.595	277.595
Total Assets	6.895.026	3.074.784	319.788	10.289.598
Segment Liabilities	6.718.858	1.540.142	275.263	8.534.263
Shareholders' Equity	-	-	1.755.335	1.755.335
Total Liabilities	6.718.858	1.540.142	2.030.598	10.289.598

Prior Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	212.926	151.398	-	364.324
Net Fees and Commission Income	5.029	4.128	741	9.898
Other Income	14.389	48	38.955	53.392
Other Expense	(57.232)	(26.924)	(25.743)	(109.899)
Profit Before Tax	175.112	128.650	13.953	317.715
Tax Provision				(62.373)
Net Profit				255.342
Prior Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	6.395.450	2.732.282	79.802	9.207.534
Investment in Associates and Subsidiaries	-	-	248.367	248.367
Total Assets	6.395.450	2.732.282	328.169	9.455.901
Segment Liabilities	6.396.378	1.478.531	215.233	8.090.142
Shareholders' Equity	-	-	1.365.759	1.365.759
Total Liabilities	6.396.378	1.478.531	1.580.992	9.455.901

XXII. Explanations on other matters

None.

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations related to the unconsolidated capital adequacy standard ratio

As of 1 July 2012, capital adequacy standard ratio is calculated in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”, which was published on 28 June 2012 in the Official Gazette numbered 28337. In this context, credit and market risk are calculated based on the Standardised Approach and the operational risk is calculated based on the Basic Indicator Approach. In the calculation process of credit risk, loans are classified in the related risk weight by taking into account the risk portfolio types, ratings and credit risk mitigation techniques. The Bank uses “comprehensive approach” for trading book items in the credit mitigation process.

As of 31 December 2012, the Bank’s capital adequacy ratios in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” is 20,35 %. The Bank did not recalculate the capital adequacy ratio for prior periods, according to the Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”, which was published on 28 June 2012 in the Official Gazette numbered 28337.

Information related to the unconsolidated capital adequacy standard ratio

	Risk Weights (*)						
	The Bank						
	%0	%20	%50	%75	%100	%150	%200
The Amount Subject to Credit Risk	2.275.521	136.510	1.598.550	14.025	7.316.578	8	8
Risk Types							
Contingent and Non-Contingent Claims on Sovereigns	2.270.481	-	345.062	-	-	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	-	-	-	-	2.436	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	-	136.510	1.252.410	-	83.638	-	-
Contingent and Non-Contingent Claims on Corporates	-	-	-	-	6.708.708	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	14.025	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	1.078	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-	8	8
Securities Secured by Mortgage	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	184.038	-	-
Other Claims	5.040	-	-	-	337.758	-	-

(*) The Bank has no credit risk related to 10% and 1250% risk weight.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****I. Explanations related to the unconsolidated capital adequacy standard ratio (continued)****Summary information related to the capital adequacy standard ratio**

	Current Period (*)
Capital Requirement for Credit Risk (Amount subject to Credit Risk*0,08) (CRCR)	652.296
Capital Requirement for Market Risk (CRMR)	15.460
Capital Requirement for Operational Risk (CROR)	47.693
Shareholders' Equity	1.820.009
Shareholders' Equity/((CRCR+CRMR+CROR) *12,5)*100	20,35

(*) "The Bank did not recalculate the capital adequacy ratio related to prior periods as of 1 July 2012, according to provisional act 1 of "Publicly Announced Communiqué on Financial Statements and Related Disclosures and Footnotes".

Information related to the shareholders' equity

CORE CAPITAL	Current Period	Prior Period(***)
Paid-in Capital	1.100.000	800.000
Nominal Capital	1.100.000	800.000
Capital Commitments (-)	-	-
Inflation Adjustment to Share Capital	374	374
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	187.221	286.166
Inflation Adjustment on Legal Reserves, Statutory Reserves and Extraordinary Reserves	-	-
Profit	307.264	255.342
Current Period Profit	307.264	255.342
Prior Years' Profits	-	-
Provisions for Possible Losses up to 25% of Core Capital	-	-
Profit on sale of associates, subsidiaries and buildings	35.157	31.174
Primary subordinated loans	-	-
Loss that is not covered with reserves (-)	-	-
Net current period loss	-	-
Prior period loss	-	-
Leasehold improvements (-)	(198)	(229)
Intangible assets (-)	(618)	(452)
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Total Core Capital	1.629.200	1.372.375

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

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

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

SUPPLEMENTARY CAPITAL	Current Period	Prior Period(***)
General Loan Loss Provisions	83.714	64.564
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 (*)	53.040	75.400
45% of the Marketable Securities Value Increase Fund (**)	54.429	(12.672)
Indexation Differences for Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
Total Supplementary Capital	191.183	127.292
CAPITAL	1.820.383	1.499.667
DEDUCTIONS FROM THE CAPITAL	(374)	(395)
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	-	-
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	(374)	(395)
Securitisation Positions Deducted from Equity Preferred	-	-
Other	-	-
TOTAL SHAREHOLDERS' EQUITY	1.820.009	1.499.272

(*)According to BRSA's "Regulation on Equity of Banks", 60 % amount of the 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.

(***)The previous year's datas relating to the table above that is changed with the Communiqué on "Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures", which was published on 28 June 2012 in the Official Gazette numbered 28337 are shown according to the new table and total equity is not changed.

The approaches used for internal capital adequacy assessment in terms of current and future activities

The evaluation of the Bank's internal capital adequacy assessment in terms of current and future activities is carried out within the framework of the principles identified at Capital Adequacy Policy approved in the Board of Directors meeting held on 28 September 2012.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****I. Explanations related to the unconsolidated capital adequacy standard ratio (continued)*****The approaches used for internal capital adequacy assessment in terms of current and future activities (continued)***

The purpose of the internal assessment process of capital requirements is to identify and evaluate all the risks both included and not included in the calculations of regulatory capital requirement, and and by this means, to ensure keeping sufficient capital to cover these risks and to ensure the application of appropriate risk management techniques.

The Bank's internal assessment process is risk-oriented and future-oriented. Current and future capital requirements are analyzed in accordance with the Bank's strategic objectives and anticipated capital costs, target capital levels and capital resources are taken into account. Through the process of internal assessment, a general capital level and assessment are exhibited, the results and findings of the internal assessment process are taken into consideration in the process of assessment of the Bank's strategy and risk appetite.

Within the scope of the process, for the current period and the three-year period covering the years 2013-2015, the Bank's capital requirement and internal capital adequacy is evaluated, based on the the Bank's asset structure and risk profile, the expectations on macro-economic factors such as economic growth and foreign exchange rates, and stress scenarios, In this context, interest rate risk in the banking book, concentration risk for sectors, countries and economic groups within credit risk, liquidity risk and other risks including reputation risk, strategic risk, etc., as well as credit risk, market risk and operational risk which are contained in the calculation of the regulatory capital requirement, are included.

II. Explanations related to credit risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically.

Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in line with Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" ("Provision Regulation"). Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, mortgage, cash blockage and client checks.

The limits are also identified for the transactions made with the banks. The credit risk is managed by considering the creditworthiness and the limits of counter parties.

In accordance with TAS and Turkish Financial Reporting Standards;

Impaired loans, are loans past due more than 90 days as of reporting period or convinced to be impaired due to credibility. In accordance with Communiqué on Reserves, "Specific Provision" is allocated for these loans.

Past due loans, are loans past due up to 90 days as of reporting period but not impaired. In accordance with Communiqué on Reserves, "General Provision" is calculated for these loans.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations related to credit risk (continued)

Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types

	Current Period Risk Amount (*)	Average Risk Amount (**)
Contingent and Non-Contingent Claims on Sovereigns	3.433.261	3.115.058
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	16.510	15.014
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	1.926.764	1.867.262
Contingent and Non-Contingent Claims on Corporates	9.069.882	9.220.852
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	84.076	70.628
Contingent and Non-Contingent Claims Secured by Real Estate Property	1.078	180
Past Due Loans	-	182
Higher-Risk Categories Defined by Agency	16	14
Securities Secured by Mortgage	-	-
Securitization Exposures	-	-
Short-Term Claims on Banks and Corporate	-	-
Undertakings for Collective Investments in Transferable Securities	307.590	541.399
Other Claims	342.798	328.404

(*) Includes total risk amounts before the effect of credit risk mitigation.

(**) Average risk amount are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank (1 July 2012) to the period end.

There are control limits over the positions on forwards, options and similar other agreements. Those limits are controlled by the Bank's management on a regular basis. The credit risk is managed together with the potential risks arising from the fluctuations in the market. Credit risk, market risk, liquidity risk and other risks are managed as a whole.

If exposed to a significant degree of credit risk, the Bank reduces the total risk by using, exercising or selling forward transactions and other similar contracts.

The compensated non-cash loans are evaluated at the same risk weight as the non-performing loans.

Rescheduled loans are monitored within the Bank's internal rating application, as well as the monitoring applications required by the related regulations. All precautions are taken in order to classify the companies' risks and their current rating may change within this internal rating applications.

The Bank monitors and investigates the maturity concentration and the risks which are different than their normal pattern.

The international operations are made with many correspondent banks in various countries. The counter party limits are set with operations made with the banks.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****II. Explanations related to credit risk (continued)**

The Bank being an active participant in international banking market is not exposed to a significant degree of credit risk when evaluated with the financial operations of other financial institutions.

The first 100 and 200 largest cash loans constitute 84,17% and 98,24% of the total cash loans portfolio of the Bank respectively (31 December 2011: 84,68% and 98,86%).

The first 100 and 200 largest non cash loans constitute 100% and %100 of the total non cash loans portfolio of the Bank respectively (31 December 2011: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 83,32% and 97,59% of the total on and off balance sheet accounts of the Bank respectively (31 December 2011: 84,72% and 98,09%).

The Bank calculated the general loan loss provision of TL 83.714 (31 December 2011: TL 64.564).

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations related to credit risk (continued)

Profile of Significant Exposures in Major Regions

	Risk Types (*)						
	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates
Current Period							
Domestic	2.615.543	-	2.436	-	-	1.193.383	6.708.707
European Union (EU)	-	-	-	-	-	33.894	-
Countries	-	-	-	-	-	603	-
OECD Countries (**)	-	-	-	-	-	83.638	-
Off-Shore Banking Regions	-	-	-	-	-	36.050	-
USA, Canada	-	-	-	-	-	27.916	-
Other Countries	-	-	-	-	-	97.074	-
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	1
Total	2.615.543	-	2.436	-	-	1.472.558	6.708.708

(*)Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.

(**)Includes OECD countries other than EU countries, USA and Canada

(***)Includes asset and liability items that cannot be allocated on a consistent basis

Risk profile by sectors or counterparties

	Risk Types (*)							
	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios
Agriculture	-	-	-	-	-	-	12.024	-
Farming and Stockbreeding	-	-	-	-	-	-	12.024	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	23.504	4.974.206	-
Mining and Quarrying	-	-	-	-	-	-	41.880	-
Production	-	-	-	-	-	8.035	1.947.947	-
Electricity, Gas and Water	-	-	-	-	-	15.469	2.984.379	-
Construction	-	-	-	-	-	-	153.518	-
Services	145.973	-	2.211	-	-	1.449.038	1.564.538	-
Wholesale and Retail Trade	-	-	-	-	-	-	353.824	-
Accommodation and Dining	-	-	-	-	-	1.237	207.941	-
Transportation and Telecommunication	-	-	-	-	-	-	417.803	-
Financial Institutions	145.973	-	2.211	-	-	1.447.801	1.995	-
Real Estate and Rental Services	-	-	-	-	-	-	385.195	-
Professional Services	-	-	-	-	-	-	152.732	-
Educational Services	-	-	-	-	-	-	12.419	-
Health and Social Services	-	-	-	-	-	-	32.629	-
Others	2.469.570	-	225	-	-	16	4.422	14.025
Total	2.615.543	-	2.436	-	-	1.472.558	6.708.708	14.025

(*)Risk types contained in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been taken into account.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

Risk Types (*)									
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	Contingent and Non-Contingent Claims Secured by Residential Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	Total
14.009	1.078	-	16	-	-	-	81.676	24.104	10.640.952
-	-	-	-	-	-	-	-	2.957	36.851
-	-	-	-	-	-	-	-	-	603
-	-	-	-	-	-	-	-	-	83.638
-	-	-	-	-	-	-	-	-	36.050
-	-	-	-	-	-	-	-	-	27.916
-	-	-	-	-	-	-	102.362	283.697	483.133
16	-	-	-	-	-	-	-	32.040	32.057
14.025	1.078	-	16	-	-	-	184.038	342.798	11.341.200

Contingent and Non-Contingent Claims Secured by Residential Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	TL	FC	Total
-	-	-	-	-	-	-	629	6.297	6.356	12.653
-	-	-	-	-	-	-	267	5.935	6.356	12.291
-	-	-	-	-	-	-	362	362	-	362
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2.486	263.920	4.736.276	5.000.196
-	-	-	-	-	-	-	-	-	41.880	41.880
-	-	-	-	-	-	-	1.194	179.228	1.777.948	1.957.176
-	-	-	-	-	-	-	1.292	84.692	2.916.448	3.001.140
-	-	-	-	-	-	-	-	17.553	135.965	153.518
1.078	-	-	-	-	-	184.038	307.643	716.604	2.937.915	3.654.519
-	-	-	-	-	-	-	-	41.118	312.706	353.824
-	-	-	-	-	-	-	-	-	209.178	209.178
-	-	-	-	-	-	-	1.235	1.355	417.683	419.038
-	-	-	-	-	-	184.038	305.796	650.842	1.436.972	2.087.814
-	-	-	-	-	-	-	-	14.113	371.082	385.195
-	-	-	-	-	-	-	612	9.176	144.168	153.344
-	-	-	-	-	-	-	-	-	12.419	12.419
1.078	-	-	-	-	-	-	-	-	33.707	33.707
-	-	16	-	-	-	-	32.040	2.163.559	356.755	2.520.314
1.078	-	16	-	-	-	184.038	342.798	3.167.933	8.173.267	11.341.200

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations related to credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities

Risk Types	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Contingent and Non-Contingent Claims on Sovereigns	247.470	59.518	152.402	165.100	1.963.716
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	65	-	-	-	2.367
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	77.534	22.434	54.265	47.073	1.215.074
Contingent and Non-Contingent Claims on Corporates	63.766	102.502	82.847	232.852	6.205.047
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	10.748	-	-	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	-	-	-	1.078	-
Past Due Loans	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	16
Securities Secured by Mortgage	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	4.276	-	10	-	179.547
Other Claims	-	-	-	-	-
Total	403.859	184.454	289.524	446.103	9.565.767

Information on Risk Types

Referring to article No. 7 of the "Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", in the process of risk weighted assets calculation, risk weights are determined through ratings given by authorized rating companies. Ratings given by International Rating Companies can be used for receivables including receivables from Banks and Brokerage Houses settled abroad, receivables from Regional Authorities and Local Authorities, receivables from Administrative Bodies and Non-Commercial Undertakings, receivables from Multilateral Development Banks and Corporate Receivables risk weights. The Resident Institutions are assessed as unrated.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****II. Explanations related to credit risk (continued)****Information on Risk Types (continued)**

In determination of risk weights for exposures used in the capital adequacy calculation of the Bank, ratings given by Fitch Ratings Rating Agency are used. Fitch Ratings' as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grades	Fitch Ratings	Risk Types			
		Claims on Sovereigns	Claims on Banks and Capital Market Intermediary		Claims on Corporate Receivables
			Claims with Remaining Maturities Less Than 3 Months	Claims with Remaining Maturities More Than 3 Months	
1	AAA	0%	20%	20%	20%
	AA+				
	AA				
	AA-				
2	A+	20%	20%	50%	50%
	A				
	A-				
	BBB+				
3	BBB	50%	20%	50%	100%
	BBB-				
	BB+				
	BB				
4	BB-	100%	50%	100%	100%
	B+				
	B				
	B-				
5	CCC+	100%	50%	100%	150%
	CCC				
	CCC-				
	CC				
6	C	150%	150%	150%	150%
	D				
Unrated	Unrated	100%	20% (*)	50% (*)	100%

(*)Used in case when the risk weight of the sovereign of the Bank's country is not higher..

Exposures by risk weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equity
Exposures Before Credit Risk Mitigation (*)	3.093.231	-	295.071	1.572.716	64.270	7.520.814	8	8	-	1.190
Exposures After Credit Risk Mitigation	2.275.521	-	136.510	1.598.550	14.025	7.316.578	8	8	-	1.190

(*)Includes risk amounts after the credit conversions and before the effect of credit risk mitigation.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations related to credit risk (continued)

Information of major sectors or type of counterparties

Major Sectors / Counterparties	Loans		Value Adjustments	Provisions
	Impaired Loans	Past Due Loans		
Agriculture	3.422	-	-	(3.422)
Farming and Stockbreeding	3.422	-	-	(3.422)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	4.523	985	10	(4.523)
Mining and Quarrying	191	-	-	(191)
Production	4.332	-	-	(4.332)
Electricity, Gas and Water	-	985	10	-
Construction	513	-	-	(513)
Services	5.317	-	-	(5.317)
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	-	-	-	-
Transportation and Telecommunication	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	5.317	-	-	(5.317)
Others	-	-	-	-
Total	13.775	985	10	(13.775)

Information related with value adjustments and loan loss provisions

	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	25.673	187	12.085	-	13.775
General Loan Loss Provision	64.564	19.150	-	-	83.714

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****II. Explanations related to credit risk (continued)***Cash credit quality per class of financial assets as of 31 December 2012 is as follows;*

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	6.884.609	985	6.885.594
Corporate Loans	5.267.351	-	5.267.351
Loans to SME	1.613.950	985	1.614.935
Consumer Loans	168	-	168
Other	3.140	-	3.140
Receivables from Leasing Transactions	9.432	-	9.432
Total	6.894.041	985	6.895.026

Cash credit quality per class of financial assets as of 31 December 2011 is as follows:

Prior Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	6.365.874	1.176	6.367.050
Corporate Loans	5.375.508	1.176	5.376.684
Loans to SME	985.331	-	985.331
Consumer Loans	182	-	182
Other	4.853	-	4.853
Receivables from Leasing Transactions	28.399	1	28.400
Total	6.394.273	1.177	6.395.450

Credit risk is evaluated according to the Bank's internal rating. Non financial services customers included in credit portfolio are rated with respect to Bank's internal rating and ratings of the financial services customers, which are rated by external rating firms, are matched to the Bank's internal ratings. The loans rated according to the possibility of being in default are classified from the highest grade (top grade) to the lowest (below average) as below; at the bottom of the table there are credits in default (impaired) according to rating model.

Basic Loan Quality Categories	Current Period	Prior Period
Top Grade	410.632	362.285
High Grade	2.979.278	2.590.880
Average Grade	3.254.586	3.867.001
Below Average Grade	1.444.957	803.916
Impaired	13.775	20.330
Total	8.103.228	7.644.412

Category "top" shows that the debtor has a very strong financial structure, "high" shows that the debtor has a strong financial structure, "average" shows the debtor's financial structure is good enough while "below average" category shows that debtor's financial structure is under risk in the short and medium term.

As of the reporting date, the total of the Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the specific provisions) is TL 8.121.358; and TL 18.130 of these customers have not been rated (31 December 2011: TL 7.690.102; TL 45.690).

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations related to credit risk (continued)

Carrying amount per class of financial assets whose terms have been renegotiated

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-
Loans	129.753	177.160
Corporate Loans	125.428	56.458
Loans to SME	3.330	115.721
Consumer Loans	-	-
Other	995	4.981
Total	129.753	177.160

III. Explanations related to the 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, notional and proportional basis limitation systems are used and the informative reports regarding market risk position of the bank 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 fields of activity were approved by the Board of Directors. Risk management policies are determined and announced throughout the Bank.

Legally, the standard method is used to calculate the consolidated and unconsolidated market risk. In addition to the standard method, the 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 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:

1.a Information related to the market risk

	Amount
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	4.269
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	56
Capital Requirement for Specific Risk Relating to Securitization Positions – Standard Method	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	9.446
(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) Counterparty credit risk capital requirement - Standard method	1.689
(VIII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-
(IX) Total Capital Requirement to be Employed for Market	15.460
(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)	193.250

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****III. Explanations related to the market risk (continued)****1.b Average market risk table as of the month ends during the period:**

	Current Period		
	Average	Average	Average
Interest Rate Risk	4.509	4.845	4.272
Common Stock Risk	28	53	20
Currency Risk	7.763	9.446	6.438
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	492	2.710	-
Counterparty Credit Risk	2.710	3.314	1.689
Total Value At Risk	15.502	20.368	12.419

Risk information given above includes the period between July– December 2012 and represents the amounts calculated under the “Regulation on Measurement and Assessment of the Capital Adequacy of the Banks” published on 28 June 2012.

2. Explanation related to counter party risk

The Bank gives long term, medium term and short term loans within principles and limits determined by the Board of Directors according to the Banking Law. Loan transactions includes all manner of lending type about financing investments and need to working capital of firms, domestic and foreign loan participation from primary and secondary market, underwriting to purchase and sell of bond and legal instruments that will issued, provide APEX loan facilities to banks and financial institutions by leasing, treasury derivative transaction within limits assigned to firms, export-import transactions, treasury, money and capital market and derivative transaction within limits in countenance of financial institutions (Counterparties).

Project guarantee, mortgage, personnel guarantee, company guarantee, cheques and notes, cash blockage, stock and security pledges could be taken on Treasury, Money and Capital Market and Derivative transaction within limits in countenance of non-financial institutions (Counterparties). On Treasury, Money and Capital Market transaction within limits in countenance of financial institutions (Counterparties) guarantee is not taken and on derivative transactions collateral netting is applied for the firms that signed CSA agreements based on daily derivative valuation. The provision is reserved in accordance with “Substance of the Procedures and Principles Related to Determination of Loans and Other Receivables by the Banks and Allocation of Provision for Those” and international practices.

	Amount
Interest Rate Contracts	22.318
Foreign Exchange Rate Contracts	14.020
Commodity Contracts	-
Equity Shares Related Contracts	-
Other	-
Gross Positive Fair Values	36.338
Net-off Benefits	-
Net-off Current Risk Amount	36.338
Collaterals Received	8.112
Net Derivative Position	28.226

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

III. Explanations related to the market risk (continued)

3. Required disclosures in case the capital requirement of the Bank is calculated by a risk measurement model permitted by BRSA

Internal model is not used on the calculation of capital requirements for counterparty credit risk.

Other price risks

The Bank is exposed to equity price risks arising from equity investments. Equity investments are mostly held for trading purposes. The Bank does not actively trade these investments.

Equity shares price sensitivity

The sensitivity analysis below has been determined based on the exposure to stock price risks at the reporting date.

If the inputs (equity shares prices) to the valuation model had been 20% higher/lower while all other variables were held constant;

The Bank classify its equity investments both as held for trading and available for sale investments. Therefore, the net profit/loss is not affected as long as the Bank does not sell its equity investments classified as available for sale investments. According to the analysis results under these assumptions; profit/loss will increase/decrease by TL 4.157 (2011: TL 2.834 increase/decrease). In current period, there is no stock classified in trading book of the Bank (2011: None).

IV. Explanations related to operational risk

Operational risk amount of the Bank is measured with Basic Indicator Method referring to "Regulation on Measurement and Assessment of Capital Adequacy of Banks" According to this method, the calculation is performed parallel to the practice within the country, by multiplying 15% of the Bank's last three years' average gross revenue with 12,5.

Yearly gross income, as presented on the income statement; is calculated with net interest income plus net fee and commission, dividend income except from subsidiaries and associates, trading profit/loss and other operational income minus profit/loss gain on sale of assets other than of trading accounts, extraordinary income, operational expense for support service from a bank and recoveries from insurance.

	31 December 2009	31 December 2010	31 December 2011	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	266.783	313.666	373.412	317.954	15	47.693
Value at Operational Risk (Total*12,5)						596.163

V. Explanations related to 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 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 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 Bank as at reporting date and the previous five working days in USD and EURO are as follows:

	1 USD	1 Euro
A. Bank "Foreign Exchange Valuation Rate"		
31 December 2012	1,7680	2,3324
Prior Five Workdays:		
28 December 2012	1,7690	2,3434
27 December 2012	1,7730	2,3471
26 December 2012	1,7750	2,3407
25 December 2012	1,7850	2,3533
24 December 2012	1,7830	2,3512

Simple arithmetic thirty-day averages of the USD and EURO buying rates of the Bank before the reporting date are TL 1,7735 and 2,3257; respectively

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****V. Explanations related to currency risk (continued)****Information on the Bank's foreign currency risk: foreign currencies**

	Euro	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	43.151	64.050	-	107.201
Banks	2.433	32.145	448	35.026
Financial Assets at Fair Value Through Profit and Loss (*)	5.815	9.931	-	15.746
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	33.697	440.952	-	474.649
Loans (**)	2.975.507	3.698.701	-	6.674.208
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 (***)	9.108	12.861	3	21.972
Total Assets	3.069.711	4.258.640	451	7.328.802
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	21.668	215.634	8	237.310
Funds Provided From Other Financial Institutions	3.321.331	3.630.458	-	6.951.789
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	523	31.773	2	32.298
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (****)	7.991	17.757	1	25.749
Total Liabilities	3.351.513	3.895.622	11	7.247.146
Net Balance Sheet Position	(281.802)	363.018	440	81.656
Net Off-Balance Sheet Position	266.812	(261.867)	893	5.838
Financial Derivative Assets	416.985	130.153	893	548.031
Financial Derivative Liabilities	(150.173)	(392.020)	-	(542.193)
Non-Cash Loans (*****)	110.311	811.491	-	921.802
Prior Period				
Total Assets	2.987.210	4.095.792	2.183	7.085.185
Total Liabilities	3.219.668	3.860.189	646	7.080.503
Net Balance Sheet Position	(232.458)	235.603	1.537	4.682
Net Off -Balance Sheet Position	225.591	(210.299)	(321)	14.971
Financial Derivative Assets	747.673	346.297	2.954	1.096.924
Financial Derivative Liabilities	(522.082)	(556.596)	(3.275)	(1.081.953)
Non-Cash Loans (*****)	255.130	715.394	-	970.524

(*)Exchange rate differences arising from derivative transactions amounting to TL 1.354 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(**)Loans extended include TL 1.556.971 foreign currency indexed loans.

(***)Prepaid expenses amounting to TL 3.555 have not been included in "Other Assets".

(****) Marketable securities valuation increase fund amounting to TL 69.385 and exchange rate differences arising from derivative transactions amounting to TL 1.351 have not been included in "Other Liabilities". Borrower funds amounting TL 7.836 based on foreign currencies have been included in "Other Liabilities".

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

V. Explanations related to currency risk (continued)

The is mostly exposed to Euro, US Dollars, other foreign currencies.

The following tables detail the Bank's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity(**)	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	6.323	532	3.792	1.998
Euro	10	(1.600)	(690)	101	3
Other	10	133	122	-	-

	Increase in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity(**)	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	(6.323)	(532)	(3.792)	(1.998)
Euro	10	1.600	690	(101)	(3)
Other	10	(133)	(122)	-	-

(*) Values expressed are before the tax effect.

(**)Effect on equity does not include effect on profit/loss.

Forward foreign exchange contracts

The Bank does not have forward foreign exchange contracts to hedge the risk exposure from payments and collections in any foreign exchange.

VI. Explanations related to interest rate risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the 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 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 Bank. As the 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 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.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****VI. Explanations related to 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
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	132.613	132.613
Banks	-	-	-	-	-	37.571	37.571
Financial Assets at Fair Value Through Profit and Loss	1.296	4.658	6.058	5.686	5.739	660	24.097
Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	979.951	726.647	483.844	377.504	275.789	36.768	2.880.503
Loans	1.200.865	2.467.258	2.819.258	357.741	40.472	-	6.885.594
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (**)	1.017	7.585	793	37	-	319.788	329.220
Total Assets	2.183.129	3.206.148	3.309.953	740.968	322.000	527.400	10.289.598
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.251.696	2.164	777	-	-	-	1.254.637
Miscellaneous Payables	-	-	-	-	-	98.678	98.678
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	2.314.341	2.792.656	1.559.553	65.895	241.344	-	6.973.789
Other Liabilities (***)	10.707	380	1.989	7.941	9.563	1.931.914	1.962.494
Total Liabilities	3.576.744	2.795.200	1.562.319	73.836	250.907	2.030.592	10.289.598
Balance Sheet Long Position	-	410.948	1.747.634	667.132	71.093	-	2.896.807
Balance Sheet Short Position	(1.393.615)	-	-	-	-	(1.503.192)	(2.896.807)
Off-Balance Sheet Long Position	74.057	56.549	-	9.960	-	-	140.566
Off-Balance Sheet Short Position	-	-	(82.257)	-	(52.096)	-	(134.353)
Total Position	(1.319.558)	467.497	1.665.377	677.092	18.997	(1.503.192)	6.213

(*) 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 9.432 are presented in "Other Assets" on the basis of related maturities.

(***) Borrower funds amounting to TL 9.745 are presented in "Other Liabilities" within 1-month maturity column.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations related to interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	Euro	USD	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	10,49
Money Market Placements		-	-	-
Available-for-Sale Financial Assets	5,36	6,49	-	9,04
Loans	3,77	4,25	-	10,32
Held-to-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,76	1,02	-	5,51
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds	1,00	1,00	-	6,50
Funds Provided From Other Financial Institutions	1,19	1,16	-	5,76

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations related to 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
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	121.042	121.042
Banks	11.486	-	-	-	-	48.069	59.555
Financial Assets at Fair Value Through Profit and Loss	3.741	12.285	39.620	46.389	1.617	572	104.224
Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	772.132	497.600	304.502	429.135	286.982	30.155	2.320.506
Loans	1.387.063	2.389.602	2.155.005	366.888	68.492	-	6.367.050
Held-to-Maturity Investments	-	126.955	-	-	-	-	126.955
Other Assets (**)	3.932	16.781	6.549	1.138	-	328.169	356.569
Total Assets	2.178.354	3.043.223	2.505.676	843.550	357.091	528.007	9.455.901
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	940.668	6.028	1.058	-	-	-	947.754
Miscellaneous Payables	-	-	-	-	-	90.156	90.156
Marketable Securities Issued	-	2	-	-	-	-	2
Funds Provided from Other Financial Institutions	2.369.459	2.852.263	1.387.698	36.657	228.206	-	6.874.283
Other Liabilities (***)	16.493	11.490	12.480	6.323	6.084	1.490.836	1.543.706
Total Liabilities	3.326.620	2.869.783	1.401.236	42.980	234.290	1.580.992	9.455.901
Balance Sheet Long Position	-	173.440	1.104.440	800.570	122.801	-	2.201.251
Balance Sheet Short Position	(1.148.266)	-	-	-	-	(1.052.985)	(2.201.251)
Off-Balance Sheet Long Position	-	-	389.766	-	117.601	-	507.367
Off-Balance Sheet Short Position	(120.276)	(224.607)	-	(158.060)	-	-	(502.943)
Total Position	(1.268.542)	(51.167)	1.494.206	642.510	240.402	(1.052.985)	4.424

(*)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 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.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations related to interest rate risk (continued)

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

	Euro	USD	Yen	TL
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	-	0,21	-	12,00
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8,26
Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	6,03	5,79	-	9,09
Loans	4,74	4,00	4,96	13,07
Held-to-Maturity Investments	-	-	-	35,10
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	1,02	1,78	-	6,08
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds	1,00	1,00	-	6,50
Funds Provided From Other Financial Institutions	1,97	0,88	-	10,30

The interest rate risk of the banking book items

Interest rate risk caused by banking book accounts includes, Receivables from Central Bank, Receivables from Money Markets, Receivable from Banks, Available for Sale Financial Assets, Receivables from Reverse Repurchase Agreement, Receivables from Loans, Held to Maturity Investments and Other Receivables, which are monitored in banking book, in assets and includes Payables to Central Bank in banking accounts, Payables to Money Markets, Payables to Banks, Funds Provided from Repurchase Agreement, Securities Issued by the Bank, Payables to Loans, Subordinated Debts and Other Debts which are monitored in banking book accounts in liabilities. All derivative instruments are recorded in trading book accounts. In this nature, FR400AS in the mandatory report list of BRSA is prepared and reported monthly.

In accordance with the communiqué on "Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts", economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies are presented in the table below.

Currency	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity - Loss/ Shareholders' Equity
TL	+500 / (400) basis point	(44.237) / 39.488	(2,4)% / 2,2%
Euro	+200 / (200) basis point	7.213 / (10.657)	0,4% / (0,6)%
US Dollar	+200 / (200) basis point	(55.064) / 44.673	(3,0)% / 2,5%
Total (for Negative Shocks)		73.504	4,0%
Total (for Positive Shocks)		(92.088)	(5,1)%

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****VI. Explanations related to interest rate risk (continued)*****Interest rate sensitivity***

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 Bank screens many risk control ratios 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 upper management, Board of Directors and Audit Committee are informed of these risks.

The Bank's interest rate sensitivity is calculated according to the market risk related to assets and liabilities. In this context, at the reporting date, if interest rates had been 1 bp higher for TL and foreign currency and all other variables were held constant, the net decrease on the profit and shareholders' equity would have been TL 1.861 and if interest rates had been 1 bp lower for TL and foreign currencies, the net increase on the profit and shareholders' equity change would have been TL (918).

The Bank available for sale portfolio in the current period increased approximately 17% relatively to prior period and the market value increased approximately 24% . In addition to this, foreign exchange assets in the Bank's portfolio are approximately 16% of the portfolio in the current period while this ratio was 25% in the prior period in terms of fair value.

VII. Explanations related to stock position risk

The Bank is exposed to equity shares risk arising from investments on firms traded in Istanbul Stock Exchange. Share certificate investments are almost used for trading purpose. However, these investments are not actively bought/sold by the Bank. The Bank classified its share certificate investments both as available for sale and as trading securities and net profit/loss of the Bank is not affected unless the Bank sell share certificates in portfolio of available for sale.

Equity shares are recognized according to "IAS 39- Financial Instruments: Recognition and Measurement". Trading securities in an active market (in exchange market) are reflected to financial statements with fair value taking into account of quoted securities on exchange market. Non-trading securities in an active market (in exchange market) are followed up according to the acquisition cost and recorded by considering impairment.

Equity shares risk due from banking book

Below is the comparison table of the Bank's share certificate instruments' book value, fair value and market value.

Share Certificate Investments	Comparison		
	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	226.980	-	226.980
Quoted	226.980	-	226.980

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VII. Explanations related to stock position risk (continued)

Equity shares risk due from banking book (continued)

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

Portfolio	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Supplementary Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	(1.291)	-	-	(3.408)	-	(3.498)
Other Share Certificates	-	-	-	-	-	-
Total	(1.291)	-	-	(3.408)	-	(3.498)

VIII. Explanations related to the liquidity risk

The Bank's future cash flows and current positions are taken into consideration for managing the market and liquidity risks. The 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 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 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 Bank's liquidity management is implemented by meeting all the obligations on time considering the 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 Bank Management with regular reports.

The Bank meets its short term liquidity requirements with repurchase agreements and inter-bank money market operations. The Bank may also use its available for sale portfolio for urgent liquidity requirement. The Bank meets its long term liquidity needs from the international institutions through borrowings. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. For the purposes of monitoring and assessing the liquidity position of the Bank's assets and liabilities, the liquidity rate is weekly calculated. The ratio during the year 2011 and 2012 are as follows:

Current Period	First Maturity Segment (Weekly)		Second Maturity Segment (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	120,33	165,47	117,90	154,16
Prior Period	FC	FC + TL	FC	FC + TL
Average (%)	146,75	168,10	137,27	157,67

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SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****VIII. Explanations related to the liquidity risk (continued)****Presentation of assets and liabilities according to their remaining maturities**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	27.995	73.678	-	30.940	-	-	-	132.613
Banks	37.571	-	-	-	-	-	-	37.571
Financial Assets at Fair Value Through Profit and Loss	660	1.133	4.658	2.334	6.877	8.435	-	24.097
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	160.235	59.543	317.591	1.519.959	786.407	36.768	2.880.503
Loans	-	175.879	274.897	1.208.614	3.872.156	1.354.048	-	6.885.594
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets (**)	-	17	2.221	3.591	3.603	-	319.788	329.220
Total Assets	66.226	410.942	341.319	1.563.070	5.402.595	2.148.890	356.556	10.289.598
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	138.342	111.532	540.917	2.571.943	3.611.055	-	6.973.789
Money Market Borrowings	-	1.251.696	2.164	777	-	-	-	1.254.637
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	5.500	-	-	-	93.178	98.678
Other Liabilities (***)	-	10.707	380	1.989	7.941	9.563	1.931.914	1.962.494
Total Liabilities	-	1.400.745	119.576	543.683	2.579.884	3.620.618	2.025.092	10.289.598
Liquidity Gap	66.226	(989.803)	221.743	1.019.387	2.822.711	(1.471.728)	(1.668.536)	-
Prior Period								
Total Assets	56.774	415.817	338.622	1.149.533	5.143.298	1.993.533	358.324	9.455.901
Total Liabilities	-	1.338.572	135.021	569.319	2.457.468	3.374.529	1.580.992	9.455.901
Liquidity Gap	56.774	(922.755)	203.601	580.214	2.685.830	(1.380.996)	(1.222.668)	-

(*)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 9.432 are presented in "Other Assets" on the basis of related maturities.

(***)Borrower funds amounting to TL 9.745 are presented in "Other Liabilities" within 1-month maturity column.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VIII. Explanations related to the liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Bank's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of capital outflows without discounting the financial liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	157.736	120.422	746.197	2.783.705	3.813.363	(647.634)	6.973.789
Money Market Borrowings	1.252.860	2.168	779	-	-	(1.170)	1.254.637
Funds	9.745	-	-	-	-	-	9.745
Total	1.420.341	122.590	746.976	2.783.705	3.813.363	(648.804)	8.238.171

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	283.801	131.635	619.461	2.727.215	3.583.186	(471.015)	6.874.283
Money Market Borrowings	941.126	7.192	1.060	-	-	(1.624)	947.754
Funds	7.894	-	-	-	-	-	7.894
Total	1.232.821	138.827	620.521	2.727.215	3.583.186	(472.639)	7.829.931

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	622.306	52.367	27.067	1.010.853	587.097	3.366	2.303.056
Forward Contracts	144.684	57.219	273.614	-	-	-	475.517
Futures Transactions	-	-	-	-	-	-	-
Options	61.286	27.678	30.726	31.199	-	-	150.889
Other	-	-	-	-	-	-	-
Total	828.276	137.264	331.407	1.042.052	587.097	3.366	2.929.462
Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	486.119	123.785	96.597	867.689	484.799	(38.871)	2.020.118
Forward Contracts	85.000	126.658	534.851	110.064	-	-	856.573
Futures Transactions	-	-	-	-	-	-	-
Options	407.930	620.790	389.130	49.904	-	-	1.467.754
Other	-	1.865	-	-	-	-	1.865
Total	979.049	873.098	1.020.578	1.027.657	484.799	(38.871)	4.346.310

IX. Explanations related to securitization positions

None.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations related to credit risk mitigation techniques**

Offsetting is not used as a credit risk mitigation technique. In assessments within the scope of credit risk mitigation techniques, using methods in regard to valuation and management of collaterals are realized in parallel with communiqué relating to Credit Risk Mitigation Techniques. Financial collaterals are evaluated on a daily basis in the Bank. Depending on the comprehensive financial collateral approach, risk mitigating effects of the collaterals are considered through the standard volatility adjustments. Value of the real estates subject to the collateral is determined at least once a year for commercial real estates and determined at least triennially for residential real estates. In the cases that significant changes in market conditions appear, the review is carried out at more frequent intervals. Within the communiqué, as a matter of credit risk mitigation techniques, only residences and commercial real estates (Warehouse, School, Hospital, Office and Store) which are not used for production purposes and can provide rental income are taken into consideration. In addition, land, field and orchard lands are also considered within same concept. Value of the real estates is assessed by the real estate appraisal companies, which are included in the list to provide valuation service by the CMB. Within the credit risk mitigation techniques, major collaterals that can be used by the Bank are financial collaterals (Treasury Bills, Government Bonds, Cash, Deposit Pledges, Gold, and Stock Pledges), guarantees and mortgages. As of 31 December 2012, while guarantees and mortgages are used as credit risk mitigation technique, credit derivatives are not used.

Collaterals Which are Grouped According to Risk Types

Risk Types	Amount (*)	Financial Collaterals	Other / Physical Collaterals	Guarantees and credit derivatives
Contingent and Non-Contingent Claims on Sovereigns	3.433.261	830.423	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-Commercial Enterprises	16.510	4.632	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	1.926.764	166.497	-	-
Contingent and Non-Contingent Claims on Corporates	9.069.882	72.395	-	24.756
Contingent and Non-Contingent Claims Included in the Regulatory Real Estate Portfolios	84.076	51.367	-	-
Contingent and Non-Contingent Claims Secured by Residential Property	1.078	-	1.078	-
Past Due Loans	-	-	-	-
Higher-Risk Categories Defined by Agency	16	-	-	-
Securities Secured by Mortgage	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	307.590	104.934	-	-
Other Claims	342.798	-	-	-
Total	15.181.975	1.230.248	1.078	24.756

(*)Includes the total amounts before considering the effects of credit risk mitigation.

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations related to credit risk mitigation techniques (continued)****Main Guarantors and credit worthiness of the main guarantors**

Main Guarantors (*)	Fitch Rating
Yapı ve Kredi Bankası A.Ş.	BBB
Denizbank A.Ş.	BBB-
T.Garanti Bankası A.Ş.	BBB
T.İş Bankası A.Ş.	BBB
Tekstil Bankası A.Ş.	B+
Türkiye Halk Bankası A.Ş.	BBB-
TC Ziraat Bankası A.Ş.	BBB-
Şekerbank T.A.Ş.	BB-

(*) Guarantors that used of risk mitigation effect within capital adequacy calculation at 31 December 2012 period.

XI. Explanations related to risk management objective and policies

The purpose of the risk management system is to provide identifying, measuring, reporting, monitoring and controlling the risk exposure on both unconsolidated and consolidated basis, through the policies determined related to controlling the risk-return structure of future cash flows of the Bank and observing, controlling, changing if needed, application procedures, limits and policies of Bank and determine the objectives to be achieved through the internal capital adequacy assessment process. In this context, "TSKB Risk Management Policies" and "TSKB Capital Adequacy Policies" are prepared and has become effective following the approval of the Board of Directors.

The Board of Directors of the Bank determine and regularly review the risk level that the Bank is willing to bear to achieve its objectives, considering the risk capacity of Bank.

Risk management process organized within the framework of risk management regulations and served to create a common risk culture throughout the Bank, is in a structure that these risks are described in line with the international regulations and are measuring, analyzing, following, monitoring and reporting within this framework. Within the framework of the mentioned structure, the Bank's Risk Management, continues to activities depending on the Audit Committee, which is established to help the audit and monitoring activities of the Board of Directors in accordance with Banking Law No: 5411 and "Regulation on Internal Systems of Banks" communiqué of Banking Regulation and Supervision Agency. Risk Management is responsible for preparing risk management strategies and policies followed by the Bank, implementation, identification, measurement, monitoring, analysis, evaluation and reporting of risk management system activities.

Risk Management monitors the compliance of the risks in line with the Bank's policies and standards and limits, and determines violations, analyzes the size of the risk by developing various scenarios, develops and integrates systems providing measuring, monitoring and reporting the risks.

Within the scope of "TSKB Risk Management Policies" the Bank is mainly exposed to credit risk, market risk, operational risk, currency risk, interest rate risk and liquidity risk.

Credit risk management policy

Credit risk is the possibility of incurring losses due to the credit customer or the counterparty, with whom the Bank has made an agreement with, does not fulfil its obligations appropriately or is not able to meet these obligations. At the Bank, the purpose of credit risk management is to maximize the risk adjusted return of the Bank by managing the risks that the Bank may expose in line with the right parameters in a proactive approach. Although the largest and most visible source for credit risk is the loans that the Bank grants, other banking services regarding the counterparty risk also bear credit risk. In this context, all of the banking activities are assessed within the scope of credit risk.

Credit risk is measured and managed considering the maturity structure of the credit, contractual provisions of the credit and financial conditions, the risk profile structure until the end of the maturity parallel with the possible market conditions, guarantees and collaterals, internal risk ratings and the possible changes in the process of risk exposure, the concentrations (a single company, associated group of companies, industry, country, etc.) and compliance with limits determined by the Board of Directors in order to prevent these concentrations. For measuring credit risk, Internal Rating-Based Model is used in order to monitor, control and provide early warning for credit risk of the Bank.

Maximum effort is expended for the fact that the limits and policies of the external and internal agreements are not so far from the limits and policies of the Bank. The articles in the agreements are compelling even if they are different from existing the Bank policies.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****XI. Explanations related to risk management objective and policies (continued)*****Credit risk management policy (continued)***

In credit risk mitigation policies and procedures, it is considered whether the total amount of credit risk mitigation tool should be taken into account is appropriate or not, also it is controlled whether the protection provided by the credit risk mitigation instruments is in compliance with the capital adequacy level. The Bank's Risk Management actively involved in the measurement, analysis and monitoring process of credit risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with credit risk by the Bank's Risk Management.

Market risk management policy and currency risk management policy

Market risk is the possibility of loss that the Bank may face, in the trading book portfolio and in its on-and off-balance sheet positions arising from movements in market prices. Interest rates, foreign exchange rates, equity and commodity prices are the main market risk factors. The purpose of market risk management is to maximize the risk adjusted return of the Bank by managing the risks that the Bank may expose in line with the right parameters in a proactive approach. Market risk is managed by using consistent risk measurement criteria such as fluctuation level of interest rate and/or price fluctuations and Value-at-Risk (VaR) Methods calculations, by establishing proper procedures for performing such controls and observing compliance with determined risk limits, by investigating sources of risk, learning risk and providing consistent information related with market risk to level of organizations within organization structure.

Interest rates, foreign exchange rates, equity and commodity prices are the main market risk factors and in order to control these risks vigorously and it is essential that money and capital market transactions should be "well-diversified" considering the level of risk created in terms of parameters such as maturity, currency, interest rate and other similar parameters. In addition, credit worthiness of issuers of financial instruments creating market risk is strongly taken into account. In the calculation of the market risk, the Bank uses two basic approaches, BRSA Standard Method and Value at Risk (VaR) approach. The accuracy of the VaR model is sustained by applying the retrospective tests (back testing). The test mentioned is based on the comparison of calculated Value at Risk and actual losses. In addition stress tests are applied to determine the effects of the events whose probability of occurrence is low; however, loss level is high on Value at Risk. Currency risk management is measured and monitored by using the VaR model.

The Bank's Risk Management actively involved in measurement, analysis and monitoring process of market risk and currency risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with market risk by the Bank's Risk Management.

Operational risk management policy

Operational risk is defined as the risk of loss due to the insufficiency of the processes, the people and the systems or defects or errors on them and external events, and compliance with laws and ethical standards are also included in this definition. These risks are managed by fulfilling special controls of the basic functional areas of the Bank's operations, establishing mechanism distributing appropriate internal audit system and authorization required by this system within the Bank and by applying detailed testing and control of the Bank's all operating systems and by providing full harmony between internal and external systems and opportunity of independent data backup facility.

The Bank applies the principles of separation of duties and distribution of functions in order to reduce the risk of deliberate actions, manipulations or errors. The minimum functions that have to be separated are identified as (i) starting the process (ii) authorisation and approving, (iii) recording the process (iv) confirming the process, (v) safe custody services, (vi) monitoring and auditing, (vii) developing IT systems and activities for daily operations. The transaction information has to be recorded to the system by using IT applications at once the transactions have been completed. Measurement of operational risks carried out by the implementation of Basel II "Basic Indicator Approach" methods. The Bank's Risk Management actively involved in the measurement, analysis and monitoring process of operational risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with operational risk by the Bank's Risk Management.

Structural interest rate risk management policy

Structural interest rate risk is the risk of possible changes in interest rates affecting the capital of bank due to re-pricing period of interest bearing assets and liabilities banking books of the Bank and the differences at interest structuring. Structural interest rate risk is managed by providing consistent information related to structural interest rate risk to all the organization stages by using the risk measurement and criteria like the level of fluctuation in interest rates, interest shock and stress test calculations. Maturity mismatches concerning the repricing in predetermined buckets and currency mismatches of asset and liabilities are monitored and measured. The Bank manages the interest rate risk by being aware of that it threatens the income, capital, liquidity and reputation of the Bank and it comprises of repricing risk, yield curve risk, basis risk, spread risk and option risk.

The Bank's Risk Management actively involved in the measurement, analysis and monitoring process of structural interest rate risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with interest rate risk by the Risk Management.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

XI. Explanations related to risk management objective and policies (continued)

Liquidity risk management policy

Liquidity risk is the risk of not meeting the balance sheet and off-balance sheet items on time. Liquidity risk is also the possibility of loss that the Bank may face, when there is not sufficient cash or cash inflow to meet the cash outflow in full and in time. There are two risks as funding liquidity risk in capital markets and purchase/ sales operations and market liquidity risk in which funding liquidity risk is the risk that investment and funding requirements cannot be met on time or at a reasonable cost due to the incompatibilities in cash flows. The market liquidity risk is that no long position can be taken on time or at a reasonable cost due to the markets are not so deep, disruption and the bank cannot enter the markets easily.

It is essential to evaluate the diversification of opportunities on the basis of maturities with maximum extent in order to ensure the efficiency of liquidity management and maintain a sustainable situation. In liquidity risk management, a portfolio structure matched with the functions of generating profit from portfolio and market risk management and risk-return trade-off is constantly monitored without compromising of liquidity requirements. The Bank's Risk Management actively involved in the measurement, analysis and monitoring process of liquidity risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with liquidity risk by the Risk Management.

XII. Explanations related to presentation of financial assets and liabilities at fair value

The table below shows the carrying and fair values of the financial assets and liabilities in the financial statements of the Bank.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	9.813.100	8.902.466	9.868.608	8.955.171
Money Market Placements	-	-	-	-
Banks	37.571	59.555	37.571	59.555
Available-For-Sale Financial Assets	2.880.503	2.320.506	2.880.503	2.320.506
Held-To-Maturity Investments	-	126.955	-	132.610
Loans (*)	6.895.026	6.395.450	6.950.534	6.442.500
Financial Liabilities	7.072.467	6.964.441	7.072.467	6.964.441
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions	6.973.789	6.874.283	6.973.789	6.874.283
Marketable Securities Issued	-	2	-	2
Miscellaneous Payables	98.678	90.156	98.678	90.156

(*)Loans include financial lease receivables.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii- For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii- For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****XII. Explanations related to presentation of financial assets and liabilities at fair value (continued)**

Current Period	Level I	Level II	Level III
Financial Assets			
Financial Assets held for Trading	854	23.243	-
Financial Assets Available For Sale	2.204.158	660.362	15.983
Associates and Subsidiaries	206.195	-	71.400
Financial Liabilities			
Derivative Financial Liabilities Held For Trading	-	20.829	-

Prior Period	Level I	Level II	Level III
Financial Assets			
Financial Assets held for Trading	59.612	44.612	-
Financial Assets Available For Sale	1.357.171	947.351	15.984
Financial Liabilities	184.586	-	63.781
Derivative Financial Liabilities Held For Trading	-	44.976	-

XIII. Explanations related to transactions made on behalf of others and fiduciary transactions

The Bank performs trading transactions on behalf of its customers, and gives custody, administration and consultancy services. The Bank does not deal with fiduciary transactions.

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the 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	84	113	123	157
Balances with the Central Bank of Turkey	25.328	107.088	5.267	115.495
Other	-	-	-	-
Total	25.412	107.201	5.390	115.652

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	25.328	2.470	5.267	2.586
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	104.618	-	112.909
Total	25.328	107.088	5.267	115.495

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

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBT, banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, nr. 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 December 2012 are presented in table below:

	Reserve Rates for FC Liabilities (%)	Reserve Rates for TL Liabilities (%)
Other liabilities until 1 year maturity (1 year include)	11	11
Other liabilities until 3 year maturity (3 year include)	9	8
Other liabilities more than 3 year maturity	6	5

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 Bank has no trading securities given as collateral or blocked (31 December 2011: None).

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

As of the reporting date, the Bank has no trading securities subject to repurchase agreements (31 December 2011: None).

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 Bank 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 Bank has no financial assets designated at fair value through profit and loss subject to repurchase agreements (31 December 2011: None).

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS****I. Explanations and disclosures related to the assets (continued)****2.b Positive differences table related to derivative financial assets held-for-trading:**

Held for trading financial derivative instruments	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	1.792	1.188	6.507	6.446
Swap Transactions	4.351	15.479	5.454	8.265
Futures Transactions	-	-	-	-
Options	-	433	-	17.940
Other	-	-	-	-
Total	6.143	17.100	11.961	32.651

3. Information on Banks and Foreign Banks Account**3.a Information on Banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<i>Banks</i>				
Domestic	2.545	1.111	6.752	9.622
Foreign	-	33.915	-	43.181
Branches and head office abroad	-	-	-	-
Total	2.545	35.026	6.752	52.803

3.b Information on Foreign Banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	2.839	6.207	-	-
USA and Canada	30.950	35.208	-	-
OECD Countries(*)	126	1.652	-	-
Off-shore banking regions	-	114	-	-
Other	-	-	-	-
Total	33.915	43.181	-	-

(*)OECD countries other than European Union countries, USA and Canada.

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	1.021.262	-	642.410	55.757
Treasury bills	-	-	-	-
Other debt securities	-	293.720	-	144.927
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	1.021.262	293.720	642.410	200.684

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Information on Financial Assets Available-for-Sale (continued)

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

All financial assets available for sale given as collateral comprise of financial assets issued by the Turkish Treasury. The carrying value of those assets is TL 463.362 (31 December 2011: TL 523.961).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, treasury bill and similar investment securities	463.362	-	444.429	79.532
Other	-	-	-	-
Total	463.362	-	444.429	79.532

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

Available for sale financial assets comprise government bonds 73,85%, Eurobonds 11,90% and shares and other securities 14,25% (31 December 2011: government bonds 72,18%, Eurobonds 13,86% and shares and other securities 13,96%).

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

	Current Period	Prior Period
Debt securities	2.846.275	2.304.272
Quoted on a stock exchange	2.396.908	1.791.047
Unquoted	449.367	513.225
Share certificates	47.724	46.129
Quoted on a stock exchange	22.950	21.355
Unquoted	24.774	24.774
Other Impairment provision(-)	(13.496)	(29.895)
Total	2.880.503	2.320.506

Net book value of unquoted available for sale share certificates is TL 15.983 (31 December 2011: TL 15.984).

5. Information on loans

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

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	107.017	117.413	57.506	117.413
Corporate shareholders	107.017	117.413	57.506	117.413
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	168	-	182	-
Total	107.185	117.413	57.688	117.413

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****5. Information on loans (continued)****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 (Total)	Amendments on Conditions of Contract		Loans and Other receivables (Total)	Loans and Other Receivables (Total)	
		Amendments Related To The Extension Of The Payment Plan	Other		Amendments Related To The Extension Of The Payment Plan	Other
Non-specialized loans	6.856.623	102.158	-	28.971	-	-
Corporation loans	1.765.771	-	-	11.418	-	-
Export loans	112.795	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	845.855	-	-	-	-	-
Consumer loans	168	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other (*)	4.132.034	102.158	-	17.553	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	6.856.623	102.158	-	28.971	-	-

(*) The Bank's finance lease receivables are TL 9.432 (31 December 2011: TL 28.400) and TL 995 (31 December 2011: TL 3.748) of the finance lease receivables are closely monitored.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on loans (continued)

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

Number of amendments related to the extension of the payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times	102.158	-
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

The time extended via the amendment on payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	-
6 Months -12 Months	-	-
1-2 Years	-	-
2-5 Years	31.991	-
5 Years	70.167	-

In relation to the disclosure of changing the conditions of the payment plans of loans, which are followed under standard loans and other receivables and loans and receivables under close monitoring 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; the Bank has provided general loan loss provision at a rate of 5% for one loan customer which is followed under standard loans and other receivables and which has been extended more than 1 year.

5.c Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables (Total)	Restructured or Rescheduled	Loans and Other Receivables (Total)	Restructured or Rescheduled
Short-term loans and other receivables	298.533	-	6.330	-
Non-specialized loans	298.533	-	6.330	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	6.558.090	102.158	22.641	-
Non-specialized loans	6.558.090	102.158	22.641	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****5. Information on loans (continued)****5.d Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:**

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans-TL	147	21	168
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	147	21	168
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)	-	-	-
Total	147	21	168

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on loans (continued):

5.e Information on commercial loans with instalments and corporate credit cards:

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

5.f Loans according to borrowers:

	Current Period	Prior Period
Public	-	-
Private	6.885.594	6.367.050
Total	6.885.594	6.367.050

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	6.860.399	6.345.585
Foreign loans	25.195	21.465
Total	6.885.594	6.367.050

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	185.532	200.426
Indirect loans granted to subsidiaries and associates	-	-
Total	185.532	200.426

5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	59	5.313
Loans and receivables with doubtful collectability	5.316	5.978
Uncollectible loans and receivables	8.400	14.382
Total	13.775	25.673

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

5.j Information on non-performing loans (Net):

5.j.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
Current Period			
(Gross amounts before provisions)	-	5.315	4.420
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.315	4.420
Prior Period			
(Gross amounts before provisions)	-	5.977	4.576
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.977	4.576

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****5. Information on loans (continued)****5.j.2 Movement of 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
Prior period end balance	5.313	5.978	14.382
Additions (+)	59	1	127
Transfers from other categories of non-performing Loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections (-) (*)	(5.313)	(663)	(6.109)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	59	5.316	8.400
Specific provision (-)	(59)	(5.316)	(8.400)
Net Balances on Balance Sheet	-	-	-

(*) Transfer to 2nd Group Receivables amounting to TL 4.443 is included in "Collections" line.**5.j.3 Information on foreign currency non-performing loans and other receivables:**

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Re- ceivables
Current Period			
Period End Balance	56	5.314	48
Specific Provision (-)	(56)	(5.314)	(48)
Net Balance on Balance Sheet	-	-	-
Prior Period			
Period End Balance	3.306	5.977	5.392
Specific Provision (-)	(3.306)	(5.977)	(5.392)
Net Balance on Balance Sheet	-	-	-

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on loans (continued)

5.j Information on non-performing loans (net) (continued):

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	59	5.316	8.400
Specific Provision Amount (-)	(59)	(5.316)	(8.400)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	5.313	5.978	9.039
Specific Provision Amount (-)	(5.313)	(5.978)	(9.039)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	5.343
Specific Provision Amount (-)	-	-	(5.343)
Other Loans and Receivables (Net)	-	-	-

5.k Main principles of liquidating 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 economic environment in the future; the Bank management tries to make the collection through rescheduling the payment terms.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****5. Information on loans (continued)****5.1 Explanations about the write-off policies from the assets:**

If there is no collateral against uncollectible loans and receivables and if the receivable amount is less than the cost; tax, fee, and other expenses, made for the legal actions, the receivable is written off from the assets upon the request of the Credit Monitoring Department and the approval of the General Management.

However, if there is a collateral against the receivable and after all the costs of legal actions are fulfilled, and if there is still a part of receivables not collected, the receivables are written off after getting of pledge shortage and evidence of insolvency subsequently.

5.m Other explanations and disclosures:

Current Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	5.267.351	1.613.950	168	3.140	6.884.609
Past due not impaired	-	985	-	-	985
Individually impaired	6.875	6.900	-	-	13.775
Total	5.274.226	1.621.835	168	3.140	6.899.369
Less: allowance for individually impaired loans	(6.875)	(6.900)	-	-	(13.775)
Total allowance for impairment	(6.875)	(6.900)	-	-	(13.775)
Net Loan Amount	5.267.351	1.614.935	168	3.140	6.885.594

Prior Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired	5.375.508	985.331	182	4.853	6.365.874
Past due not impaired	1.176	-	-	-	1.176
Individually impaired	12.437	13.236	-	-	25.673
Total	5.389.121	998.567	182	4.853	6.392.723
Less: allowance for individually impaired loans	(12.437)	(13.236)	-	-	(25.673)
Total allowance for impairment	(12.437)	(13.236)	-	-	(25.673)
Net Loan Amount	5.376.684	985.331	182	4.853	6.367.050

A reconciliation of the allowance for impairment losses and advances by classes is as follows:

	Corporate	SME	Consumer	Other	Total
At 1 January 2012	(12.437)	(13.236)	-	-	(25.673)
Charge for the year	(125)	(62)	-	-	(187)
Recoveries (*)	5.687	6.398	-	-	12.085
Amounts written off	-	-	-	-	-
Interest accrued on impaired loans and other receivables	-	-	-	-	-
At 31 December 2012	(6.875)	(6.900)	-	-	(13.775)

(*) Transfer to 2nd Group Receivables amounting to TL 4.443 is included in "Charge for the year" line.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on loans (continued)

5.m Other explanations and disclosures(continued):

	Corporate	SME	Consumer	Other	Total
At 1 January 2011	(14.860)	(10.649)	-	-	(25.509)
Charge for the year	(177)	(6.802)	-	-	(6.979)
Recoveries	2.600	4.215	-	-	6.815
Amounts written off	-	-	-	-	-
Interest accrued on impaired loans and other receivables	-	-	-	-	-
At 31 December 2011	(12.437)	(13.236)	-	-	(25.673)

A breakdown of the allowance for impairment losses is given below:

Current Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(6.875)	(6.900)	-	-	(13.775)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	6.875	6.900	-	-	13.775

Prior Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(12.437)	(13.236)	-	-	(25.673)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	12.437	13.236	-	-	25.673

Movements in the allowance for impairment losses and advances are as follows:

	Current Period	Prior Period
At 1 January	25.673	25.509
Charge for the year	187	6.979
Recoveries	(12.085)	(6.815)
Amounts written off	-	-
Interest accrued on impaired loans and other receivables	-	-
At 31 December	13.775	25.673
Individual impairment	(13.775)	(25.673)
Gross amount of loans, individually determined to be impaired, (before deducting any individually assessed impairment allowance)	13.775	25.673

Aging analysis of past due but not impaired financial assets per class of financial statements is as follows:

Current Period	Less than 30 days	31- 60 Days	61- 90 Days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	-	-	-	-	-
SME Loans	985	-	-	-	985
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
Total	985	-	-	-	985

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****5. Information on loans (continued)****5.m Other explanations and disclosures (continued):**

Prior Period	Less than 30 days	31- 60 Days	61- 90 Days	More than 91 days	Total
Loans and Receivables					
Corporate Loans	1.176	-	-	-	1.176
SME Loans	-	-	-	-	-
Consumer Loans	-	-	-	-	-
Other	1	-	-	-	1
Total	1.177	-	-	-	1.177

Of the total aggregate amount of gross past due but not yet impaired loans and other receivables, the fair value of collaterals, capped with the respective outstanding loan balance, is as follows:

	Current Period	Prior Period
Residential, commercial and industrial property	985	-
Financial assets	-	1.163
Other (bailment, pledge for vehicles and ship)	-	-
Total	985	1.163

Loans and other receivables amounting to TL 6.286.381 have floating interest rates (31 December 2011: TL 5.720.204) and the remaining TL 599.213 have fixed interest rates (31 December 2011: TL 646.846).

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

6.a.1 As of the reporting date, the Bank has no held-to-maturity investments securities given as collateral or blocked (31 December 2011: None).

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

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

As of the reporting date, the Bank 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 (-)	-	-
Total	-	126.955

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on held-to-maturity investments (continued)

6.d Movement of investment securities held-to-maturity:

	Current Period	Prior Period
Beginning Balance	126.955	273.582
Foreign currency differences on monetary assets	-	-
Purchases during year	-	-
Disposals through sales and redemptions (*)	(126.955)	(177.795)
Impairment provision (-)	-	-
Closing Balance	-	95.787
Interest and Income Accruals	-	31.168
Total	-	126.955

(*) The amount mentioned above comprises redemption of held to maturity investments on 15 February 2012.

7. Information on associates (net)

7.a.1 Information on 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
4	Terme Metal Sanayi ve Ticaret A.Ş. (Terme)	Istanbul/Turkey	17,83	18,76
5	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. (Ege Tarım)	Izmir/ Turkey	10,00	20,00

	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)	1.041.260	59.723	630	52.332	50	4.574	8.236	-
İş Finansal (2)	2.820.322	565.798	2.214	158.051	1.247	40.805	52.473	113.320
İş Girişim (3)	232.587	204.415	9.067	-	-	34.245	37.995	24.730
Terme (4)	18.440	3.734	647	258	-	230	651	-
Ege Tarım (5)	11.215	10.799	8.894	182	-	(353)	83	-

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

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

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

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

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

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****7. Information on associates (net) (continued)****7.a.2 Information on associates:**

	Current Period	Prior Period
Balance at the Beginning of the Period	129.479	138.163
Movements During the Period	11.648	(8.684)
Purchases	420	800
Bonus Shares Obtained	15.555	12.566
Current Year Share of Profit	-	-
Sales	-	(392)
Revaluation Increase	-	-
Provision for Impairment	(4.327)	(21.658)
Balance at the End of the Period	141.127	129.479
Capital Commitments	120	-
Share Percentage at the End of the Period (%)	-	-

Information on associates sold in the current period

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

Information on associates purchased in the current period

In the current period, the 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 and has obtained bonus shares of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. amounting to TL 15 capital increase of TL 152.

In the meeting of the General Assembly of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. held on 19 October 2012; it has been resolved that, paid-in capital of the Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. will be increased to TL 11.152. In the meeting of the General Assembly of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. held on 22 November 2012; it has been resolved that, core capital of the Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. will be increased in cash from 11.152 to TL 13.552 and the Bank has made a capital commitment with the shares of 10% amounting to TL 240 and has paid the amounting to TL 120 on 31 December 2012, the other half of commitment will be paid until 31 March 2013.

7.a.3 Sectoral information of associates subject to consolidation and the related carrying amounts in the legal books:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	1.551	1.551
Leasing Companies	113.320	110.373
Financial Service Companies	-	-
Other Associates	24.730	16.464

7.a.4 Information on associates subject to consolidation quoted on stock market:

	Current Period	Prior Period
Associates quoted on domestic stock exchanges	138.050	126.837
Associates quoted on foreign stock exchanges	-	-

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net)

8.a.1 Information on subsidiaries:

	YFMEND (*) Current Period	TSKGYO (*) Current Period
CORE CAPITAL		
Paid-in Capital	61.000	150.000
Inflation Adjustment to Share Capital	775	-
Share Premium	-	593
Legal Reserves	4.598	5.721
Current and Prior Years' Profit/Loss	847	79.513
Leasehold Improvements (-)	675	-
Intangible Assets (-)	394	3
Total Core Capital	66.151	235.824
SUPPLEMENTARY CAPITAL	80	-
CAPITAL	66.231	235.824
NET AVAILABLE CAPITAL	66.231	235.824

(*) The information is obtained from financial statements subject to consolidation as of 31 December 2012.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the third clause of first and second paragraph of 466 and 467 articles of Turkish Commercial Code.

There is no internal capital adequacy assessment approach for the subsidiaries.

8.a.2 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of unconsolidating and needed capital if they are subject to capital requirement:

TSKB Gayrimenkul Değerleme A.Ş., TSKB Gayrimenkul Danışmanlık A.Ş. are valued at cost and are not consolidated since they are not financial subsidiaries. Unconsolidated subsidiaries of the Parent Bank are not subject to capital requirement.

8.b.1 Information on 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	Yatırım Finansman Menkul Değerler A.Ş. (YF MEN. DEĞ.)	Istanbul /Turkey	95,78	98,51
3	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	59,00	66,84
4	TSKB Gayrimenkul Danışmanlık A.Ş. (TGD A.Ş.)	Istanbul/Turkey	46,58	100,00

	Total As- sets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Mar- ketable Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
TSKB GMD (1)	9.281	7.119	1.362	-	-	2.568	1.739	-
YF MEN.DEĞ. (2)	452.148	66.231	1.896	24.811	1.038	2.725	5.919	-
TSKB GYO (3)	364.374	235.144	328.125	1.589	-	17.048	(2.838)	68.145
TGD A.Ş. (4)	574	517	34	-	-	(215)	32	-

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

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

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

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

Notes to the Financial Statements For the Year Ended 31 December 2012

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SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****8. Information on subsidiaries (net) (continued)****8.b.2 Information on subsidiaries:**

	Current Period	Prior Period
Balance at the beginning of the period	118.888	142.691
Movements in period	17.580	(23.803)
Purchases	-	-
Bonus shares obtained	7.184	7.662
Current year share of profit	-	-
Sales (*)	(6.548)	-
Revaluation increase	16.944	-
Provision for impairment	-	(31.465)
Balance at the end of the period	136.468	118.888
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(*)As of 31 December 2012, TSKB Yatırım Ortaklığı A.Ş. is excluded from subsidiaries due to merger with İş Yatırım Ortaklığı A.Ş.. Cost of TSKB Yatırım Ortaklığı A.Ş. is presented in "Sales" line.

Subsidiaries disposed in the current period

It was permitted İş Yatırım Ortaklığı Anonim Şirketi to merge with TSKB Yatırım Ortaklığı A.Ş. within the Turkish Commercial Code 451 and 19 and 20th clauses of Corporate Tax Law numbered 5520 with the resolution of Competition Authority dated 29 March 2012 and nr. 12-14/417-BD and the resolution of Capital Markets Board dated 10 May 2012 and nr. 15/547. In the General Assemblies of companies dated 29 June 2012, merger was approved.

Related resolutions and the merger agreement have been registered by Istanbul Trade Registry Office on 16 July 2012 and have been published in the Trade Registry Gazette numbered 8116, dated 20 July 2012. As of this date, TSKB Yatırım Ortaklığı was dissolved and transferred to İş Yatırım Ortaklığı A.Ş. together with all of its assets and liabilities.

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%. Accordingly, 0,08923 kuruş shares of İş Yatırım Ortaklığı A.Ş. has given for every 0,01 kuruş nominal share of TSKB Yatırım Ortaklığı A.Ş.. After merger, the paid in capital of İş Yatırım Ortaklığı A.Ş. has been raised to 16.059.928.400 share, amounting to TL 160.599 and share of the Bank has become 7,25%. 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 20th 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. Authorisation was given to the General Management on the Board of Directors at 26 December 2012 about sale of Group A Shares of the Bank on İş Yatırım Ortaklığı A.Ş.'s capital amounting to 160.599 that numbered 2.297.411, percentage of 1.43%, within frame of price principles includes "ISE Whole Sale Market Establishment and Treatment Principles Circular" to İş Yatırım Menkul Değerler A.Ş. and sale transaction realized on 11 February 2013.

In the Board of Directors meeting of TSKB Gayrimenkul Danışmanlık A.Ş., one of the subsidiary of the Bank, held on 14 September 2012, it was decided to merge with TSKB Danışmanlık Hizmetleri A.Ş., also one of the subsidiary of the Bank, by using the financial statements dated 31 August 2012. The merger has been completed at 30 November 2012.

Subsidiaries purchased in the current period

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on subsidiaries (net) (continued)

8.b.3 Sectoral information on subsidiaries subject to consolidation and the related carrying amounts in the legal books:

	Current Period	Prior Period
Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Subsidiaries	135.856	118.276

8.b.4 Subsidiaries subject to consolidation quoted on stock market:

	Current Period	Prior Period
Subsidiaries quoted on domestic stock exchanges	68.145	57.749
Subsidiaries quoted on foreign stock exchanges	-	-

9. Information on entities under common control

The Bank has no entities under common control as of the reporting date (31 December 2011: None).

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	6.073	5.829	726	711
Between 1- 4 years	3.685	3.603	28.851	27.689
More than 4 years	-	-	-	-
Total	9.758	9.432	29.577	28.400

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

	Current Period	Prior Period
Gross investments in finance leases	9.758	29.577
Unearned revenue from finance leases (-)	(326)	(1.177)
Cancelled finance leases (-)	-	-
Net investments in finance leases	9.432	28.400

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 financial leasing law 3226. There are no restructuring or restrictions; which has material effect on financial statements.

11. Information on derivative financial assets for hedging purposes

The Bank has no derivative financial assets for hedging purposes as of the reporting date (31 December 2011: None).

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****12. Explanations on tangible assets (net)**

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Transfer	Current Period End
Cost					
Land and buildings (*)	7.577	-	(92)	-	7.485
Assets held under finance leases	2.344	16	(101)	-	2.259
Vehicles	1.153	-	(29)	-	1.124
Assets held for resale	1.440	195	(255)	-	1.380
Other	7.978	701	(154)	-	8.525
Total Cost	20.492	912	(631)	-	20.773
Accumulated depreciation					
Land and buildings (*)	(2.204)	(243)	-	-	(2.447)
Assets held under finance leases	(2.014)	(127)	101	-	(2.040)
Vehicles	(652)	(194)	13	-	(833)
Assets held for resale	(5)	(9)	-	-	(14)
Other	(6.169)	(765)	154	-	(6.780)
Total accumulated depreciation	(11.044)	(1.338)	268	-	(12.114)
Impairment provision					
Land and buildings (*)	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	(437)	(20)	10	-	(447)
Other	-	-	-	-	-
Total impairment provision	(437)	(20)	10	-	(447)
Net book value	9.011	(446)	(353)	-	8.212

(*)Land and Buildings also include lands and buildings held under finance leases.

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Transfer	Current Period End
Cost					
Land and buildings (*)	7.522	55	-	-	7.577
Assets held under finance leases	2.344	-	-	-	2.344
Vehicles	1.153	-	-	-	1.153
Assets held for resale	17.222	363	(16.145)	-	1.440
Other	7.162	816	-	-	7.978
Total Cost	35.403	1.234	(16.145)	-	20.492
Accumulated depreciation					
Land and buildings (*)	(1.699)	(146)	-	(359)	(2.204)
Assets held under finance leases	(2.052)	(321)	-	359	(2.014)
Vehicles	(453)	(199)	-	-	(652)
Assets held for resale	(6.155)	(588)	6.738	-	(5)
Other	(5.506)	(663)	-	-	(6.169)
Total accumulated depreciation	(15.865)	(1.917)	6.738	-	(11.044)
Impairment provision					
Land and buildings (*)	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets held for resale	(3.556)	(50)	3.169	-	(437)
Other	-	-	-	-	-
Total impairment provision	(3.556)	(50)	3.169	-	(437)
Net book value	15.982	(733)	(6.238)	-	9.011

(*)Land and Buildings also include lands and buildings held under finance leases.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Explanations on tangible assets (net) (continued)

12.a If impairment amount on individual asset recorded or reversed in the current period is material for the overall financial statements:

12.a.1 Events and conditions for recording or reversing impairment:

The Bank recorded 5% impairment provision per year for asset held for sale and tangible assets that are not depreciated.

12.a.2 Amount of recorded or reversed impairment in the financial statements:

In the current period, Bank recorded TL 20 impairment and TL 10 impairments reversed (31 December 2011: TL 50; TL 3.169 impairments reversed).

12.b The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this:

There is no impairment provision on individual asset set or cancelled in the current period, other than impairment on properties referred to above (31 December 2011: None).

13. Information on intangible assets (net)

13.a Useful lives and amortization rates used:

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.

Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

13.b Amortization methods used:

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

13.c Cost and accumulated amortization at the beginning and end of the period:

Current Period	Beginning of Period		End of Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	3.299	(2.847)	3.704	(3.086)

Prior Period	Beginning of Period		End of Period	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	2.950	(2.536)	3.299	(2.847)

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the assets (continued)****13. Information on intangible assets (net) (continued)****13.d Movement of cost and accumulated amortization for the period:**

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	3.299	405	-	3.704
Total Cost	3.299	405	-	3704
Accumulated amortization:				
Software	(2.847)	(239)	-	(3.086)
Total Accumulated Amortization	(2.847)	(239)	-	(3.086)
Impairment provision:				
Software	-	-	-	-
Total Impairment provision	-	-	-	-
Net Book Value	452	166	-	618

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost:				
Software	2.950	349	-	3.299
Total Cost	2.950	349	-	3.299
Accumulated amortization:				
Software	(2.536)	(311)	-	(2.847)
Total Accumulated Amortization	(2.536)	(311)	-	(2.847)
Impairment provision:				
Software	-	-	-	-
Total Impairment provision	-	-	-	-
Net Book Value	414	38	-	452

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

13. Information on intangible assets (net) (continued)

13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:

As at the reporting date, the Bank has no individual intangible asset which is material in the financial statements as a whole (31 December 2011: None).

13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:

As at the reporting date, the Bank has no intangible assets acquired through government grants (31 December 2011: None).

13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:

As at the reporting date, the Bank has no intangible assets acquired with government incentives. (31 December 2011: None).

13.h The book value of intangible assets that are pledged or restricted for use:

As at the reporting date, there are no intangible assets with restricted use or pledged (31 December 2011: None).

13.i Amount of purchase commitments for intangible assets:

As at the reporting date, the Bank has no purchase commitments for intangible assets (31 December 2011: None).

13.j Information on revalued intangible assets according to their types:

The Bank did not revalue its intangible assets as at the reporting date (31 December 2011: None).

13.k Amount of total research and development expenses recorded in income statement within the period, if any:

The Bank has no research and development costs expensed in the current period. (31 December 2011: None).

13.l Information on positive or negative goodwill:

As at the reporting date, the Bank has no goodwill (31 December 2011: None).

13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:

As at the reporting date, the Bank has no goodwill in the accompanying financial statements (31 December 2011: None).

13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:

As at the reporting date, the Bank has no negative goodwill in the accompanying financial statements (31 December 2011: None).

14. Information on Investment Property

The Bank has no investment property (31 December 2011: None).

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations Related to the Assets (continued)****15. Information on Deferred Tax Assets****15.a Temporary differences, tax losses, exemptions and deductions reflected to balance sheet as deferred tax asset:**

The Bank 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.

Deferred tax asset:	Current Period	Prior Period
Loan commissions accrual adjustment	11.496	12.090
Other provisions	10.775	8.062
Marketable securities	119	1.131
Employee benefit provision	1.381	758
Other	259	1.285
Total Deferred Tax Asset	24.030	23.326
Deferred tax liability:		
Marketable securities	(14.703)	(4.902)
Loan commissions accrual adjustment	(2.395)	(1.832)
Valuation of derivative instruments	(2.038)	(1.684)
Useful life difference of fixed assets	(50)	(768)
Total Deferred Tax Liability	(19.186)	(9.186)
Net Deferred Tax Asset	4.844	14.140

15.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 Bank 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)

15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:

As of the reporting date, the Bank has no allowance for deferred tax and deferred tax liability from reversal of allowance (31 December 2011: None).

16. Information on Assets Held For Sale

In the current period, the Bank has no assets held for sale (31 December 2011: None).

17. Information about Other Assets**17.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 do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2011: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the liabilities

1. Information of maturity structure of deposits

1.a.1 Maturity structure of deposits:

The 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 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 Bank is not authorized to accept deposits.

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

The 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	1.565	1.164	6.119	5.038
Swap Transactions	-	17.733	351	15.528
Futures Transactions	-	-	-	-
Options	-	367	-	17.940
Other	-	-	-	-
Total	1.565	19.264	6.470	38.506

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	22.000	66.589	10.006	226.584
From Foreign Banks, Institutions and Funds	-	6.796.075	13.757	6.528.936
Total	22.000	6.862.664	23.763	6.755.520

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	22.000	270.665	23.763	533.785
Medium and long-term	-	6.591.999	-	6.221.735
Total	22.000	6.862.664	23.763	6.755.520

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and disclosures related to the liabilities (continued)****3. Information on funds borrowed (continued)****3.c Additional information about the concentrated areas of liabilities:**

Under normal banking operations, the Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	1.016.533	50.613	769.607	61.654
Financial institutions and organizations	941.545	-	736.039	-
Other institutions and organizations	38.312	39.977	18.090	52.161
Real persons	36.676	10.636	15.478	9.493
From Foreign Transactions	794	167.239	185	116.308
Financial institutions and organizations	155	166.710	19	115.309
Other institutions and organizations	-	-	-	-
Real persons	639	529	166	999
Total	1.017.327	217.852	769.792	177.962

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 Bank entered into financial lease transactions with the 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 Bank.

5.b The explanation on modifications in agreements and new obligations that these modifications cause:

There are no changes in financial leasing contracts.

5.c Explanations on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	8	6	-	-
Between 1 and 4 years	-	-	2	-
More than 4 years	-	-	-	-
Total	8	6	2	-

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

5.d Explanations regarding operational leases:

As of the reporting date, the Bank's 2 head office buildings and 1 branches are subject to operational leasing. The Bank has no liability for operational leases in the current period (31 December 2011: 2 head office buildings, 2 branches under operational leasing).

5.e Explanations on the lessor and lessee in sales and lease back transactions, agreement conditions, and major agreement terms:

The Bank 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 Bank has no derivative financial liabilities for hedging purposes as of the reporting date (31 December 2011: None).

7. Information on provisions

7.a Information on general provisions:

	Current Period	Prior Period
General Provisions	83.714	64.564
Provisions for First Group Loans and Receivables	72.652	57.306
- Additional provisions for the loans with extended payment plan	5.108	5.607
Provisions for Second Group Loans and Receivables	599	994
- Additional provisions for the loans with extended payment plan	-	-
Provisions for Non-Cash Loans	2.417	2.220
Other	8.046	4.044

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

The foreign exchange losses on the foreign currency indexed loans amount to TL 8.426 (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 The specific provisions provided for unindemnified non cash loans:

The Bank has no specific provisions provided for unindemnified non cash loans as of the reporting date (31 December 2011: TL 4).

7.d Information related to other provisions:

7.d.1 Provision for possible losses:

The Bank has no provision for possible provisions (31 December 2011: None).

7.d.2 Information on employee termination benefits and unused vacation accrual:

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No:19 and reflected the calculated amount to the financial statements. As of 31 December 2012, TL 7.947 reserve for employee termination benefits was provided against a total undiscounted liability of TL 6.266 (31 December 2011: TL 3.336). As of 31 December 2012, the Bank provided a reserve of TL 638 (31 December 2011: TL 456) for the unused vacations. This balance is classified under reserve for employee benefits in the financial statements.

Movement of employee termination benefits

	Current Period	Prior Period
Balance at the beginning of the period	3.336	2.907
Payments during the period	(1.015)	(505)
Arising during the period	3.945	934
Total	6.266	3.336

Liabilities on pension rights

As of 31 December 2012, as explained on the Section Three, Accounting Policies, XV. Explanations on Liabilities Regarding Employee Benefits, the Bank has no obligations on pension rights (31 December 2011: None).

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and disclosures related to the liabilities (continued)****7. Information on provisions (continued)****7.d Information related to other provisions (continued):*****Liabilities for pension funds established in accordance with "Social Security Institution"***

None (31 December 2011: None).

Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2012 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per February 2013 dated actuarial report, the liabilities, subject to the transfer to the Social Security Institution, are financed by the assets of the Pension Fund.

Accordingly, as of 31 December 2012, the Bank has no liability for the Pension Fund liabilities, subject to the transfer and also for other social rights, payments, and medical benefits of the employees explained in trust indenture which are not subject to the transfer, in accordance with the articles of the Law as explained under accounting policies, Note 3.15 "Explanations on Liabilities Regarding Employee Benefits".

7.d.3 If other provisions exceed 10% of total provisions, the name and amount of sub-accounts,

	Current Period	Prior Period
Provision for Possible Losses	-	-
Provision for Dividend Received from Subsidiaries	-	-
Other (*)	53.876	40.308
Total	53.876	40.308

(*)Other provision account includes TL 50.000 of provision for possible risks on credit portfolio (31 December 2011: TL 40.000)8.

Information on taxes payable

8.a Information on current taxes payable:**8.a.1 Information on taxes payable:**

Corporate Taxes and Deferred Taxes	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate tax payable (*)	29.690	-	13.583	-
Deferred tax liability	-	-	-	-
Total	29.690	-	13.583	-

(*) In the current period, Corporate Tax Provision is 94.286 TL, and netted of from Prepaid Tax of 64.596 (31 December 2011: Corporate Tax Provision is 49.201 TL, and netted off from Prepaid Tax of TL 35.618).

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	29.690	13.583
Taxation of securities	621	927
Property tax	-	-
Banking and Insurance Transaction Tax (BITT)	1.101	912
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	52	80
Other	573	860
Total	32.037	16.362

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	-	-
Social Security Premiums-Employer	-	-
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	16	17
Unemployment insurance-Employer	32	34
Other	-	-
Total	48	51

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on taxes payable (continued)

8.b Information on deferred taxes liabilities:

At the reporting date, the Bank has no deferred tax liability (31 December 2011: None).

9. Information on liabilities regarding assets held for sale

None (31 December 2011: None).

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

The Bank has signed an agreement with the International Finance Corporation for a subordinated loan of USD 50 Million (TL 88.400). The interest accrued on this loan is TL 725 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 3,85% (0,60+3,25 spread). Principal of the loan will be repaid on 15 October 2016 as a whole.

Explanations of subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic Financial Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Other Foreign Financial Institutions	-	89.125	-	95.000
Total	-	89.125	-	95.000

11. Information on shareholders' equity

11.a Presentation of paid-in capital:

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

11.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 was accepted to increase the 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 approval of registered capital increase registered with Turkish Trade Registry Gazette No: 8042 on 5 April 2012.

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

In the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the 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, TL 163.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital has approved by the BRSA on 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

In the meeting of the General Assembly held on 25 March 2011; it has been resolved that, paid-in capital of the Bank will be increased from TL 700.000 to T L 800.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 100.000 of this increase will be incorporated from the profit of the year 2010. The increase in paid-in capital was approved by the BRSA on 15 April 2011, has registered on 12 May 2011 and has been published in the Turkish Trade Registry Gazette No: 7824 on 27 May 2011.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and disclosures related to the liabilities (continued)****11. Information on shareholders' equity (continued)****11.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).

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

The Bank has no capital commitments for its associates in the last fiscal year and at the end of the following period.

11.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, profitability and liquidity of the Bank and their trends in the successive periods are followed by Financial Controlling Department by considering the outcomes of the potential changes in the foreign exchange rate, interest rate and maturity alterations on profitability and liquidity under various scenario analyses. The Bank operations are profitable, and the Bank retains the major part of its profit by capital increases or capital reserves within the shareholders equity.

11.g Information on preferred shares:

The Bank has no preferred shares (31 December 2011: None)

11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	(3.572)	-	(17.070)	-
Valuation Differences	59.506	69.385	(10.233)	20.006
Foreign Exchange Difference	-	-	-	-
Total	55.934	69.385	(27.303)	20.006

11.i Informations on legal reserves:

	Current Period	Prior Period
First legal reserve	60.278	47.510
Second legal reserve	62.598	47.851
Other legal reserves appropriated in accordance with special legislation	-	-
Total	122.876	95.361

11.j Informations on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	1.148	140.375
Retained earnings	2.920	2.920
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
Total	4.068	143.295

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11.k Explanations related to equity:

Movement of equity reserves during the period:

	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates	Others Equity Reserves	Total
As at 1 January	9.773	(17.070)	31.174	374	24.251
Value increase/decrease of available for sale investments recognized directly under equity	147.927	12.617	-	-	160.544
Profit/loss on disposal of available for sale investments recycled to income statement from equity	(756)	-	-	-	(756)
Tax effect of gains on available for sale investments	(28.053)	-	-	-	(28.053)
Other(*)	-	881	3.983	-	4.864
As at 31 December	128.891	(3.572)	35.157	374	160.850

(*) In the current period, according to the Turkish Corporate Tax Code 5-(I)/e, 75% of the gain on sale of the building amounting to TL 5.311 in the tax purpose financial statements amounting to TL 3.983 exempt from corporate income tax and for the five years following 2011, until the profit distribution process has completed, gains are agreed to be kept in a special fund account under equity and within the specified period, except the share capital, gains are not allowed to transfer into another account. The Bank has transferred such gains to the "Tangible and Intangible Assets Revaluation Differences" accounts.

III. Explanations related to the off-balance sheet items

1. Information on off-balance sheet liabilities

1.a Nature and amount of irrevocable loan commitments:

The Bank has commitments for forward purchase and sales of assets amounting to TL 10.175 (31 December 2011: TL 150.324), commitments for stock brokerage purchase and sales amounting to TL 11.244 (31 December 2011: TL 19.441), commitments for letter of credit amounting to TL 11.902 (31 December 2011: 12.587).

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 at the reporting date, total letters of credit are TL 572.564 (31 December 2011: TL 555.929).

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

As at the reporting date, total letters of guarantee given by the Bank is TL 635.768 (31 December 2011: TL 689.477).

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

	Current Period	Prior Period
Non-cash loans given against obtaining cash loans	-	-
With maturity of one year or less than one year	-	-
With maturity of more than one year	-	-
Other non-cash loans	1.212.557	1.268.979
Total	1.212.557	1.268.979

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. Explanations related to the 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	-	-	-	-	-	-	-	-
Industry	160.031	55	668.187	72	151.208	51	948.748	97
Mining	-	-	-	-	-	-	-	-
Manufacturing Industry	4.393	1	286.673	31	4.391	1	272.765	28
Electricity, Gas, Water	155.638	54	381.514	41	146.817	50	675.983	69
Construction	4.285	2	4.665	1	4.785	2	4.882	1
Services	122.439	42	248.950	27	138.454	46	16.894	2
Wholesale and Retail Trade	-	-	182.048	20	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	121.959	42	66.434	7	138.131	46	16.400	2
Real Asset and Leasing Services	480	-	468	-	323	-	494	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	4.000	1	-	-	4.008	1	-	-
Total	290.755	100	921.802	100	298.455	100	970.524	100

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	290.755	921.802	298.455	970.524	-	-	-	-
Letters of Guarantee	286.530	349.238	278.215	411.262	-	-	-	-
Bank Acceptances	-	-	-	3.333	-	-	-	-
Letters of Credit	-	572.564	-	555.929	-	-	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	4.225	-	20.240	-	-	-	-	-

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations related to the off-balance sheet items (continued)

2. Information related to derivative financial instruments

	Current Period	Prior Period
Foreign currency related derivative transactions (I)	1.252.388	2.917.621
Forward transactions	475.517	856.573
Swap transactions	657.182	643.202
Futures transactions	-	-
Option transactions	119.689	1.417.846
Interest related derivative transactions (II)	1.677.074	1.426.824
Interest rate swap transactions	1.645.874	1.376.916
Interest option transactions	31.200	49.908
Futures interest transactions	-	-
Other trading derivative transactions (III)	-	1.865
A. Total trading derivative transactions (I+II+III)	2.929.462	4.346.310
Types of hedging transactions	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Net investment hedges	-	-
B. Total hedging related derivatives	-	-
Total Derivative Transactions (A+B)	2.929.462	4.346.310

As of 31 December 2012, the breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell
Current Period										
TL	55.432	55.189	13.411	14.070	15.734	15.734	-	-	-	-
US Dollar	63.778	63.756	547.368	826.694	40.631	20.069	-	-	-	-
Euro	118.678	118.684	593.050	307.570	18.865	39.856	-	-	-	-
Other	-	-	893	-	-	-	-	-	-	-
Total	237.888	237.629	1.154.722	1.148.334	75.230	75.659	-	-	-	-

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell
Prior Period										
TL	88.151	83.959	18.415	32.480	322.425	322.425	-	-	236	696
US Dollar	145.624	118.943	388.352	633.838	124.239	124.239	-	-	682	251
Euro	195.403	224.493	604.058	341.518	284.827	284.827	-	-	-	-
Other	-	-	568	889	2.386	2.386	-	-	-	-
Total	429.178	427.395	1.011.393	1.008.725	733.877	733.877	-	-	918	947

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. Explanations related to the off-balance sheet items (continued)****2. Information related to derivative financial instruments (continued)**

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair value assets	Fair value liabilities	Notional amount in turkish lira equivalent	Fair value liabilities	Fair value assets	Notional amount in turkish lira equivalent
Swap Transactions	4.518	(188)	657.182	5.633	(5.605)	643.202
Interest Rate Swap Transactions	15.312	(17.546)	1.645.874	8.086	(10.274)	1.376.916
Forward Transactions	2.980	(2.729)	475.517	12.953	(11.157)	856.573
Futures Transactions	-	-	-	-	-	-
Option Transactions	433	(366)	150.889	17.940	(17.940)	1.467.754
Other	-	-	-	-	-	1.865
Total	23.243	(20.829)	2.929.462	44.612	(44.976)	4.346.310

Fair value hedge

For the year ended 31 December 2012, the Bank does not have any items to hedge financial risks (31 December 2011: None).

Cash Flow Hedge

For the year ended 31 December 2012, the Bank does not have any items related to cash flow hedges (31 December 2011: None).

3. Explanations on loan derivatives and risk exposures

The Bank has no loan derivatives and risk exposures to this respect.

4. Explanations on contingent liabilities and assets

There are 15 legal cases against the Bank which are amounting to TL 825 as of the reporting date (31 December 2011: TL 337 - 10 legal cases).

5. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of real persons, legal entities, funds, pension funds and other entities, which are presented in the statement of contingencies and commitments.

IV. Explanations and disclosures related to the income statement**1. Information on interest income****1.a Information on interest on loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans (*)				
Short term loans	9.864	9.749	12.616	4.619
Medium and long term loans	80.673	233.951	81.376	185.584
Interest on non-performing loans	219	514	6.352	1.851
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	90.756	244.214	100.344	192.054

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on interest income (continued)

1.b Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	80	224	8.000	42
Foreign banks	1	1	-	49
Branches and head office abroad	-	-	-	-
Total	81	225	8.000	91

1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	1.279	-	4.572	1
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	208.945	28.382	137.219	28.999
Investments Held to Maturity	7.693	-	35.817	-
Total	217.917	28.382	177.608	29.000

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	8.103	8.668

2. Information on interest expenses

2.a Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	157	6.073	873	6.834
The Central Bank of Turkey	4	-	421	-
Domestic banks	124	695	433	575
Foreign banks	29	5.378	19	6.259
Branches and head office abroad	-	-	-	-
Other financial institutions	-	84.231	-	72.226
Total (*)	157	90.304	873	79.060

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

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

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

2.c Information on interest expense to securities issued:

	Current period	Prior period
Interest expense to securities issued	-	4.033

3. Information on dividend income:

	Current period	Prior period
Financial Assets held for Trading	-	228
Financial Assets at Fair Value Through Profit and Loss	-	-
Financial Assets Available For Sale	1.553	2.566
Other	26.158	23.035
Total	27.711	25.829

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and disclosures related to the income statement (continued)****4. Information on net trading income (net)**

	Current Period	Prior Period
Profit	328.715	611.792
Gains on capital market operations	2.323	6.269
Gains on derivative financial instruments(*)	108.398	168.323
Foreign exchange gains	217.994	437.200
Losses (-)	(328.435)	(622.743)
Losses on capital market operations	(4.115)	(8.760)
Losses on derivative financial instruments(*)	(98.819)	(195.205)
Foreign exchange losses	(225.501)	(418.778)

(*)Foreign exchange gain from derivative transactions amounting to TL 69.505 is presented in "Profit on derivative financial instruments" (31 December 2011: TL 122.695), foreign exchange loss from derivative transactions amounting to TL (58.092) is presented in "Losses on derivative financial instruments" (31 December 2011: TL (143.116)).

5. Information related to other operating income

	Current Period	Prior Period
Provisions Released	13.067	14.389
Gains on Sale of Assets	2.962	11.467
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	2.912	-
From Property Sales	50	-
From Other Asset Sales	-	11.467
Other	2.678	1.707
Total	18.707	27.563

6. Provision expenses related to loans and other receivables of the Bank

	Current Period	Prior Period
Specific provisions for loans and other receivables	187	6.979
III. Group	59	6.713
IV. Group	1	1
V. Group	127	265
General provision expenses	19.150	19.480
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	1.088	2.278
Trading securities	8	166
Investment securities available for sale	1.080	2.112
Impairment provisions	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (joint vent.)	-	-
Investment securities held to maturity	-	-
Other	13.750	5.295
Total	34.175	34.032

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information related to other operating expenses

	Current Period	Prior Period
Personnel expenses	43.807	41.503
Reserve for employee termination benefits	2.930	429
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	1.329	1.329
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	239	311
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	20	50
Depreciation expenses of assets for resale	9	588
Impairment expenses of assets held for sale	-	-
Other operating expenses	15.245	13.840
Rent expenses	6.786	5.921
Maintenance expenses	523	399
Advertisement expenses	332	677
Other expenses	7.604	6.843
Loss on sale of assets	110	161
Other	8.785	6.705
Total	72.474	64.916

8. Information on net profit from continued and discontinued operations before tax:

As of 31 December 2012, net profit of the Bank has increased by 20,48% compared to prior year (31 December 2011: 18,34%). Net interest income of the Bank has increased by 18,17% compared to prior year (31 December 2011: 22,39%).

9. Information on tax provision for continued and discontinued operations

9.a Information on current tax charge or benefit and deferred tax charge or benefit:

The Bank's current tax charge for the period is TL 94.286 (31 December 2011: TL 49.194). Deferred tax benefit is TL 18.757 (31 December 2011: TL 13.179 tax charge).

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

Deferred tax benefit calculated on temporary differences is TL 18.757 (31 December 2011: TL 13.179 tax charge).

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

As of 31 December 2012, deferred tax benefit calculated based on temporary timing differences is TL 18.757 (31 December 2011: TL 13.179 tax charge). There is no deferred tax benefit or charge reflected to income statement on carry forward tax losses, tax deductions and exceptions (31 December 2011: None).

In addition, TL 32.264 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).

10. Information on net profit from continued and discontinued operations:

As of 31 December 2012, net profit of the Bank has increased by 20,33% compared to prior net profit (31 December 2011: 20,66%).

11. Information on Net Profit/Loss

11.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 Bank has generated TL 589.384 interest income, TL 158.863 interest expenses and TL 12.223 net fee and commission income from banking operations (31 December 2011: TL 513.097 interest income, TL 148.733 interest expense, TL 9.898 net fee and commission income).

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

There has no change in the accounting estimates and accordingly effect on the financial statement items.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and disclosures related to the income statement (continued)****11. Information on Net Profit/Loss (continued)****11.c Minority share of profit and loss:**

There is no profit and loss attributable to minority interest in the accompanying unconsolidated financial statements (31 December 2011: None).

12. 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:

None other than other operating expense explained in note IV.7, exceeds 10% of the income statement.

V. Explanations related to statement of changes in shareholders' equity**1. Informations related to capital**

As of 31 December 2012, the shareholders and capital structure of the Bank are as follows :

Current Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
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)	457.829	41,62	457.829	-
Physically Under Custody (Other Institutions and Individuals)	18	-	18	-
Total	1.100.000	100,00	1.100.000	-
Prior Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
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	-
Total	800.000	100,00	800.000	-

In the current period, in the meeting of the General Assembly held on 26 March 2012; it has been resolved that, paid-in capital of the 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, TL 163.000 of this increase will be incorporated from extraordinary reserves. The increase in paid-in capital has approved by the BRSA on 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations related to statement of changes in shareholders' equity (continued)

2. Information on the increase arising from the revaluation of securities available-for-sale

As of 31 December 2012, TL 161.155 value increase is accounted for arising from the valuation of available for sale investments at fair value. TL 32.264 deferred tax is offset against value increase related to these investments and as a result, TL 128.891 net value increase is disclosed under the securities value increase fund in the statement of changes in the equity. In the prior period, TL 13.984 value increase is arising from the valuation of available for sale investments at fair value. TL 4.211 deferred tax is offset against value increase related to these investments and as a result, TL 9.773 net value increase is disclosed under the securities value increase fund in the statement of changes in the equity.

3. Information on increases in the cash flow hedges

There is no increase in the cash flow hedges.

4. Reconciliation between beginning and ending balances for foreign currency differences

There is no difference in the beginning and ending balances for foreign currency differences.

5. Information on the decrease arising from the revaluation of securities available-for-sale

The decrease arising from the revaluation of securities available-for-sale is explained in Note V.2, above.

6. Information about Dividends

6.a Dividends declared subsequent to the reporting date, but before the announcement of the financial statements:

Dividend income related with the equity shares are determined by the General Assembly of the Shareholders. Number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The profit distribution will be approved at the General Assembly, which is not yet held as of the date of the financial statements authorized for issue.

6.b Net dividend per share proposed after the reporting date:

As noted above as of the date of this report, the Bank has not yet computed its distributable profit and earnings per share for the approval in the General Assembly.

7. Amounts transferred to legal reserves

In the current year, TL 27.515 was transferred to the legal reserves (31 December 2011: TL 21.802).

8. Offsetting of the prior period's losses

There is no offsetting of accumulated losses made during the current and prior year.

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****VI. Explanations related to statement of cash flows****1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents**

In the current period, other income, TL 28.286, consists of gain on sale of assets and non-interest income. (31 December 2011: TL 20.707 gain on sale of assets and non-interest income).

Other caption in changes in assets and liabilities from banking operations, TL (29.657) (31 December 2011: TL 89.724) consists of securities trade losses, personnel expense, financial lease expense, employee termination benefits provision, depreciation expense and other operating expense other than taxes paid, and fees and commissions paid.

In the current period, net increase/decrease item in other assets amounting to TL 62.750 (31 December 2011: TL (102.194)), consists of miscellaneous receivables and change in other assets items.

In the current period, other payables amounting to TL 319.230 (31 December 2011: TL 231.340), consists of borrower funds, miscellaneous payables and funds from repo transactions.

In the current period, the effect of changes in foreign currency exchange rates on cash and cash equivalents has realized as expense amounting to TL (2.820) (31 December 2011: TL 5.887 income).

2. Information about cash flows from acquisition of associates, subsidiaries, and other investments

In the current period, the Bank invested TL 912 in movable fixed assets and properties. There is TL 420 investment in associates and subsidiaries.

In the prior period, the Bank invested TL 1.234 in movable fixed assets and properties. There is TL 800 investment in associates and subsidiaries.

3. Information about disposal of associates, subsidiaries, and other investments

The total amount of purchases or sales of related account and their cash and cash equivalents;

In the current period, the Bank has generated a cash inflow of TL 3.325 on sale of movable fixed assets and properties. There is no sale of associates and subsidiaries in the current period.

In the prior period, the Bank has generated a cash inflow of TL 17.706 on sale of movable fixed assets and properties. There is TL 392 sale of associates and subsidiaries in the current period.

4. Information on cash and cash equivalents at the end of the period

Information on cash and cash equivalents at the beginning of the period:

	Beginning of the Current Period	Beginning of the Prior Period
Cash	8.133	7.414
Cash Equivalents	59.553	161.620
Total	67.686	169.034

Information on cash and cash equivalents at the end of the period:

	End of the Current Period	End of the Prior Period
Cash	27.995	8.133
Cash Equivalents	37.571	59.553
Total	65.566	67.686

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations related to statement of cash flows (continued)

5. Amount of cash and cash equivalents restricted for the usage of the Bank and the shareholders by legal limitations and other reasons

There are no cash and cash equivalents restricted for the usage of the Bank and affiliates by legal limitations and other reasons.

6. Additional Information related to financial position and liquidity of the Bank

6.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

6.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

VII. Explanations on the risk group of the bank

1. Information on the volume of transactions related to the 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 Bank	Subsidiaries and associates		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	200.426	490	57.506	117.413	41.643	-
Balance at end of period	185.532	412	107.017	117.413	44.671	4.225
Interest and commission income	8.103	5	2.082	294	2.031	-

1.b Prior Period:

Risk Group of the Bank	Subsidiaries and associates		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	227.925	345	98.978	117.413	39.538	-
Balance at end of period	200.426	490	57.506	117.413	41.643	-
Interest and commission income	8.668	5	1.721	220	2.003	-

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

The Bank is not authorized to accept deposits.

2. Information on forward, option and other similar agreements made with Bank's own risk group

The Bank has no forward, option and other similar agreements made with Bank's own risk group (31 December 2011: None).

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

Benefits provided to the key management personnel in the current period amount to TL 6.310 (31 December 2011: TL 6.128).

Notes to the Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank:****I. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Bank**

	Number	Number of Employees			
Domestic branches	2	345			
			Country of Incorporation		
Foreign Rep-offices	-	-			
				Total Asset	Capital
Foreign Branches	-	-		-	-
Off-shore Banking Region Branches	-	-		-	-

2. Explanation on opening, closing of a branch/agency of the Bank or changing its organizational structure significantly

In the current period, the Bank has not opened a new domestic branch and there is no significant change in the organization structure of the Bank's operating branches. In the Board of Directors meeting held on 25 January 2012; it was decided to close the Bahrain Branch of the Bank and in this context, General Management was authorized for the required operations. In accordance with the decision, the Bank management has started to executions in order to terminate the Bahrain Branch activities. As of 27 December 2012, closing procedures of the Bahrain Branch have been completed.

In the prior period, the Bank has not opened a new branch or agency. Additionally, there is no significant change in the organization structure of the Bank's operating branches.

SECTION SIX**OTHER EXPLANATIONS****I. Other explanations related to operations of the Bank****1.a Brief information related to rating carried out by international rating firms:****FITCH RATINGS**

Long-term Maturity Foreign Currency (issuer)	BBB-
Long-term Maturity Foreign Currency Outlook (issuer)	Stable
Short-term Maturity Foreign Currency (issuer)	F3
Long-term Maturity National Currency (issuer)	BBB-
Long-term Maturity National Currency Outlook (issuer)	Stable
Short-term Maturity National Currency (issuer)	F3
Support Note	2
National Note	AAA
National Note Outlook	Stable

Information above is received from Fitch Ratings report dated 14 December 2012.

MOODY'S

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

In the Board of Directors meeting held on 26 December 2012, General Management was authorized for sale of Parent Bank's İş Yatırım Ortaklığı A.Ş. Group A shares with a rate of 1,43% and with a number of 2.297.411 of İş Yatırım Ortaklığı A.Ş.'s capital amounting to TL 160.599 to İş Yatırım Menkul Değerler A.Ş., in accordance with pricing principles of IMKB Wholesale Market Foundation and Operation Fundamentals Circular. Sales transaction was completed on 11 February 2013.

SECTION SEVEN**INDEPENDENT AUDITORS' REPORT****I. Explanations on the independent auditors' review report**

Unconsolidated financial statements and the notes to the financial statements as at 31 December 2012 have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("the Turkish member firm of KPMG International Cooperative, a Swiss entity"). The independent auditors' report dated 12 February 2013 is presented at the beginning of the financial statements and related notes.

II. Explanations and notes prepared by independent auditor

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

Türkiye Sınai Kalkınma Bankası A.Ş.

Assessment of Financial Standing, Profitability and Solvency

2012 was a very successful year where the profitability rates were increased and equities grew stronger. The total size of assets in TRY terms surged up by 8.82% year-on-year to TRY 10,290 million. The total asset size in USD terms reached USD 5.820 million.

In 2012, the total amount of medium and long-term loan agreements signed was USD 810 million. As a result of the successful performance of the marketing efforts, the amount of new loan disbursements were around USD 1,270 million. The Bank's loan book grew by 7.8% in TRY terms, by 14.9% in USD terms and by 13.7% in basket terms year-on year and reached TRY 6,895 million in 2012.

The ratio of loan to total assets as of the end of 2012 was around 67% (2011: 68%). The breakdown of the loan portfolio by currency type (including FX indexed loans) was in line with the composition of funds borrowed: 43% EUR, 54% USD. TL loans formed only 3% of the loan portfolio of our Bank. 93% of our loan portfolio consists of foreign currency medium and long term investment and working capital loans.

The energy production and energy efficiency sectors made up a significant concentration in the loan disbursements in 2012. Energy sector is followed by privatization linked acquisition finance and SME finance, which are included mostly within privatization activities and SME Finance Facilities made available followed the energy sector. In the sectoral breakdown of the loan portfolio, the energy production sector constitutes 34%, which is followed by finance sector with a share of 13% and logistics with 8% share.

The ratio of non-performing loans -100% provisioned- to total gross loan book was 0.2 (2011: 0.4%) as of 2012. The nominal amount of non-performing loans equaled to TRY 14 million.

Non-cash loans remained at the same level compared to previous year and reached TRY 1,213 million (2011: TRY 1,269 million). Due to a decrease in the investment banking income as a result of the market conditions in 2012, the portion of non-cash loans within the Bank's commission income equaled 72.8% (2011: %44).

Securities book, which makes up the second biggest asset category after loans with a ratio of 28%, reached TRY 2.844 million with 14.8% increase compared to previous year. 99% of this securities portfolio consists of securities available for sale and 83% of it is formed of Turkish Lira instruments. In 2012, the TRY security portfolio has expanded nominally by 24.3% with CPI-linkers purchases made in accordance with the policies of the Central Bank of Turkey, macro-economic indicators and expectations. Whereas the portion of CPI-linkers in the TRY portfolio as of the year-end surged to 24% from 15% as of the beginning of the year, the portion of the all floating rate notes including CPI-linkers increased to 72% from 69%. On the funding side, expansionary monetary policies of the Central Bank of Turkey led to a decrease in the funding costs.

Hovering around same levels compared to previous year, the funds borrowed reached TRY 6,974 million with an increase of 1.4%. Nearly all of the funds borrowed consist of foreign currency resources secured from multilateral institutions. 96% of our funds consist of medium and long-term loans. These long-term funds are used to finance the asset side lending. 92% of the long term funding is also secured by the guarantee of the Undersecretariat of Treasury. Our Bank has continued building successful relationships with supranational financial institutions in 2012, as well. Throughout the whole year, TSKB signed funding agreements equaling in total to USD 460 million which composes of USD 75 million from IFC, Euro 75 million from AYB, Euro 50 million from EBRD, USD 125 million from KfW and USD 100 million from Islamic Development Bank. Moreover, the Bank secured a syndication loan amounting to USD 100 million in which 7 banks from 5 countries participated.

Due to the fact that the borrowing and lending interest rate structures on the assets and liabilities sides are variable and the term structures of funds borrowed are longer than those of loans, the Bank does not incur interest rate or liquidity mismatch. Furthermore, since the currencies of loans are in line with those of funds borrowed, the Bank's exposure to exchange rate risk is close to zero.

Increasing its shareholders' equity by 28.5%, compared to previous year, to TRY 1,755 million, the Bank recorded a capital adequacy ratio of 20.4% which is considerably above legal requirements, despite its transformation to Basel II (Capital Adequacy Ratio in 2011: 19.1%). The Bank has TRY 1.4 billion in free capital, which corresponds to 13.9% of its total assets (2011: 11.7%). The free capital consists entirely of liquid assets.

The pretax profit reached TRY 382.8 million with 20.5% increase while net profit amounted to TRY 307.3 million which is up by 20.3% year-on-year basis. In parallel, the average return on equity for the year was 19.7% while the Bank's return on assets ratio was 3.1%.

The net interest income in 2012 increased by 18.2% year-on-year basis and reached TRY 430.5 million. Net interest margin was 4.6%. (2011: 4.3%)

Other operating expenses which include the personnel and other operating expenses in 2012 amounted to TRY 72.5 million with an increase of 11.6%. The cost to income ratio is 14.8% which is far below the sector average (2011: 15.6%).

The total amount of donations and aids equaled to TRY 273,180 in 2012. The expenses incurred for the social responsibility projects amounted to TRY 20.899.

At the end of 2012, the ratio of TSKB's interest-bearing assets to total assets was 95.6%. Such a high level is another factor that enhances the Bank's solvency. The fact that Bank's funding structure is long-term and sustainable as a result of close and long-term relationships with supranational organizations is expected to have a continued positive impact on both the profitability and the solvency of the Bank.

Information on Risk Policies Based on Risk Types

TSKB's Risk Management Policies and application principles of these policies consist of written standards established by the Board of Directors and implemented by the Bank's Executive management.

According to TSKB's Risk Management Policies, the main risks exposed by the Bank are identified as the credit risk, asset-liability management risk (market risk, structural interest rate risk, liquidity risk) and operational risk. A Risk Management Department is formed within the Bank in order to manage the risks the Bank is exposed to in parallel to the risk policies ensuring compliance with those policies and related application principles

TSKB's Risk Management Department actively participates in all processes regarding the management of risks and submits regular reports to the Board of Directors, Audit Committee, senior management and related units of the bank. Its duties, responsibilities and structure have been established by the Risk Management Directorate Regulation.

Credit Risk Management Policy

Credit risk is the possibility that the credit customer or a counterparty of an agreement being unable to fulfill the obligations contained in the conditions of the agreement in an appropriate manner.. Whilst the most common and apparent source of credit risk is the loans granted by the Bank, other banking services carrying counterparty risk also carry credit risk. In this regard, all related banking activities are evaluated within the scope of credit risk.

Credit risk is measured and managed by taking into account the structure and characteristics of the credit, the terms and conditions of the credit agreement and financial conditions, the structure of the risk profile until the end of the maturity in parallel with possible market movements, guarantees and collaterals, internal risk ratings, possible changes in ratings during the risk exposure period, concentrations (one single company, group of affiliated companies, sector, country, etc.) and compliance with limits established by the Board of Directors to prevent such concentrations.

In measuring credit risk, the Internal Rating Based Model is used for the purposes of monitoring and controlling the credit risk and providing early warning.

Every effort is taken to try to ensure that limits and policies in agreements with foreign and domestic sources do not diverge to a significant degree from the policies and limits set by the Bank. If clauses in the agreements that have been made deviate from the existing policies, then they are regarded as being compulsory. Asset-Liability Management Risk Policies

All financial risks arising from the Bank's assets and liabilities other than credit risk are defined as asset-liability management risks. The market risk of the trading portfolio, structural interest rate risk and liquidity risk fall into this category.

i - Market Risk Management Policy

Market risk is the possibility of portfolio or position loss in the scope of trading portfolio resulting from fluctuations in interest rates, stock prices, commodity prices or exchange rates on the financial markets. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank's risk adjusted return.

Market risk is managed by using consistent risk measurement and criteria such as fluctuation level of interest and/or prices and Value at Risk calculations, establishing appropriate procedures regarding the performance of control and observing compliance with the identified risk limits.

Interest rate risk, exchange rate risk, stock and commodity price risk and exchange risks constitute the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels. Moreover, the creditworthiness of issuers of financial instruments causing market risk must be checked carefully.

In calculating market risk, the Bank uses two major approaches, namely BRSA Standard Method and Value at Risk (VaR). Accuracy of the VaR model is ensured by backtesting which is the comparison between the calculated Value at Risk and realized losses. In addition, stress tests are applied in order to determine the impacts of events with low possibility of realization but large size of loss on Value at Risk.

ii - Structural Interest Rate Risk Management Policy

Structural interest rate risk is the risk of change in the bank's capital due to possible changes in interest rates through differences in the re-pricing period and the interest structures of interest-sensitive assets and liabilities monitored in banking book.

Structural interest rate risk is managed through the provision of consistent information on structural interest rate risk to all organizational levels by using risk measurement and criteria such as the level of fluctuation of interests, interest shock and stress test calculations.

The inconsistencies of the asset-liability structure are monitored and measured on a currency basis, taking into account re-pricing times at specific time buckets..

Türkiye Sınai Kalkınma Bankası A.Ş.

Information on Risk Policies Based on Risk Types

TSKB manages interest risk by being aware that it threatens the Bank's income, capital, liquidity and reputation and consists of factors such as re-pricing risk, yield curve risk, base risk, spread risk and option risk.

iii – Liquidity Risk Management Policy

Liquidity risk is defined as the risk of failure to meet the on and off balance sheet liabilities when due. This includes the case when the Bank does not have enough cash or cash inflows in order to fulfill the cash outflows completely and on time and thus loss occurs.

There are two kinds of liquidity risk, one is related to funding for capital markets and trading activities, the other one is related to market. Liquidity risk related to funding is the risk which occurs when investment and funding needs are not fulfilled timely or with a reasonable cost because of inconsistency in the cash flows. Liquidity risk related to market occurs when the Bank cannot close its positions on time or with reasonable costs because the markets are not deep, have problems, or the bank cannot enter the markets.

It is essential to have maximum diversification regarding to funding sources, markets, instruments and maturities in order to have an effective and sustainable liquidity management.

In liquidity management, a portfolio structure is formed in consistency with the functions of profit making from the portfolio and market risk management. Risk return balance is constantly monitored whereas the liquidity needs are not sacrificed.

Operational Risk Policy

Operational risk is defined as the loss occurring from processes, humans and systems because of deficiencies or faults or mistakes or outside events. Compliance to the laws and ethic standards are also included in this definition.

Operational risks are managed by applying special controls and precautionary measures to the fundamental operational areas of the Bank, by forming an appropriate internal control system and distributing the authorities throughout the Bank, by testing and controlling in detail all the Bank's operational systems, by obtaining a consistency between the internal and external systems and having an independent data backup system.

The Bank respects the principle of segregation of duties in order to reduce the risk of fraud, manipulation or mistakes. The functions which should be separated are determined as (i) starting a transaction, (ii) giving authority and approval, (iii) recording the transaction, (iv) confirming the transaction, (v) reliable custody services, (vi) monitoring and auditing, (vii) upgrading of IT systems and activities of daily operations. It is essential

that the transaction data will be recorded in the system by using the IT applications right after the transaction has been made.

Operational risks are measured by applying the "Basic Indicator Approach" method.

Risk Management Policy for Subsidiaries

The Bank pays attention that the fundamental principles and standards related to the risk management systems and processes are also applied in the subsidiaries. Consolidated Risk Policies are determined and approved by the Board of Directors. It is essential for the subsidiaries that these policies are adopted, specified risk management systems and processes are applied in order to have consolidated risk management and to act in consistency with the risk limits set in the group level.

Policies Regarding Other Risks

Other risks are Model Risk, defined as the risk of loss due to erroneous design or implementation failures of the models used for pricing, credit facilities and risk measurement, Strategy Risk, occurring because of false or ill timed decisions; and Reputation Risk, defined as the reputation loss of the Bank in the eyes of the customers and markets. These risks are mentioned in the Bank's Risk Policies in order to increase the awareness throughout the bank.

Fitch

Fitch Ratings has reviewed Turkish Banks after upgrading Turkey's credit rating to the investment level grade. Following this amendment, on 14th of December, 2012, Fitch Ratings has upgraded TSKB's "Long Term Issuer Default Rating and Local Currency Issuer Default Ratings" as "BBB-"; "Short Term Foreign and Local Currency Issuer Default Ratings" as "F3" and "Support Rating" as "2". The Banks's rating grades has reached to the investment level grade and the outlook assigned by the agency affirmed as "Stable".

Foreign Currency	
Long Term	BBB-
Outlook	Stable
Short Term	F3
Local Currency	
Long-term	BBB-
Outlook	Stable
Short-term	F3
National	
Long Term	AAA(tur)
Outlook	Stable
Support Rating	2

Moody's Investors Service

Following to the upgrade of Turkey's credit ratings to Ba1; Moody's has upgraded TSKB's "Long Term Foreign Currency and Domestic Currency Issuer Ratings" to the investment level grade "Baa3" and "Short Term Foreign Currency and Domestic Currency Issuer Ratings" to "P-3" on 3rd of July 2012. Moody's has affirmed the Bank's "Bank Financial Strength Rating" as "D+" and assigned a "stable" outlook.

Bank Financial Strength Rating	D+
LT Bank Issuer Rating (Foreign Currency)	Baa3
Outlook	Stable
ST Bank Issuer Rating (Foreign Currency)	P-3

(*) Fitch Ratings has withdrawn its Individual Ratings on financial institutions on 25th of January 2012. In parallel, TSKB's rating Individual Rating has been withdrawn as well.

Main Indicators and Financial Information for the most recent 5 years

(TRY million)	2008	2009	2010	2011	2012
Assets	6,209	6,905	7,912	9,456	10,290
Loan Book	3,884	3,955	4,843	6,395	6,895
Shareholders' Equity	750	1,041	1,264	1,366	1,755
Net Profit	119	175	212	255	307

KEY RATIOS (%)	2008	2009	2010	2011	2012
Average return on equity	16.0	19.5	18.4	19.4	19.7
Average return on assets	2.1	2.7	2.9	2.9	3.1
Capital adequacy ratio	21.1	24.9	22.7	19.1	20.4

Consolidated Independent Auditors' Report

(Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish)



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

Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

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

To the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş.

We have audited the consolidated balance sheet of Türkiye Sınai Kalkınma Bankası A.Ş. ("the Bank") and its subsidiaries (collectively "the Group") as of 31 December 2012 and the related consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' Responsibility for the Financial Statements

The Board of Directors of the Bank is responsible for the establishment of an internal control system, selection and application of appropriate accounting policies for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency (BRSA) and declarations by the Banking Regulation and Supervision Board, free of material misstatement, whether due to fraud or error, that could lead to false information within.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Authorization and Activities of Institutions to Perform Independent Audit at Banks" published on the Official Gazette dated 1 November 2006 and numbered 26333 and International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into and assessing the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion expressed below.

Opinion

In our opinion, based on our audit, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Sınai Kalkınma Bankası A.Ş. as of 31 December 2012 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the Articles 37 and 38 of (Turkish) Banking Law No: 5411 and other regulations, explanations and circulars on accounting and financial reporting principles announced by BRSA.

İstanbul,
12 February 2013

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Orhan Akova
Partner

Additional paragraph for convenience translation to English:

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

The Consolidated Financial Report of Türkiye Sınai Kalkınma Bankası A.Ş. For The Year Ended 31 December 20

Address: Meclis-i Mebusan Cad. No: 81 34427 Fındıklı/Istanbul

Telephone and Fax: (212) 334 50 50, (212) 334 52 34

Web Site: <http://www.tskb.com.tr>

E-mail Address for communication: GOKTASM@tskb.com.tr

The consolidated financial report designed for the year end includes the following sections in accordance with "Communiqué on 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
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

The subsidiaries, associates and joint ventures, financial statements of which 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.

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 year end, unless otherwise indicated, are prepared in thousands of Turkish Lira ("TL"), in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, and have been independently audited and presented as attached.

12 February 2013

Adnan BALI

Chairman of
Board of Directors

A. Orhan BEŞKÖK

Deputy General
Manager

Ömer ERYILMAZ

Executive Vice President In Charge of
Financial Reporting

Mustafa GÖKTAŞ

Head of Financial
Control Department

M. Baran TUNCER

Member of Audit
Committee

Kemal Serdar DİŞLİ

Member of Audit
Committee

Murat BİLGİÇ

Member of Audit
Committee

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

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

Telephone Number: (212) 334 51 92

SECTION ONE

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Notes to the Consolidated Financial Statements For the Year Ended 31 December 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 Parent Bank does not have the authority of "Accepting Deposit". Since the establishment date of the Parent 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 Parent Bank are as follows:

Current Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
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)	457.829	41,62	457.829	-
Physically Under Custody (Other Institutions and Individuals)	18	-	18	-
Total	1.100.000	100,00	1.100.000	-

Prior Period Name Surname/Commercial Title	Share Capital	Shareholding Rate (%)	Paid in Capital	Unpaid Capital
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	-
Total	800.000	100,00	800.000	-

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**The Chairman and The Members of Board of Directors:**

Name Surname	Title (1)	Date of Appointment	Academic Background	Experience in Banking and Management Before Appointment
Adnan Bali (6)	Chairman of the Board of Directors	15 April 2011	Undergraduated	27
Mehmet Şencan	Vice Chairman of the Board of Directors	7 June 2011	Undergraduated	25
Durmuş Yılmaz (2) (7)	Member of the Board of Directors	26 March 2012	Postgraduate	33
Mustafa Baran Tuncer	Member of the Board of Directors and Audit Committee	30 April 2008	Doctorate	33
Ertan Burhanettin Kantar (6)	Member of the Board of Directors	23 March 2005	Undergraduated	24
Kemal Serdar Dışlı	Member of the Board of Directors and Audit Committee	25 May 2007	Undergraduated	25
Murat Bilgiç (3)	Member of the Board of Directors and Audit Committee	23 March 2005	Postgraduate	22
Yonca Koçak (3)	Member of the Board of Directors	21 July 2010	Undergraduated	22
Feridun Bilgin (7)	Member of the Board of Directors	12 September 2012	Doctorate	16
Uygur Şafak Ögün (7)	Member of the Board of Directors	2 April 2010	Postgraduate	18
H. Fevzi Onat (8)	Member of the Board of Directors and General Manager	30 May 2011	Undergraduated	31

General Manager, Vice Presidents and Statutory Auditors :

Name Surname	Title / Area of Responsibility	Date of Appointment	Academic Background	Experience in Banking and Management Before Appointment
H. Fevzi Onat (8)	General Manager	30 May 2011	Undergraduated	31
A. Orhan Beşkök	Senior Vice President - Technical Services and Financial Institutions	24 January 2002	Postgraduate	30
Burak Akgüç	Vice President - Corporate Marketing and Corporate Finance	29 December 2004	Undergraduated	23
Ömer Eryılmaz	Vice President - Financial Control and Securities	27 January 2006	Undergraduated	27
Çiğdem İçel	Vice President - Treasury and Human Resources	27 January 2006	Undergraduated	23
Ufuk Bala Yücel	Vice President - Project Finance and Loans	25 December 2007	Undergraduated	26
B. Gökhan Çanakpınar	Vice President - Information Technology and Loan-Treasury Operation	10 January 2012	Undergraduated	23
M. Armağan Saraçoğlu (5)	Statutory Auditor	4 September 2012	Undergraduated	14
Hamide Esmâ Uygun Çelikten	Statutory Auditor	25 March 2011	Undergraduated	16

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 (Continued)

1. The shares of above directors in the 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.
3. In the Board of Directors meeting held on 29 August 2012, in accordance with the Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103, Murat Bilgiç and Yonca Koçak who have resigned of their duties member of the Board of Directors were elected again as Member of Board of Director in accordance with article no.363 of Turkish Commercial Code to be submitted to approval on the First General Assembly.
4. Mehmet Coşkun Cangöz, member of the Board of Directors, resigned from his duty of the member of the Board of Directors on 31 August 2012.
5. Volkan Kublay, auditor of the Bank has resigned his duty and Muzafer Armağan Saraçoğlu was elected as auditor of the Bank.
6. In the Board of Directors meeting held on 4 September 2012, in accordance with the Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103, Adnan Bali and Burhanettin Kantar who have resigned of their duties in member of the Board of Directors were reelected as members of the Board of Directors in accordance with article no.363 of Turkish Commercial Code to be submitted to approval on the First General Assembly.
7. In the Board of Directors meeting held on 12 September 2012, in accordance with Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103, Adnan Bali and Burhanettin Kantar who have resigned of their duties in member of the Board of Directors were reelected as member of the Board of Directors in accordance with article no.363 of Turkish Commercial Code to be submitted to approval on the First General Assembly. Feridun Bilgin was elected as a member of the Board of Directors substituted for Mehmet Coşkun Cangöz who has resigned from his duty from member of the Board of Directors in accordance with Article No.25 of Law About Validity and Manner of Application of Turkish Commercial Code Article No.6103 and Article no. 363 of Turkish commercial Code to be submitted to approval on the First General Assembly.
8. Member of the Board of Directors and General Manager H. Fevzi Onat has retired from his duty as the member of the Board of Directors and General Manager of the Bank due to retirement. As the date of 1 February 2013, Özcan Türkakın was elected to vacant position on the Board of Directors in accordance with the Article No. 363 of Turkish Commercial Code and has started his duty after he has sworn on 4 February 2013. Appointed General
9. Manager of the Bank is expected to be Özcan Türkakın and Özcan Türkakın will be start his duty after completion of legal procedures

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.

Current Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
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	457.829	41,62	457.829	-
Physically Under Custody	18	-	18	-
(Other Institutions and Individuals)				-
Total	1.100.000	100,00	1.100.000	-

Prior Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate (%)	Capital	Capital
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	10	-	10	-
(Other Institutions and Individuals)				-
Total	800.000	100,00	800.000	-

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. As of 27 December 2012, closing procedures of the Bahrain Branch have been completed.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION ONE (Continued)**GENERAL INFORMATION (Continued)****VI. Differences between the communiqué on preparation of consolidated financial statements of banks and Turkish Accounting Standards and short explanation about the institution subject to line-by-line method or proportional consolidation and institutions which are deducted from equity or not included in these three methods**

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Account Standards (TAS), the non-financial subsidiaries and associates, TSKB Gayrimenkul Değerleme A.Ş., TSKB Gayrimenkul Danışmanlık A.Ş., Terme Metal Sanayi ve Ticaret A.Ş., Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. and Adana Otel Projesi Adi Ortaklığı are not consolidated since they are not in scope of financial institutions according to related communiqué.

Türkiye Sınai Kalkınma Bankası A.Ş. and its financial institutions, Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul 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 has no partnership share on banks and financial institutions, with shareholding of more than 10% and deducted from capital.

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, Factoring and Financing Companies Law No: 6361. The Company started its leasing operations in July 1988. The Company's headquarters is located at Istanbul/Türkiye.

İş Factoring Finansman Hizmetleri A.Ş.:

İş Factoring Finansman Hizmetleri A.Ş., was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. 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: 2, Levent, Istanbul.

VII. The existing or potential, actual or legal obstacle on the transfer of shareholder's equity between the Parent Bank and its subsidiaries or the reimbursement of liabilities

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries. Dividend distribution from shareholders' equity is made according to related legal regulations.

Written policies of the Parent Bank related to compliance to publicly disclosed obligations of the Parent Bank and assessment of accuracy, frequency and compliance of mentioned disclosures

TSKB Disclosure Policy approved by the meeting of the Board of Directors and entered into force on 28 February 2011. Compliance to publicly disclosed obligations, frequency of public disclosures and tools and methods used for public disclosures are explained in the disclosure policy of the Parent Bank accessible from the TSKB corporate website.

Türkiye Sınai Kalkınma Bankası A.Ş. and its subsidiaries

Consolidated Balance Sheet (Statement of Financial Position) at 31 December 2012

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

ASSETS	Note Ref.	Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	25.465	107.201	132.666	5.457	115.652	121.109
II. FINANCIAL ASSETS AT F.V. THROUGH PROFIT AND LOSS (Net)	(2)	23.336	17.833	41.169	115.857	34.468	150.325
2.1 Trading financial assets		23.336	17.833	41.169	115.857	34.468	150.325
2.1.1 Public sector debt securities		7.753	733	8.486	83.623	716	84.339
2.1.2 Share certificates		2.581	-	2.581	15.239	-	15.239
2.1.3 Derivative financial assets held for trading		6.143	17.100	23.243	11.601	33.752	45.353
2.1.4 Other marketable securities		6.859	-	6.859	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)	377.261	62.814	440.075	19.045	406.181	425.226
IV. MONEY MARKET PLACEMENTS		199	-	199	109.365	-	109.365
4.1 Interbank money market placements		-	-	-	102.102	-	102.102
4.2 Istanbul Stock Exchange money market placements		-	-	-	335	-	335
4.3 Receivables from reverse repurchase agreements		199	-	199	6.928	-	6.928
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	2.407.613	474.649	2.882.262	1.745.840	571.043	2.316.883
5.1 Share certificates		35.570	2.957	38.527	23.575	2.957	26.532
5.2 Public sector debt securities		2.127.232	342.798	2.470.030	1.617.661	378.877	1.996.538
5.3 Other marketable securities		244.811	128.894	373.705	104.604	189.209	293.813
VI. LOANS	(5)	1.696.982	5.117.237	6.814.219	1.793.408	4.473.548	6.266.956
6.1 Loans		1.696.982	5.117.237	6.814.219	1.793.408	4.473.548	6.266.956
6.1.1 Loans to risk group of the Bank		105.631	129.431	235.062	85.465	99.149	184.614
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		1.591.351	4.987.806	6.579.157	1.707.943	4.374.399	6.082.342
6.2 Non performing loans		10.172	5.452	15.624	12.989	14.709	27.698
6.3 Specific provisions (-)		(10.172)	(5.452)	(15.624)	(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)	211.572	-	211.572	191.563	-	191.563
9.1 Accounted for under equity method		210.046	-	210.046	190.472	-	190.472
9.2 Unconsolidated associates		1.526	-	1.526	1.091	-	1.091
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		1.526	-	1.526	1.091	-	1.091
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	847	-	847	842	-	842
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		847	-	847	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)	-	9.432	9.432	-	28.400	28.400
12.1 Finance lease receivables		-	9.758	9.758	-	29.577	29.577
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	(326)	(326)	-	(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)	(12)	23.786	-	23.786	24.222	2	24.224
XV. INTANGIBLE ASSETS (Net)	(13)	2.020	-	2.020	1.870	-	1.870
15.1 Goodwill		1.005	-	1.005	1.005	-	1.005
15.2 Other		1.015	-	1.015	865	-	865
XVI. INVESTMENT PROPERTY (Net)	(14)	240.370	-	240.370	226.805	-	226.805
XVII. TAX ASSET	(15)	8.629	-	8.629	17.332	-	17.332
17.1 Current tax asset		2.986	-	2.986	1.668	-	1.668
17.2 Deferred tax asset		5.643	-	5.643	15.664	-	15.664
ASSETS HELD FOR SALE AND DISCONTINUED	(16)	-	-	-	-	-	-
XVIII. OPERATIONS (Net)		-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	33.790	16.272	50.062	74.885	50.884	125.769
TOTAL ASSETS		5.051.880	5.805.438	10.857.318	4.453.456	5.680.178	10.133.634

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

Consolidated Balance Sheet (Statement of Financial Position) at 31 December 2012

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

		Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011			
LIABILITIES		Note Ref	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	-	-	-	-	-	-
1.1	Deposits from Risk Group of the Bank		-	-	-	-	-	-
1.2	Other		-	-	-	-	-	-
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	1.565	19.432	20.997	6.470	42.273	48.743
III.	FUNDS BORROWED	(3)	142.819	6.886.786	7.029.605	23.763	6.761.772	6.785.535
IV.	MONEY MARKET BALANCES	(3)	1.265.318	237.310	1.502.628	1.190.401	177.962	1.368.363
4.1	Interbank money market takings		247.991	19.458	267.449	420.609	-	420.609
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Funds provided under repurchase agreements		1.017.327	217.852	1.235.179	769.792	177.962	947.754
V.	DEBT SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	FUNDS		1.909	7.836	9.745	1.559	6.335	7.894
6.1	Borrower funds		1.909	7.836	9.745	1.559	6.335	7.894
6.2	Others		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES		77.233	35.597	112.830	128.180	20.480	148.660
VIII.	OTHER LIABILITIES	(4)	-	-	-	-	-	-
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES	(5)	6	-	6	-	-	-
10.1	Finance lease payables		6	2	8	-	2	2
10.2	Operating lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred finance lease expenses (-)		-	(2)	(2)	-	(2)	(2)
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(6)	-	-	-	-	-	-
11.1	Fair value hedge		-	-	-	-	-	-
11.2	Cash flow hedge		-	-	-	-	-	-
11.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	(7)	140.173	-	140.173	104.670	-	104.670
12.1	General loan loss provisions		77.247	-	77.247	58.491	-	58.491
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		8.986	-	8.986	5.859	-	5.859
12.4	Insurance technical reserves (Net)		-	-	-	-	-	-
12.5	Other provisions		53.940	-	53.940	40.320	-	40.320
XIII.	TAX LIABILITY	(8)	33.207	-	33.207	17.668	-	17.668
13.1	Current tax liability		33.207	-	33.207	17.668	-	17.668
13.2	Deferred tax liability		-	-	-	-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	(9)	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(10)	-	89.125	89.125	-	95.000	95.000
XVI.	SHAREHOLDERS' EQUITY	(11)	1.849.617	69.385	1.919.002	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		100.288	69.385	169.673	29.115	20.006	49.121
16.2.1	Share premium		388	-	388	413	-	413
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Marketable securities value increase fund	(11)	64.369	69.385	133.754	(2.846)	20.006	17.160
16.2.4	Tangible assets revaluation differences	(11)	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		195.793	-	195.793	300.572	-	300.572
16.3.1	Legal reserves	(11)	125.052	-	125.052	97.975	-	97.975
16.3.2	Statutory reserves		60.277	-	60.277	47.510	-	47.510
16.3.3	Extraordinary reserves	(11)	7.544	-	7.544	152.167	-	152.167
16.3.4	Other profit reserves		2.920	-	2.920	2.920	-	2.920
16.4	Profit or loss		369.263	-	369.263	310.617	-	310.617
16.4.1	Prior years' profit/loss		52.253	-	52.253	49.854	-	49.854
16.4.2	Current year profit/loss		317.010	-	317.010	260.763	-	260.763
16.5	Non-controlling interests	(12)	84.273	-	84.273	96.791	-	96.791
TOTAL LIABILITIES AND EQUITY			3.511.847	7.345.471	10.857.318	3.009.806	7.123.828	10.133.634

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

Türkiye Sınai Kalkınma Bankası A.Ş. and its subsidiaries
Consolidated Statement of Off-Balance Sheet Items at 31 December 2012

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

	Note Ref	Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		1.642.823	5.350.160	6.992.983	2.992.808	7.744.816	10.737.624
I. GUARANTEES AND COLLATERALS	(1)	290.755	921.802	1.212.557	298.455	970.524	1.268.979
1.1 Letters of guarantee		286.530	349.238	635.768	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		286.530	349.238	635.768	278.215	411.262	689.477
1.2 Bank acceptances		-	-	-	-	3.333	3.333
1.2.1 Import letters of acceptance		-	-	-	-	3.333	3.333
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	572.564	572.564	-	555.929	555.929
1.3.1 Documentary letters of credit		-	572.564	572.564	-	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		4.225	-	4.225	20.240	-	20.240
1.9 Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1)	1.157.941	1.643.773	2.801.714	1.513.692	2.985.994	4.499.686
2.1 Irrevocable commitments		466.541	22.102	488.643	468.568	146.519	615.087
2.1.1 Forward asset purchase and sales commitments		2.770	7.405	10.175	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		120	-	120	-	-	-
2.1.4 Loan granting commitments		-	4.007	4.007	-	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		463.651	10.690	474.341	446.423	11.372	457.795
2.2 Revocable commitments		691.400	1.621.671	2.313.071	1.045.124	2.839.475	3.884.599
2.2.1 Revocable loan granting commitments		691.400	1.621.671	2.313.071	1.045.124	2.839.475	3.884.599
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	194.127	2.784.585	2.978.712	1.180.661	3.788.298	4.968.959
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		194.127	2.784.585	2.978.712	1.180.661	3.788.298	4.968.959
3.2.1 Forward foreign currency buy/sell transactions		110.621	364.896	475.517	361.494	873.353	1.234.847
3.2.1.1 Forward foreign currency transactions-buy		55.432	182.456	237.888	277.535	341.027	618.562
3.2.1.2 Forward foreign currency transactions-sell		55.189	182.440	237.629	83.959	532.326	616.285
3.2.2 Swap transactions related to f.c. and interest rates		52.038	2.300.268	2.352.306	172.378	2.092.041	2.264.419
3.2.2.1 Foreign currency swaps-buy		37.968	318.374	356.342	158.308	285.670	443.978
3.2.2.2 Foreign currency swaps-sell		14.070	336.020	350.090	14.070	429.455	443.525
3.2.2.3 Interest rate swaps-buy		-	822.937	822.937	-	688.458	688.458
3.2.2.4 Interest rate swaps-sell		-	822.937	822.937	-	688.458	688.458
3.2.3 Foreign currency, interest rate and securities options		31.468	119.421	150.889	644.850	822.904	1.467.754
3.2.3.1 Foreign currency options-buy		15.734	43.896	59.630	322.425	386.498	708.923
3.2.3.2 Foreign currency options-sell		15.734	44.325	60.059	322.425	386.498	708.923
3.2.3.3 Interest rate options-buy		-	15.600	15.600	-	24.954	24.954
3.2.3.4 Interest rate options-sell		-	15.600	15.600	-	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		-	-	-	1.939	-	1.939

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

Consolidated Statement of Off-Balance Sheet Items at 31 December 2012

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

	Note Ref	Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011		
		TL	FC	Total	TL	FC	Total
B.	CUSTODY AND PLEDGED SECURITIES (IV+V+VI)	5.378.889	70.139.115	75.518.004	6.545.437	63.816.275	70.361.712
IV.	ITEMS HELD IN CUSTODY	1.288.698	264.194	1.552.892	1.113.363	228.512	1.341.875
4.1	Customers' securities held	8.619	-	8.619	31.722	-	31.722
4.2	Investment securities held in custody	297.966	264.194	562.160	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	3.335	-	3.335	18.402	-	18.402
4.8	Custodians	978.778	-	978.778	751.755	-	751.755
V.	PLEDGED ITEMS	3.136.693	45.668.955	48.805.648	4.489.581	38.583.829	43.073.410
5.1	Marketable securities	2.935	1.208.830	1.211.765	2.931	1.282.865	1.285.796
5.2	Guarantee notes	53.398	1.300.783	1.354.181	67.993	1.574.739	1.642.732
5.3	Commodity	-	-	-	-	-	-
5.4	Warranty	-	-	-	-	-	-
5.5	Real estates	90.594	16.092.349	16.182.943	112.594	6.912.897	7.025.491
5.6	Other pledged items	2.989.766	27.066.993	30.056.759	4.306.063	28.813.328	33.119.391
5.7	Pledged items-depository	-	-	-	-	-	-
VI.	ACCEPTED BILLS OF EXCHANGE AND COLLATERALS	953.498	24.205.966	25.159.464	942.493	25.003.934	25.946.427
TOTAL OFF BALANCE SHEET ITEMS (A+B)		7.021.712	75.489.275	82.510.987	9.538.245	71.561.091	81.099.336

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

Türkiye Sınai Kalkınma Bankası A.Ş. and its subsidiaries

Consolidated Income Statement For the Year Ended 31 December 2012

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

	Note Ref.	Audited Current Period 1 January 2012 – 31 December 2012	Audited Prior Period 1 January 2011 – 31 December 2011
I. INTEREST INCOME	(1)	613.037	534.704
1.1 Interest on loans		332.958	288.562
1.2 Interest received from reserve deposits		-	-
1.3 Interest received from banks		23.168	31.249
1.4 Interest received from money market placements		6.857	3.959
1.5 Interest received from marketable securities portfolio		248.776	208.556
1.5.1 Financial assets held for trading		3.756	6.450
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		237.327	166.289
1.5.4 Investments held-to-maturity		7.693	35.817
1.6 Finance lease income		1.066	2.144
1.7 Other interest income		212	234
II. INTEREST EXPENSES	(2)	(188.193)	(174.582)
2.1 Interest on deposits		-	-
2.2 Interest on funds borrowed		(93.343)	(80.394)
2.3 Interest on money market borrowings		(94.733)	(90.231)
2.4 Interest on securities issued		-	(3.922)
2.5 Other interest expense		(117)	(35)
III. NET INTEREST INCOME (I - II)		424.844	360.122
IV. NET FEES AND COMMISSIONS INCOME		26.520	28.252
4.1 Fees and commissions received		29.842	30.350
4.1.1 Non-cash loans		10.115	5.617
4.1.2 Other		19.727	24.733
4.2 Fees and commissions paid		(3.322)	(2.098)
4.2.1 Non-cash loans		(1.021)	(3)
4.2.2 Other		(2.301)	(2.095)
V. DIVIDEND INCOME	(3)	6.014	5.222
VI. NET TRADING INCOME	(4)	26.309	(20.025)
6.1 Securities trading gains/ (losses)		2.818	(5.030)
6.2 Derivative financial instruments gains/losses		48.739	(54.430)
6.3 Foreign exchange gains/losses (net)		(25.248)	39.435
VII. OTHER OPERATING INCOME	(5)	32.260	52.881
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		515.947	426.452
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(34.595)	(32.234)
X. OTHER OPERATING EXPENSES (-)	(7)	(100.218)	(93.246)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		381.134	300.972
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT / (LOSS) ON EQUITY METHOD		20.271	20.917
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)	(8)	401.405	321.889
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(76.254)	(63.269)
16.1 Provision for current income taxes		(94.286)	(51.040)
16.2 Provision for deferred taxes		18.032	(12.229)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	325.151	258.620
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint vent.)		-	-
19.3 Loss from other discontinued operations		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS(±)		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	325.151	258.620
23.1 Group's profit / loss		317.010	260.763
23.2 Minority shares		8.141	(2.143)
Earnings / (losses) per share		0,296	0,235

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

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2012

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

PROFIT AND LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY		Audited Current Period 1 January 2012– 31 December 2012	Audited Prior Period 1 January 2011 – 31 December 2011
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	144.877	(59.347)
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	-
V.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion of fair value differences)	-	-
VI.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS	-	-
VIII.	OTHER PROFIT/LOSS ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS	(230)	(3.059)
IX.	DEFERRED TAX OF VALUATION DIFFERENCES	(28.053)	10.547
X.	NET PROFIT/LOSS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	116.594	(51.859)
XI.	CURRENT YEAR PROFIT/LOSS	325.151	258.620
11.1	Net changes in fair value of securities (Recycled to Profit/Loss)	(756)	(1.770)
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	325.907	260.390
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	441.745	206.761

Türkiye Sınai Kalkınma Bankası A.Ş. and its subsidiaries
Consolidated Statement of Changes in Equity For the Year Ended 31 December 2012

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

	CHANGES IN SHAREHOLDER'S EQUITY	Note Ref.	Paid in Capital	Effect of Inflation on Paid in Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves
Prior Period – 31 December 2011									
I.	Opening Balance		700.000	374	413	-	75.558	36.929	118.439
II.	Changes during the period								
III.	Increase / Decrease related to merger		-	-	-	-	-	-	-
IV.	Marketable securities value increase		-	-	-	-	-	-	-
IV.	fund		-	-	-	-	-	-	-
IV.	Hedging (Effective portion)		-	-	-	-	-	-	-
4.1	Cash-flow hedge		-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-
IX.	Disposal of assets		-	-	-	-	-	-	-
X.	Reclassification of assets		-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-
XII.	Capital increase		100.000	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-
12.2	Internal sources		100.000	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-
XV.	Effect of inflation on paid-in capital		-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-
XVII.	Period net income		-	-	-	-	-	-	-
XVIII.	Profit distribution		-	-	-	-	22.417	10.581	33.728
18.1	Dividends distributed		-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	22.417	10.581	33.728
18.3	Other		-	-	-	-	-	-	-
	Closing Balance		800.000	374	413	-	97.975	47.510	152.167
Current Period – 31 December 2012									
I.	Opening Balance		800.000	374	413	-	97.975	47.510	152.167
II.	Changes during the period								
III.	Increase / Decrease related to merger		-	-	-	-	-	-	-
IV.	Marketable securities value increase		-	-	-	-	-	-	-
IV.	fund		-	-	-	-	-	-	-
IV.	Hedging (Effective portion)		-	-	-	-	-	-	-
4.1	Cash-flow hedge		-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-
IX.	Disposal of assets		-	-	-	-	-	-	-
X.	Reclassification of assets		-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-
XII.	Capital increase	(1)	300.000	-	-	-	-	-	(163.000)
12.1	Cash		-	-	-	-	-	-	-
12.2	Internal sources		300.000	-	-	-	-	-	(163.000)
XIII.	Share issuance		-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-
XV.	Effect of inflation on paid-in capital		-	-	-	-	-	-	-
XVI.	Other		-	-	(25)	-	(859)	-	(5.221)
XVII.	Period net income		-	-	-	-	-	-	-
XVIII.	Profit distribution		-	-	-	-	27.936	12.767	23.598
18.1	Dividends distributed		-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	27.936	12.767	23.598
18.3	Other		-	-	-	-	-	-	-
	Closing Balance		1.100.000	374	388	-	125.052	60.277	7.544

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

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2012

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

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
2.920	-	263.779	69.019	31.174	-	-	-	1.298.605	99.916	1.398.521
-	-	-	-	-	-	-	-	-	-	-
-	-	-	(51.859)	-	-	-	-	(51.859)	-	(51.859)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(100.000)	-	-	-	-	-	-	-	-
-	-	(100.000)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	260.763	-	-	-	-	-	-	260.763	(2.143)	258.620
-	-	(113.925)	-	-	-	-	-	(47.199)	(982)	(48.181)
-	-	(47.199)	-	-	-	-	-	(47.199)	(982)	(48.181)
-	-	(66.726)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
2.920	260.763	49.854	17.160	31.174	-	-	-	1.460.310	96.791	1.557.101
2.920	-	310.617	17.160	31.174	-	-	-	1.460.310	96.791	1.557.101
-	-	-	-	-	-	-	-	-	-	-
-	-	-	116.594	-	-	-	-	116.594	15	116.609
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(3.983)	-	3.983	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(137.000)	-	-	-	-	-	-	-	-
-	-	(137.000)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	(2.601)	-	-	-	-	-	(8.706)	(20.674)	(29.380)
-	317.010	-	-	-	-	-	-	317.010	8.141	325.151
-	-	(114.780)	-	-	-	-	-	(50.479)	-	(50.479)
-	-	(50.479)	-	-	-	-	-	(50.479)	-	(50.479)
-	-	(64.301)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
2.920	317.010	52.253	133.754	35.157	-	-	-	1.834.729	84.273	1.919.002

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

Türkiye Sınai Kalkınma Bankası A.Ş. and its subsidiaries
Consolidated Statement of Cash Flows For the Year Ended 31 December 2012

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

	Notes	Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		215.487	410.008
1.1.1 Interest received		492.247	563.090
1.1.2 Interest paid		(191.485)	(175.115)
1.1.3 Dividends received		6.014	4.487
1.1.4 Fees and commissions received		29.842	30.350
1.1.5 Other income	(1)	85.850	75.511
1.1.6 Collections from previously written off loans		7.806	6.990
1.1.7 Payments to personnel and service suppliers		(75.962)	(69.558)
1.1.8 Taxes paid		(78.649)	(50.461)
1.1.9 Others	(1)	(60.176)	24.714
1.2 Changes in operating assets and liabilities		(18.665)	(189.544)
1.2.1 Net (increase) decrease in financial assets		52.696	9.397
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		(1.012.416)	(1.840.478)
1.2.5 Net (increase) decrease in other assets	(1)	116.869	(53.518)
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		723.160	1.804.649
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	101.026	(109.594)
I. Net cash provided by/(used in) banking operations		196.822	220.464
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided by/(used in) investing activities		(211.971)	(21.876)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	(420)	(1.040)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-	392
2.3 Fixed asset purchases	(2)	(13.613)	(6.384)
2.4 Fixed asset sales	(3)	3.865	17.995
2.5 Cash paid for purchase of financial assets available for sale		(297.030)	(215.408)
2.6 Cash obtained from sale of financial assets available for sale		-	-
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities (*)		95.787	182.973
2.9 Others		(560)	(404)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided by/(used in) financing activities		(50.481)	(238.925)
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		(2)	(190.744)
3.3 Capital increase		-	-
3.4 Dividends paid		(50.479)	(48.181)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	(2.400)	10.380
V. Net increase / (decrease) in cash and cash equivalents		(68.030)	(29.957)
VI. Cash and cash equivalents at beginning of the period	(4)	534.689	564.646
VII. Cash and cash equivalents at end of the period	(4)	466.659	534.689

(*) Current period 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.

Statement of Profit Distribution For the Year Ended 31 December 2012

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

	Audited Current Period 31 December 2012 (*)	Audited Current Period 31 December 2011
I. DISTRIBUTION OF CURRENT YEAR INCOME (**)		
1.1 CURRENT YEAR INCOME	382.793	317.715
1.2 TAXES AND DUTIES PAYABLE	(75.529)	(62.373)
1.2.1 Corporate Tax (Income tax)	(94.286)	(49.194)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	18.757	(13.179)
A. NET INCOME FOR THE YEAR (1.1-1.2)	307.264	255.342
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	12.767
1.5 OTHER STATUTORY RESERVES (-)	-	12.767
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	307.264	229.808
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	48.000
1.6.1 To owners of ordinary shares	-	48.000
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	4.590
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	889
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	134.000
1.9.1 To owners of ordinary shares	-	134.000
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	14.748
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	23.598
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	3.983
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (pre-emptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	307.264	255.342
3.2 TO OWNERS OF ORDINARY SHARES (%)	27,93	31,92
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	182.000
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	22,75
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Since the Board of Directors has not yet prepared any proposal for profit distribution relating to the year 2012, profit distribution for the year 2012 was presented only.

(**) According to legislation, companies in Turkey do not make consolidated profit distribution. In this context, profit distribution is based on unconsolidated financial statements.

SECTION THREE

ACCOUNTING POLICIES

I. Basis of presentation

I.a Presentation of consolidated financial statements and notes to the consolidated financial statements according to Turkish Accounting Standards and Banking Accounting Regulations and Safeguarding of Documents

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

The Parent Bank prepares its financial statements and underlying documents 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. The situation does not result in a change in basis of preparation as of reporting date.

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 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 XXIII.

I.c The accounting policies for the correct understanding of the financial statements

The following accounting policies that applied according to BRSA regulations and TAS for the correct understanding of the financial statements and valuation principles used in preparation of the financial statements are presented in more detail below.

I.d In preparing the consolidated financial statements, items which different accounting policies adopted and their ratio on total of related consolidated financial statement

There is no different accounting policy used in consolidated financial statements.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

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 Parent 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.

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

TSKB 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/or 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 31 December 2012.

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

TSKB Yatırım Ortaklığı A.Ş.

It was permitted İş Yatırım Ortaklığı Anonim Şirketi take over TSKB Yatırım Ortaklığı A.Ş. within the Turkish Commercial Code 451 and 19 and 20th clauses of Corporate Tax Law numbered 5520 with the resolution of Competition Authority dated 29 March 2012 and nr. 12-14/417-BD and the resolution of Capital Markets Board dated 10 May 2012 and nr. 15/547. In the General Assemblies of companies dated 29 June 2012, merger was confirmed. Related resolutions and 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. As of this date, TSKB Yatırım Ortaklığı was dissolved and transferred to İş Yatırım Ortaklığı A.Ş. together with all of its assets and liabilities. Income statement of TSKB Yatırım Ortaklığı A.Ş. until the merge with İş Yatırım Ortaklığı A.Ş., is consolidated by the Parent Bank in consolidated financial statements for the year ended 31 December 2012.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

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

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 Capital Market Law 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, Factoring and Financing Companies Law No: 6361. The Company started its leasing operations in July 1988. The Company's headquarters is located at Istanbul/Türkiye.

İş Factoring Finansman Hizmetleri A.Ş. :

İş Factoring Finansman Hizmetleri A.Ş., was incorporated in Turkey on 4 July 1993 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. 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: 2, Levent, Istanbul.

IV. Explanations on forward and option contracts and derivative instruments

The Parent Bank is exposed to financial risk which depend on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate.

Mainly derivative instruments used by the Group are foreign currency forwards, swaps, futures trading, futures and option agreements.

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

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

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION THREE (Continued)**ACCOUNTING POLICIES (Continued)****VI. Explanations on fees and commission income and expenses**

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

VII. Explanations on financial assets

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

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

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. Settlement date accounting requires (a) accounting of the asset when acquired by the institution, and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal.

In case of application of settlement date accounting, the entity accounts for the changes that occur in the fair value of the asset in the period between commercial transaction date and settlement date as in the assets that the entity settles.

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

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

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

Cash, Banks and Other Financial Institutions:

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

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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VII. Explanations on financial assets (continued)

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.

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. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Interest income earned from held-to-maturity investments is recognized as interest income on income statement. The group has no held to maturity investments as of 31 December 2012 (31 December 2011: TL 126.955)

As of the reporting date, the Group 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.

Explanations on investments in associates and subsidiaries:

Investments in associates and subsidiaries are recorded within the scope of the "Turkish Accounting Standard No.39: Financial Instruments: Recognition and Measurement" (TAS 39). Investments in subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market). Investments in subsidiaries and associates, whose shares are not traded in an active market (stock market) are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of, if any, impairment provisions.

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 (including received from Loans and receivables with doubtful collectability) " 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.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

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 provisions, 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 times of the general provision ratio and for the second group loans and receivables should not be less than 2,5 times of the general provision ratio

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 twenty percent of total loans, general loan loss provision ratio is four percent for consumer loans which are followed under standard loans and receivables except car and housing loans; and is eight percent 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 31 December 2012 and do not exceed the ratios mentioned above, additional general loan loss provision has not been calculated.

In accordance with the communiqué "The Amendment to the Communiqué on Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" published on 21 September 2012 No: 28418 Official Gazette, the Parent Bank has calculated general loan loss provisions with the rates stated in the first paragraph of Article 7 of the Communiqué.

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. Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell.

SECTION THREE (Continued)**ACCOUNTING POLICIES (Continued)****XI. Explanations on assets held for sale and discontinued operations (continued)**

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.

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.

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.

Tangible Assets	Expected Useful Lives (Years)	Depreciation Rate (%)
Cashboxes	4-50	2-25
Vehicles	5	20
Other Tangible Assets	1-50	2-100

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.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION THREE (Continued)**ACCOUNTING POLICIES (Continued)****XIV.Explanations on leasing transactions*****The Group as Lessor***

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

The Group as Lessee

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

XV. 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. If aforesaid criterias did not compose, the Parent Bank has disclosed mentioned issues in note to financial statements. Provisions are determined by using the Group's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

Explanations on contingent assets

Contingent assets consist of unplanned or other unexpected events that usually cause a possible inflow of economic benefits to the Parent Bank. Since recognition of the contingent assets in the financial statements would result in the accounting of an income, which may never be generated, the related assets are not included in the financial statements; 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 Parent Bank is almost certain, the related asset and the respective income are recognised in the financial statements of the period in which the change occurred.

XVI. 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. 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 22 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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on liabilities regarding employee benefits (continued)

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 four-year extension was published in the Official Gazette No: 28277 dated 8 March 2012. 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 2012 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated February 2013. There is no need for technical or actual deficit to book provision as of 31 December 2012.

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.

XVII. 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.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION THREE (Continued)**ACCOUNTING POLICIES (Continued)****XVIII. 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 Parent Bank as of the period end and interest expense amounts of related period arising from borrowings are reflected in the financial statements.

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

XIX. Explanations on share certificates issued

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 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

In the prior period, In the meeting of the General Assembly held on 25 March 2011; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 700.000 to TL 800.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 100.000 of this increase will be incorporated from the profit of the year 2010. The increase in paid-in capital was approved by the BRSA on 15 April 2011, has registered on 12 May 2011 and has been published in the Turkish Trade Registry Gazette No: 7824 on 27 May 2011.

XX. 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.

XXI. Explanations on government incentives

The Parent Bank does not use government incentives.

XXII. 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".

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXII. Explanations on segment reporting (continued)

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

Current Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	242.277	188.244	(5.677)	424.844
Net Fees and Commission Income	10.185	1.751	14.584	26.520
Other Income	7.010	10.375	72.197	89.582
Other Expense	(58.668)	(23.464)	(57.409)	(139.541)
Profit Before Tax	200.804	176.906	23.695	401.405
Tax Provision				(76.254)
Net Profit				325.151
Group's profit / loss				317.010
Non-controlling interest				8.141
Current Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	6.823.651	3.496.371	324.867	10.644.889
Investment in Associates and Subsidiaries	-	-	212.429	212.429
Total Assets	6.823.651	3.496.371	537.296	10.857.318
Segment Liabilities	6.863.799	1.734.771	339.746	8.938.316
Shareholders' Equity	-	-	1.919.002	1.919.002
Total Liabilities	6.863.799	1.734.771	2.258.748	10.857.318

Prior Period	Corporate Banking	Investment Banking	Other	Total
Net Interest Income	212.926	151.398	(4.202)	360.122
Net Fees and Commission Income	5.029	4.128	19.095	28.252
Other Income	14.389	48	64.583	79.020
Other Expense	(57.232)	(26.924)	(61.349)	(145.505)
Profit Before Tax	175.112	128.650	18.127	321.889
Tax Provision				(63.269)
Net Profit				258.620
Group's profit / loss				260.763
Non-controlling interest				(2.143)
Prior Period	Corporate Banking	Investment Banking	Other	Total
Segment Assets	6.295.356	3.249.863	396.000	9.941.219
Investment in Associates and Subsidiaries	-	-	192.415	192.415
Total Assets	6.295.356	3.249.863	588.415	10.133.634
Segment Liabilities	6.490.125	1.807.516	278.892	8.576.533
Shareholders' Equity	-	-	1.557.101	1.557.101
Total Liabilities	6.490.125	1.807.516	1.835.993	10.133.634

XXIII. Explanations on other matters

None.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR**INFORMATION ON FINANCIAL STRUCTURE****I. Explanations related to the consolidated capital adequacy standard ratio**

As of 1 July 2012, capital adequacy standard ratio is calculated in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”, which was published on 28 June 2012 in the Official Gazette numbered 28337. In this context, credit and market risk are calculated based on the Standardised Approach and the operational risk is calculated based on the Basic Indicator Approach. In the calculation process of credit risk, loans are classified in the related risk weight by taking into account the risk portfolio types, ratings and credit risk mitigation techniques. The Parent Bank uses “comprehensive guarantee approach” for trading book items in the credit mitigation process.

As of 31 December 2012, the Parent Bank's capital adequacy ratios in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” is 19,43%. The Parent Bank did not recalculate the capital adequacy ratio for prior periods, according to the Communiqué on “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures”, which was published on 28 June 2012 in the Official Gazette numbered 28337.

Information related to the consolidated capital adequacy standard ratio

	Risk Weights (*)						
	Parent Bank						
	0%	20%	50%	75%	100%	150%	200%
The Amount Subject to Credit Risk	2.291.734	518.618	1.689.274	39.029	7.200.975	8	8
Risk Types							
Contingent and Non-Contingent Claims on Sovereigns	2.270.481	-	345.062	-	-	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	600	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	-	-	-	-	4.418	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	-	518.018	1.343.134	-	83.638	-	-
Contingent and Non-Contingent Claims on Corporate	-	-	-	-	6.709.627	-	-
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	-	-	-	39.029	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	1.078	-	-	-	-
Past Due Loans	-	-	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	-	8	8
Securities Secured by Mortgage	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	-	-	-	-	82.060	-	-
Other Claims	21.253	-	-	-	321.232	-	-

(*)The Group has no credit risk related to 10% and 1250% risk weight.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

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

Summary information related to the consolidated capital adequacy standard ratio

	Parent Bank	Consolidated
	Current Period (*)	Current Period (*)
Capital Requirement for Credit Risk (Amount subject to Credit Risk*0,08) (CRCR)	652.296	654.291
Capital Requirement for Market Risk (CRMR)	15.460	15.101
Capital Requirement for Operational Risk (CROR)	47.693	56.193
Shareholders' Equity	1.820.009	1.762.403
Shareholders' Equity/((CRCR+CRMR+CROR) *12,5)*100	20,35	19,43

(*)The Parent Bank did not recalculate the capital adequacy ratio related to prior periods as of 1 July 2012, according to provisional act 1 of "Publicly Announced Communiqué on Financial Statements and Related Disclosures and Footnotes".

Information related to the components of consolidated shareholders' equity

CORE CAPITAL	Current Period	Prior Period(***)
Paid-in Capital	1.100.000	800.000
Nominal Capital	1.100.000	800.000
Capital Commitments (-)	-	-
Inflation Adjustment to Share Capital	374	374
Share Premium	388	413
Share Cancellation Profits	-	-
Legal Reserves	195.793	300.572
Inflation Adjustment on Legal Reserves, Statutory Reserves and Extraordinary Reserves	-	-
Profit	369.263	310.617
Current Period Profit	317.010	260.763
Prior Years' Profits	52.253	49.854
Provisions for Possible Losses up to 25% of Core Capital	-	-
Profit on sale of associates, subsidiaries and buildings	35.157	31.174
Primary subordinated loans	-	-
Non-controlling interest	84.258	96.791
Loss that is not covered with reserves (-)	-	-
Net current period loss	-	-
Prior period loss	-	-
Leasehold improvements (-)	(873)	(506)
Intangible assets (-)	(1.015)	(865)
Deferred-assets for tax which exceeds 10% of core capital (-)	-	-
Excess amount expressed in the Law (Article 56, 3rd paragraph) (-)	-	-
Consolidation Goodwill (Net) (-)	(1.005)	(1.005)
Total Core Capital	1.782.340	1.537.565

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****I. Explanations related to the consolidated capital adequacy standard ratio (continued)****Information related to the components of consolidated shareholders' equity (continued)**

SUPPLEMENTARY CAPITAL	Current Period	Prior Period(***)
General Loan Loss Provisions	77.247	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 (*)	53.040	75.400
45% of the Marketable Securities Value Increase Fund (**)	60.189	7.722
Indexation Differences for Capital Reserves, Profit Reserves and Retained Earnings (Except Indexation Differences for Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-	-
Non Controlling Interest	7	-
Total Supplementary Capital	190.483	141.613
CAPITAL	1.972.823	1.679.178
DEDUCTIONS FROM THE CAPITAL	(210.420)	(190.867)
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	(210.046)	(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	(374)	(395)
Securitisation Positions Deducted from Equity Preferred	-	-
Other	-	-
TOTAL SHAREHOLDERS' EQUITY	1.762.403	1.488.311

(*) According to BRSA's "Regulation on Equity of Banks", 60% 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.

(***)The previous year's datas relating to the table above that is changed with the Communiqué on "Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures", which was published on 28 June 2012 in the Official Gazette numbered 28337 are shown according to the new table and total equity is not changed.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

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

The approaches used for internal capital adequacy assessment in terms of current and future activities

The evaluation of the Parent Bank's internal capital adequacy assessment in terms of current and future activities is carried out within the framework of the principles identified at the Capital Adequacy Policy approved in the Board of Directors meeting held on 28 September 2012.

The purpose of the internal assessment process of capital requirements is to identify and evaluate all the risks both included and not included in the calculations of regulatory capital requirement, by this means, to ensure keeping sufficient capital to cover these risks and to ensure the application of appropriate risk management techniques.

The Parent Bank's internal assessment process is risk-oriented and future-oriented. Current and future capital requirements are analyzed in accordance with the Parent Bank's strategic objectives and anticipated capital costs, target capital levels and capital resources are taken into account. Through the process of internal assessment, a general capital level and assessment are exhibited, the results and findings of the internal assessment process are taken into consideration in the process of assessment of the Parent Bank's strategy and risk appetite.

Within the scope of the process, for the current period and the three-year period covering the years 2013-2015, the Bank's capital requirement and internal capital adequacy is evaluated, based on the the Bank's asset structure and risk profile, the expectations on macro-economic factors such as economic growth and foreign exchange rates, and stress scenarios, In this context, interest rate risk in the banking book, concentration risk for sectors, countries and economic groups within credit risk, liquidity risk and other risks including reputation risk, strategic risk, etc., as well as credit risk, market risk and operational risk which are contained in the calculation of the regulatory capital requirement, are included.

II. Explanations related to consolidated credit risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically.

Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in line with Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" ("Communiqué on Reserves"). Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Parent Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, mortgage, cash blockage and client checks.

The limits are also identified for the transactions made with the banks. The credit risk is managed by considering the creditworthiness and the limits of counter parties.

In accordance with TAS and Turkish Financial Reporting Standards;

Impaired loans, are loans past due more than 90 days as of reporting period or convinced to be impaired due to credibility. In accordance with Communiqué on Reserves, "Specific Provision" is allocated for these loans.

Past due loans, are loans past due up to 90 days as of reporting period but not impaired. In accordance with Communiqué on Reserves, "General Provision" is calculated for these loans.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****II. Explanations related to consolidated credit risk (continued)**

Total amount of exposures after offsetting transactions but before applying risk mitigations and the average exposure amounts that are classified in different risk groups and types

	Current Period Risk Amount (*)	Average Risk Amount (**)
Contingent and Non-Contingent Claims on Sovereigns	3.433.261	3.346.312
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	3.000	3.000
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	26.419	25.233
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	2.599.335	2.588.510
Contingent and Non-Contingent Claims on Corporates	9.072.669	8.949.003
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	236.926	246.009
Contingent and Non-Contingent Claims Secured by Real Estate Property	1.078	539
Past Due Loans	-	-
Higher-Risk Categories Defined by Agency	16	17
Securities Secured by Mortgage	-	-
Securitization Exposures	-	-
Short-Term Claims on Banks and Corporate	-	-
Undertakings for Collective Investments in Transferable Securities	205.611	255.927
Other Claims	342.485	338.919

(*) Includes total risk amounts before the effect of credit risk mitigation.

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports in which capital adequacy is measured in accordance with Basel II, starting from 1 July 2012 to the period end.

There are control limits over the positions on forwards, options and similar other agreements. Those limits are controlled by the Parent Bank's management on a regular basis. The credit risk is managed together with the potential risks arising from the fluctuations in the market. Credit risk, market risk, liquidity risk and other risks are managed as a whole.

If exposed to a significant degree of credit risk, the Parent Bank reduces the total risk by using, exercising or selling forward transactions and other similar contracts

The compensated non-cash loans are evaluated at the same risk weight as the non-performing loans.

Rescheduled loans are monitored within the Parent Bank's internal rating application, as well as the monitoring applications required by the related regulations. All precautions are taken in order to classify the companies' risks and their current rating may change within this internal rating applications.

The Parent Bank monitors and investigates the maturity concentration and the risks which are different than their normal pattern.

The international operations are made with many correspondent banks in various countries. The counter party limits are set with operations made with the banks.

The Parent Bank being an active participant in international banking market is not exposed to a significant degree of credit risk when evaluated with the financial operations of other financial institutions.

The first 100 and 200 largest cash loans constitute 83,83% and 97,77% of the total cash loans portfolio of the Group respectively (31 December 2011: 84,47% and 98,81%).

The first 100 and 200 largest non cash loans constitute 100% and %100 of the total non cash loans portfolio of the Group respectively (31 December 2011: 100% and 100%).

The first 100 and 200 largest cash and non cash loans constitute 83,05% and 97,24% of the total on and off balance sheet accounts of the Group respectively (31 December 2011: 84,59% and 98,62%).

The Parent Bank calculated the general loan loss provision of TL 77.247 (31 December 2011: TL 58.491).

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations related to consolidated credit risk (continued)

Profile of Significant Exposures in Major Regions

	Risk Types (*)						
	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates
Current Period							
Domestic	2.615.543	600	4.418	-	-	1.665.450	6.709.626
European Union (EU) Countries	-	-	-	-	-	34.060	-
OECD Countries (**)	-	-	-	-	-	603	-
Off-Shore Banking Regions	-	-	-	-	-	83.638	-
USA, Canada	-	-	-	-	-	36.050	-
Other Countries	-	-	-	-	-	27.915	-
Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	97.074	-
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	1
Total	2.615.543	600	4.418	-	-	1.944.790	6.709.627

(*)Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used.

(**) Includes OECD countries other than EU countries, USA and Canada.

(***) Includes asset and liability items that cannot be allocated on a consistent basis.

Risk profile by sectors or counterparties

	Risk Types (*)							
	Contingent and Non-Contingent Claims on Sovereigns	Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprises	Contingent and Non-Contingent Claims on Multilateral Development Banks	Contingent and Non-Contingent Claims on International Organizations	Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	Contingent and Non-Contingent Claims on Corporates	Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios
Agriculture	-	-	-	-	-	-	12.024	-
Farming and Stockbreeding	-	-	-	-	-	-	12.024	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	23.504	4.974.343	-
Mining and Quarrying	-	-	-	-	-	-	41.880	-
Production	-	-	-	-	-	8.035	1.947.948	-
Electricity, Gas and Water	-	-	-	-	-	15.469	2.984.515	-
Construction	-	-	-	-	-	-	153.518	-
Services	145.973	-	4.184	-	-	1.921.270	1.565.210	-
Wholesale and Retail Trade	-	-	-	-	-	-	354.482	-
Accommodation and Dining	-	-	-	-	-	1.236	207.953	-
Transportation and Telecommunication	-	-	-	-	-	-	417.806	-
Financial Institutions	145.973	-	4.184	-	-	1.920.034	1.994	-
Real Estate and Rental Services	-	-	-	-	-	-	385.195	-
Professional Services	-	-	-	-	-	-	152.732	-
Educational Services	-	-	-	-	-	-	12.419	-
Health and Social Services	-	-	-	-	-	-	32.629	-
Others	2.469.570	600	234	-	-	16	4.532	39.029
Total	2.615.543	600	4.418	-	-	1.944.790	6.709.627	39.029

(*)Risk types in the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" have been used..

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

Risk Types (*)									
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	Contingent and Non-Contingent Claims Secured by Real Estate Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	Total
39.013	1.078	-	16	-	-	-	81.854	33.534	11.151.132
-	-	-	-	-	-	-	-	2.957	37.017
-	-	-	-	-	-	-	-	-	603
-	-	-	-	-	-	-	-	-	83.638
-	-	-	-	-	-	-	-	-	36.050
-	-	-	-	-	-	-	-	-	27.915
-	-	-	-	-	-	-	206	2.143	99.423
16	-	-	-	-	-	-	-	303.851	303.868
39.029	1.078	-	16	-	-	-	82.060	342.485	11.739.646

Risk Types (*)										Total
Contingent and Non-Contingent Claims Secured by Real Estate Property	Past Due Loans	Higher-Risk Categories Defined by Agency	Securities Secured by Mortgage	Securitization Exposures	Short-Term Claims on Banks and Corporate	Undertakings for Collective Investments in Transferable Securities	Other Claims	TL	FC	
-	-	-	-	-	-	-	629	6.297	6.356	12.653
-	-	-	-	-	-	-	267	5.935	6.356	12.291
-	-	-	-	-	-	-	362	362	-	362
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2.486	264.056	4.736.277	5.000.333
-	-	-	-	-	-	-	-	-	41.880	41.880
-	-	-	-	-	-	-	1.194	179.228	1.777.949	1.957.177
-	-	-	-	-	-	-	1.292	84.828	2.916.448	3.001.276
-	-	-	-	-	-	-	-	17.553	135.965	153.518
1.078	-	-	-	-	-	82.060	34.182	890.231	2.863.726	3.753.957
-	-	-	-	-	-	-	-	41.776	312.706	354.482
-	-	-	-	-	-	-	-	10	209.179	209.189
-	-	-	-	-	-	-	1.235	1.358	417.683	419.041
-	-	-	-	-	-	82.060	32.100	823.563	1.362.782	2.186.345
-	-	-	-	-	-	-	-	14.113	371.082	385.195
-	-	-	-	-	-	-	847	9.411	144.168	153.579
-	-	-	-	-	-	-	-	-	12.419	12.419
1.078	-	-	-	-	-	-	-	-	33.707	33.707
-	-	16	-	-	-	-	305.188	2.462.431	356.754	2.819.185
1.078	-	16	-	-	-	82.060	342.485	3.640.568	8.099.078	11.739.646

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations related to consolidated credit risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities

Risk Types	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Contingent and Non-Contingent Claims on Sovereigns	247.470	59.518	152.402	165.100	1.963.716
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	-	-	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	65	-	-	1.982	2.367
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	249.657	256.360	54.265	109.833	1.215.073
Contingent and Non-Contingent Claims on Corporates	64.526	102.502	82.847	232.854	6.205.047
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	35.752	-	-	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	-	-	-	1.078	-
Past Due Loans	-	-	-	-	-
Higher-Risk Categories Defined by Agency	-	-	-	-	16
Securities Secured by Mortgage	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	4.454	-	10	-	77.390
Other Claims	-	-	-	-	-
Total	601.924	418.380	289.524	510.847	9.463.609

Information on risk types

Referring to article No. 7 of the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”, in the process of risk weighted assets calculation, risk weights are determined through ratings given by authorized rating companies. Ratings given by International Rating Companies can be used for receivables includes receivables from Banks and Brokerage Houses settled abroad, receivables from Regional Authorities and Local Authorities, receivables from Administrative Bodies and Non-Commercial Undertakings, receivables from Multilateral Development Banks and Corporate Receivables risk weights. The Resident Institutions are assessed as unrated.

In determination of risk weights for exposures on capital adequacy calculation of the Parent Bank, ratings are used given by Fitch Ratings Rating Agency.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****II. Explanations related to consolidated credit risk (continued)****Information on risk types (continued)**

The table related to mapping of the ratings given by Fitch Ratings' International Rating Agency as per credit quality grades and risk weights used in the calculations, is as follows.

Credit Quality Grades	Fitch Ratings	Risk Types			
		Claims on Sovereigns	Claims on Banks and Capital Market Intermediary Claims with Remaining Maturities Less Than 3 Months	Claims with Remaining Maturities More Than 3 Months	Claims on Corporate Receivables
1	AAA	0%	20%	20%	20%
	AA+				
	AA				
	AA-				
2	A+	20%	20%	50%	50%
	A				
	A-				
3	BBB+	50%	20%	50%	100%
	BBB				
	BBB-				
4	BB+	100%	50%	100%	100%
	BB				
	BB-				
5	B+	100%	50%	100%	150%
	B				
	B-				
6	CCC+	150%	150%	150%	150%
	CCC				
	CCC-				
	CC				
	C				
	D				
Unrated	Unrated	100%	20% (*)	50% (*)	100%

(*)Used in case when the risk weight of the sovereign of the Bank's country is not higher.

Exposures by risk weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deducted from Equities
Exposures Before Credit Risk Mitigation (*)	3.109.444	-	677.179	1.663.440	117.583	7.407.027	8	8	-	213.313
Exposures After Credit Risk Mitigation	2.291.734	-	518.618	1.689.274	39.029	7.200.975	8	8	-	213.313

(*)Includes risk amounts after the credit conversions and before the effect of credit risk mitigation.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations related to consolidated credit risk (continued)

Information of major sectors or type of counterparties

Major Sectors / Counterparties	Loans		Value Adjustments	Provisions
	Impaired Loans	Past Due Loans		
Agriculture	3.422	-	-	(3.422)
Farming and Stockbreeding	3.422	-	-	(3.422)
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	4.523	985	10	(4.523)
Mining and Quarrying	191	-	-	(191)
Production	4.332	-	-	(4.332)
Electricity, Gas and Water	-	985	10	-
Construction	513	-	-	(513)
Services	7.166	-	-	(7.166)
Wholesale and Retail Trade	399	-	-	(399)
Accommodation and Dining	963	-	-	(963)
Transportation and Telecommunication	74	-	-	(74)
Financial Institutions	413	-	-	(413)
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	5.317	-	-	(5.317)
Others	-	-	-	-
Total	15.624	985	10	(15.624)

Information related with value adjustments and loan loss provisions

	Opening balance	Provision for the period	Provision reversals	Other adjustments	Closing balance
Specific Provisions	27.698	613	12.687	-	15.624
General Loan Loss Provision	58.491	18.756	-	-	77.247

Cash credit quality per class of financial assets as of 31 December 2012 is as follows:

Current Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	6.813.234	985	6.814.219
Corporate Loans	5.165.193	-	5.165.193
Loans to SME	1.613.950	985	1.614.935
Consumer Loans	168	-	168
Other	33.923	-	33.923
Receivables from Leasing Transactions	9.432	-	9.432
Total	6.822.666	985	6.823.651

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****II. Explanations related to consolidated credit risk (continued)**

Cash credit quality per class of financial assets as of 31 December 2011 is as follows:

Prior Period	Neither past due nor impaired	Past due or individually impaired	Total
Loans	6.265.780	1.176	6.266.956
Corporate Loans	5.375.507	1.176	5.376.683
Loans to SME	870.370	-	870.370
Consumer Loans	182	-	182
Other	19.721	-	19.721
Receivables from Leasing Transactions	28.399	1	28.400
Total	6.294.179	1.177	6.295.356

Credit risk is evaluated according to the Parent Bank's internal rating. Non financial services customers included in credit portfolio are rated with respect to Parent Bank's internal rating and ratings of the financial services customers, which are rated by external rating firms, are matched to the Bank's internal ratings. The loans rated according to the possibility of being in default are classified from the highest grade (top grade) to the lowest (below average) as below; at the bottom of the table there are credits in default (impaired) according to rating model.

Basic Loan Quality Categories	Current Period	Prior Period
Top Grade	410.632	362.285
High Grade	2.877.120	2.475.919
Average Grade	3.254.586	3.867.001
Below Average Grade	1.444.957	803.916
Impaired	15.624	20.330
Total	8.002.919	7.529.451

Category "top" shows that the debtor has a very strong financial structure, "high" shows that the debtor has a strong financial structure, "average" shows the debtor's financial structure is good enough while "below average" category shows that debtor's financial structure is under risk in the short and medium term.

As of the reporting date, the total of the Group's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the specific provisions) is TL 8.051.832; and TL 48.913 of these customers have not been rated (31 December 2011: TL 7.592.033; TL 62.582).

Carrying amount per class of financial assets whose terms have been renegotiated

	Current Period	Prior Period
Banks	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-
Loans	27.595	62.198
Corporate Loans	23.270	56.458
Loans to SME	3.330	759
Consumer Loans	-	-
Other	995	4.981
Total	27.595	62.198

III. 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, notional and proportional basis limitation systems are used and informative reports regarding market risk position of the bank 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 fields of activity were approved by the Board of Directors. Risk management policies were determined and announced throughout the Parent Bank.

Legally, 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 consolidated market risk table is as follows:

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

III. Explanations related to the consolidated market risk (continued)

1.a Information related to the consolidated market risk:

	Amount
(I) Capital Requirement to be Employed for General Market Risk - Standard Method	4.449
(II) Capital Requirement to be Employed for Specific Risk - Standard Method	768
Capital Requirement for Specific Risk Relating to Securitization Positions – Standard Method	-
(III) Capital Requirement to be Employed for Currency Risk - Standard Method	8.192
(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) Counterparty credit risk capital requirement - Standard method	1.692
(VIII) Total Capital Requirement to be Employed for Market Risk in Banks Using Risk Measurement Model	-
(IX) Total Capital Requirement to be Employed for Market	15.101
(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)	188.763

1.b Average market risk table as of the month ends during the period:

	Current Period		
	Average	Maximum	Minimum
Interest Rate Risk	4.688	4.737	4.639
Common Stock Risk	335	480	190
Currency Risk	9.592	10.992	8.192
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	42	83	-
Counterparty Credit Risk	2.398	3.103	1.692
Total Value At Risk	17.055	19.395	14.713

Risk information given above includes the period between July– December 2012 and represents the amounts calculated under the “Regulation on Measurement and Assessment of the Capital Adequacy of the Banks” published on 28 June 2012.

2. Explanation related to counter party risk

The Parent Bank gives long term, medium term and short term loans within principles and limits determined by the Board of Directors according to the Banking Law. Loan transactions includes all manner of lending type about financing investments and need to working capital of firms, domestic and foreign loan participation from primary and secondary market, underwriting to purchase and sell of bond and legal instruments that will issued, provide APEX loan facilities to banks and financial institutions by leasing, treasury derivative transaction within limits assigned to firms, export-import transactions, treasury, money and capital market and derivative transaction within limits in countenance of financial institutions (Counterparties).

Project guarantee, mortgage, personnel guarantee, company guarantee, cheques and notes, cash blockage, stock and security pledges could be taken on Treasury, Money and Capital Market and Derivative transaction within limits in countenance of non-financial institutions (Counterparties). On Treasury, Money and Capital Market transaction within limits in countenance of financial institutions (Counterparties) guarantee is not taken and on derivative transactions collateral netting is applied for the firms that signed CSA agreements based on daily derivative valuation. The provision is reserved in accordance with “Substance of the Procedures and Principles Related to Determination of Loans and Other Receivables by the Banks and Allocation of Provision for Those” and international practices.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****III. Explanations related to the consolidated market risk (continued)****2. Explanation related to counter party risk (continued)**

	Amount
Interest Rate Contracts	22.318
Foreign Exchange Rate Contracts	14.265
Commodity Contracts	-
Equity Shares Related Contracts	-
Other	-
Gross Positive Fair Values	36.583
Net-off Benefits	-
Net-off Current Risk Amount	36.583
Collaterals Received	8.112
Net Derivative Position	28.471

3. Required disclosures in case the capital requirement of the Bank is calculated by a risk measurement model permitted by BRSA

Internal model is not used on the calculation of capital requirements for counterparty loan risk.

Other price risks

The Parent Bank is exposed to equity price risks arising from equity investments. Equity investments are mostly held for trading purposes. The Parent Bank does not actively trade these investments.

Equity shares price sensitivity

The sensitivity analysis below has been determined based on the exposure to stock price risks at the reporting date.

If the inputs (equity shares prices) to the valuation model had been 20% higher/lower while all other variables were held constant;

The Group classify its equity investments both as held for trading and available for sale investments. Therefore, the net profit/loss is not affected as long as the Group does not sell its equity investments classified as available for sale investments. According to the analysis results under these assumptions; profit/loss will increase/decrease by TL 3.354 (31 December 2011: TL 955), marketable securities classified as financial assets held for trading would decrease/increase by TL 516 (31 December 2011: TL 2.307 marketable securities value increase fund increase/decrease).

IV. Explanations related to consolidated operational risk

Operational risk amount of the Group is measured with Basic Indicator Method referring to "Regulation on Measurement and Assessment of Capital Adequacy of Banks" According to this method, the calculation is performed parallel to the practice within the country, by multiplying 15% of the Group's last three years' average gross revenue with 12,5.

Yearly gross income, as presented on the income statement; is calculated with net interest income plus net fee and commission, dividend income except from subsidiaries and associates, trading profit/loss and other operational income minus profit/loss gain on sale of assets other than of trading accounts, extraordinary incomes, operational expense for support service from a bank and recoveries from insurance.

	31 December 2009	31 December 2010	31 December 2011	Total/No. of years of positive gross	Rate (%)	Total
Gross Income	355.197	364.360	404.306	374.621	15	56.193
Value at Operational Risk (Total*12,5)						702.413

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****V. Explanations related to 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 Group 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 and EURO are as follows:

	1 USD	1 Euro
A. Bank "Foreign Exchange Valuation Rate"		
31 December 2012	1,7680	2,3324
Prior Five Workdays:		
28 December 2012	1,7690	2,3434
27 December 2012	1,7730	2,3471
26 December 2012	1,7750	2,3407
25 December 2012	1,7850	2,3533
24 December 2012	1,7830	2,3512

Simple arithmetic thirty-day averages of the USD and EURO buying rates of the Parent Bank before the reporting date are TL 1,7735 and 2,3257; respectively.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****V. Explanations related to consolidated currency risk (continued)****Information on the Group's foreign currency risk: foreign currencies**

	Euro	USD	Other FC	Total
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased, Precious Metals) and Balances with the Central Bank of Turkey	43.151	64.050	-	107.201
Banks	27.984	34.350	480	62.814
Financial Assets at Fair Value Through Profit and Loss (*)	5.815	10.664	-	16.479
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	33.697	440.952	-	474.649
Loans (**)	2.908.148	3.663.902	-	6.572.050
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 (***)	9.108	13.038	3	22.149
Total Assets	3.027.903	4.226.956	483	7.255.342
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Money Market Borrowings	21.668	215.634	8	237.310
Funds Provided From Other Financial Institutions	3.326.483	3.649.428	-	6.975.911
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	1.441	34.132	24	35.597
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (****)	7.991	17.757	1	25.749
Total Liabilities	3.357.583	3.916.951	33	7.274.567
Net Balance Sheet Position	(329.680)	310.005	450	(19.225)
Net Off-Balance Sheet Position	242.119	(261.867)	893	(18.855)
Financial Derivative Assets	416.985	130.153	893	548.031
Financial Derivative Liabilities	(174.866)	(392.020)	-	(566.886)
Non-Cash Loans (*****)	110.311	811.491	-	921.802
Prior Period				
Total Assets	2.912.023	4.409.835	2.553	7.324.411
Total Liabilities	3.226.280	3.863.055	1.006	7.090.341
Net Balance Sheet Position	(314.257)	546.780	1.547	234.070
Net Off –Balance Sheet Position	225.591	(559.302)	(321)	(334.032)
Financial Derivative Assets	747.673	327.183	2.954	1.077.810
Financial Derivative Liabilities	(522.082)	(886.485)	(3.275)	(1.411.842)
Non-Cash Loans (*****)	255.130	715.394	-	970.524

(*)Exchange rate differences arising from derivative transactions amounting to TL 1.354 is deducted from "Financial Assets at Fair Value Through Profit and Loss".

(**)Loans extended include TL 1.454.813 foreign currency indexed loans.

(***)Prepaid expenses amounting to TL 3.555 have not been included in "Other Assets".

(****) Marketable securities valuation increase fund amounting to TL 69.385 and exchange rate differences arising from derivative transactions amounting to TL 1.519 have not been included in "Other Liabilities". Borrower funds amounting TL 7.836 based on foreign currencies have been included in "Other Liabilities".

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

V. Explanations related to consolidated currency risk (continued)

The Group is mostly exposed to Euro, US Dollars, other foreign currencies.

The following tables detail the Group's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	Increase in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity(**)	
		Current Period	Prior Period	Current Period	Prior Period
USD	10	1.022	(3.250)	3.792	1.998
Euro	10	(8.857)	(8.869)	101	3
Other	10	134	123	-	-

	Increase in Currency Rate	Effect on Profit / Loss (*)		Effect on Equity(**)	
		Current Period	Prior Period	%	Current Period
USD	10	(1.022)	3.250	(3.792)	(1.998)
Euro	10	8.857	8.869	(101)	(3)
Other	10	(134)	(123)	-	-

(*) Values expressed are before the tax effect.

(**)Effect on equity does not include effect on profit/loss.

Forward foreign exchange contracts

The Group does not have forward foreign exchange contracts to hedge the risk exposure from payments and collections in any foreign exchange.

VI.Explanations related to 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.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****VI. Explanations related to 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
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-	-	132.666	132.666
Banks	22.054	333.221	43.804	-	-	40.996	440.075
Financial Assets at Fair Value Through Profit and Loss	6.182	11.103	9.022	5.686	5.739	3.437	41.169
Money Market Placements	199	-	-	-	-	-	199
Available-for-Sale Financial Assets	979.951	726.647	483.844	377.504	275.789	38.527	2.882.262
Loans	1.098.707	2.467.258	2.819.258	357.741	40.472	30.783	6.814.219
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (**)	8.282	7.585	793	37	-	530.031	546.728
Total Assets	2.115.375	3.545.814	3.356.721	740.968	322.000	776.440	10.857.318
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Money Market Borrowings	1.499.687	2.164	777	-	-	-	1.502.628
Miscellaneous Payables	-	-	-	-	-	112.830	112.830
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	2.435.160	2.792.656	1.564.704	84.866	241.344	-	7.118.730
Other Liabilities (***)	10.875	380	1.989	7.941	9.563	2.092.382	2.123.130
Total Liabilities	3.945.722	2.795.200	1.567.470	92.807	250.907	2.205.212	10.857.318
Balance Sheet Long Position	-	750.614	1.789.251	648.161	71.093	-	3.259.119
Balance Sheet Short Position	(1.830.347)	-	-	-	-	(1.428.772)	(3.259.119)
Off-Balance Sheet Long Position	73.921	56.549	-	9.960	-	-	140.430
Off-Balance Sheet Short Position	-	-	(82.257)	-	(52.096)	-	(134.353)
Total Position	(1.756.426)	807.163	1.706.994	658.121	18.997	(1.428.772)	6.077

(*) 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 9.432 are presented in "Other Assets" on the basis of related maturities.

(***) Borrower funds amounting to TL 9.745 are presented in "Other Liabilities" within 1-month maturity column.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations related to consolidated interest rate risk (continued)

Average interest rates applied to monetary financial instruments: %

	Euro	USD	Yen	TL
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	3,52	-	-	7,75
Financial Assets at Fair Value Through Profit and Loss	-	7,00	-	8,79
Money Market Placements	-	-	-	4,75
Available-for-Sale Financial Assets	5,36	6,49	-	9,04
Loans	3,75	4,25	-	10,32
Held-to-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Money Market Borrowings	0,76	1,02	-	5,62
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds	1,00	1,00	-	6,50
Funds Provided From Other Financial Institutions	1,18	1,19	-	6,62

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SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****VI. Explanations related to 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
Assets							
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
Total Assets	2.534.711	3.109.166	2.518.062	848.915	357.091	765.689	10.133.634
Liabilities							
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
Total Liabilities	3.740.696	2.923.217	1.407.488	42.980	234.290	1.784.963	10.133.634
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)
Total Position	(1.329.082)	(37.530)	1.500.340	647.875	240.402	(1.019.274)	2.731

(*) 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 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.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations related to consolidated interest rate risk (continued)

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

	Euro	USD	Yen	TL
Current Period				
Assets				
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
Liabilities				
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

The interest rate risk of the banking book items

Interest rate risk caused by banking book accounts includes, Receivables from Central Bank, Receivables from Money Markets, Receivable from Banks, Available for Sale Financial Assets, Receivables from Reverse Repurchase Agreement, Receivables from Loans, Held to Maturity Investments and Other Receivables, which are monitored in banking book, in assets and includes Payables to Central Bank in banking accounts, Payables to Money Markets, Payables to Banks, Funds Provided from Repurchase Agreement, Securities Issued by the Bank, Payables to Loans, Subordinated Debts and Other Debts which are monitored in banking book accounts in liabilities. All derivative instruments are recorded in trading book accounts. FR400AS, in mandatory reports list of BRSA, is prepared and reported each month.

In accordance with the communiqué on "Standard Shock Measurement and Evaluation Method of the Interest Rate Risk in Banking Accounts", economic valuation differences of the Parent Bank arising from fluctuations on interest rates, in different currencies are presented in the table below.

Currency	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss/ Shareholders' Equity
TL	+500 / (400) basis point	(44.237) / 39.488	(2,4%) / 2,2%
Euro	+200 / (200) basis point	7.213 / (10.657)	0,4% / (0,6%)
US Dollar	+200 / (200) basis point	(55.064) / 44.673	(3,0%) / 2,5%
Total (for Negative Shocks)		73.504	4,0%
Total (for Positive Shocks)		(92.088)	(5,1%)

Interest rate sensitivity

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 ratios 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.

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SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****VI. Explanations related to consolidated interest rate risk (continued)*****Interest rate sensitivity (continued)***

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 upper management, Board of Directors and Audit Committee are informed of these risks.

The Group's interest rate sensitivity is calculated according to the market risk related to assets and liabilities. In this context, at the reporting date, if interest rates had been 1 bp higher for TL and foreign currency and all other variables were held constant, the net decrease on the profit and shareholders' equity would have been TL 1.447 and if interest rates had been 1 bp lower for TL and foreign currencies, the net increase on the profit and shareholders' equity change would have been TL (549).

The Group's available for sale portfolio in the current period increased approximately 17% relatively to prior period and the market value increased approximately 24% . In addition to this, foreign exchange assets in the Parent Bank's portfolio are approximately 16% of the portfolio in the current period while this ratio was 25% in the prior period in terms of fair value.

VII. Explanations related to consolidated stock position risk

The Group is exposed to equity shares risk arising from investments on firms traded in Istanbul Stock Exchange. Share certificate investments are almost used for trading purpose. However, these investments are not actively bought/sold by the Group. The Group classified its share certificate investments both as available for sale and as trading securities and net profit/loss of the Group is not affected unless the Group sell share certificates in portfolio of available for sale.

Equity shares are recognized according to "IAS 39- Financial Instruments: Recognition and Measurement". Trading securities in an active market (in exchange market) are reflected to financial statements with fair value taking into account of quoted securities on exchange market. Non-trading securities in an active market (in exchange market) are followed up according to the acquisition cost and recorded by considering impairment.

Equity shares risk due from banking book

Below is the comparison table of the Group's share certificate instruments' book value, fair value and market value.

Share Certificate Investments	Comparison		
	Book Value	Fair Value	Market Value
Investment in Shares-Grade A	16.772	-	16.772
Quoted	16.772	-	16.772

On the basis of the following table, private equity investments in sufficiently diversified portfolios, type and amount of other risks, cumulative realized gains and losses arising from selling and liquidation in the current period, total unrealized gains and losses, total revaluation increases of trading positions on stock market and their amount that included to core capital and supplementary capital are shown.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VII. Explanations related to consolidated stock position risk (continued)

Equity shares risk due from banking book (continued)

Portfolio	Realized Revenues and Losses in Period	Revaluation Value Increases		Unrealized Gains and Losses		
		Total	Included in Supplementary Capital	Total	Included in Core Capital	Included in Supplementary Capital
Private Equity Investments	-	-	-	-	-	-
Share Certificates Quoted on a Stock Exchange	(1.291)	-	-	2.592	-	1.166
Other Share Certificates	-	-	-	-	-	-
Total	(1.291)	-	-	2.592	-	1.166

VIII. 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.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Parent Bank. For the purposes of monitoring and assessing the liquidity position of the Parent Bank's assets and liabilities, the liquidity rate is weekly calculated. The ratio during the year 2011 and 2012 are as follows:

First Maturity Segment (Weekly)			Second Maturity Segment (Monthly)	
Current Period	FC	FC + TL	FC	FC + TL
Average (%)	120,33	165,47	117,90	154,16
Prior Period	FC	FC + TL	FC	FC + TL
Average (%)	146,75	168,10	137,27	157,67

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SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****VIII. Explanations related to the consolidated liquidity risk (continued)****Presentation of assets and liabilities according to their remaining maturities**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Checks Purchased) and Balances with the Central Bank of Turkey	28.048	73.678	-	30.940	-	-	-	132.666
Banks	40.996	165.153	233.926	-	-	-	-	440.075
Financial Assets at Fair Value Through Profit and Loss	3.437	1.133	7.635	4.723	15.073	9.168	-	41.169
Money Market Placements	-	199	-	-	-	-	-	199
Financial Assets Available-for-Sale	-	160.235	59.543	317.591	1.519.959	786.407	38.527	2.882.262
Loans	30.783	171.950	274.897	1.204.685	3.833.987	1.297.917	-	6.814.219
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets (**)	-	7.282	2.221	3.591	3.603	-	530.031	546.728
Total Assets	103.264	579.630	578.222	1.561.530	5.372.622	2.093.492	568.558	10.857.318
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	259.161	113.773	543.754	2.587.578	3.614.464	-	7.118.730
Money Market Borrowings	-	1.499.687	2.164	777	-	-	-	1.502.628
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	12.097	-	5.500	-	-	-	95.233	112.830
Other Liabilities (***)	-	10.875	380	1.989	7.941	9.563	2.092.382	2.123.130
Total Liabilities	12.097	1.769.723	121.817	546.520	2.595.519	3.624.027	2.187.615	10.857.318
Liquidity Gap	91.167	(1.190.093)	456.405	1.015.010	2.777.103	(1.530.535)	(1.619.057)	-
Prior Period								
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
Liquidity Gap	78.127	(874.269)	208.751	584.776	2.661.931	(1.448.713)	(1.210.603)	-

(*) 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 9.432 are presented in "Other Assets" on the basis of related maturities.

(***) Borrower funds amounting to TL 9.745 are presented in "Other Liabilities" within 1-month maturity column.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VIII. Explanations related to the consolidated liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

In compliance with the Turkish Financial Reporting Standard No.7, the following table indicates the maturities of the Bank's major financial liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of capital outflows without discounting the financial liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	278.625	121.181	747.445	2.798.639	3.841.923	(669.083)	7.118.730
Money Market Borrowings	1.501.255	2.168	779	-	-	(1.574)	1.502.628
Funds	9.745	-	-	-	-	-	9.745
Total	1.789.625	123.349	748.224	2.798.639	3.841.923	(670.657)	8.631.103

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Funds Provided from Other Financial Institutions	283.801	131.635	620.640	2.731.497	3.585.072	(472.110)	6.880.535
Money Market Borrowings	1.363.554	7.192	1.060	-	-	(3.443)	1.368.363
Funds	7.894	-	-	-	-	-	7.894
Total	1.655.249	138.827	621.700	2.731.497	3.585.072	(475.553)	8.256.792

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	671.556	52.367	27.067	1.010.853	587.097	3.366	2.352.306
Forward Contracts	144.684	57.219	273.614	-	-	-	475.517
Futures Transactions	-	-	-	-	-	-	-
Options	61.286	27.678	30.726	31.199	-	-	150.889
Other	-	-	-	-	-	-	-
Total	877.526	137.264	331.407	1.042.052	587.097	3.366	2.978.712
Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Swap Contracts	730.420	123.785	96.597	867.689	484.799	(38.871)	2.264.419
Forward Contracts	345.062	244.870	534.851	110.064	-	-	1.234.847
Futures Transactions	-	-	-	-	-	-	-
Options	407.930	620.790	389.130	49.904	-	-	1.467.754
Other	1.939	-	-	-	-	-	1.939
Total	1.485.351	989.445	1.020.578	1.027.657	484.799	(38.871)	4.968.959

IX. Explanations related to consolidated securitization positions

None.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations related to consolidated credit risk mitigation techniques**

Offsetting is not used as a credit risk mitigation technique. In assessments within the scope of credit risk mitigation techniques, using methods in regard to valuation and management of collaterals are realized in parallel with communiqué relating to Credit Risk Mitigation Techniques. Financial collaterals are evaluated on a daily basis in the Parent Bank. Depending on the comprehensive financial collateral approach, risk mitigating effects of the collaterals are considered through the standard volatility adjustments. Value of the real estates subject to the collateral is determined at least once a year for commercial real estates and determined at least triennially for residential real estates. In the cases that significant changes in market conditions appear, the review is carried out at more frequent intervals. Within the communiqué, as a matter of credit risk mitigation techniques, only residences and commercial real estates (Warehouse, School, Hospital, Office and Store) which are not used for production purposes and can provide rental income are taken into consideration. In addition, land, field and orchard lands are also considered within same concept. Value of the real estates is assessed by the real estate appraisal companies, which are included in the list to provide valuation service by the CMB. Within the credit risk mitigation techniques, major collaterals that can be used by the Parent Bank are financial collaterals (Treasury Bills, Government Bonds, Cash, Deposit Pledges, Gold, Stock Pledges), guarantees and mortgages. As of 31 December 2012, while guarantees and mortgages are used as credit risk mitigation technique, credit derivatives are not used. As of 31 December 2012, risk amounts which credit risk mitigation techniques are used are shown below the table according to risk types.

Collaterals which are grouped according to risk types

Risk Types	Amount (*)	Financial Collaterals	Other / Physical Collaterals	Guarantees and credit derivatives
Contingent and Non-Contingent Claims on Sovereigns	3.433.261	830.423	-	-
Contingent and Non-Contingent Claims on Regional Governments and Local Authorities	3.000	-	-	-
Contingent and Non-Contingent Claims on Administrative Units and Non-commercial Enterprise	26.419	4.632	-	-
Contingent and Non-Contingent Claims on Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Claims on International Organizations	-	-	-	-
Contingent and Non-Contingent Claims on Banks and Capital Market Intermediary	2.599.335	166.497	-	-
Contingent and Non-Contingent Claims on Corporates	9.072.669	74.212	-	24.756
Contingent and Non-Contingent Claims Included in the Regulatory Retail Portfolios	236.926	79.675	-	-
Contingent and Non-Contingent Claims Secured by Real Estate Property	1.078	-	1.078	-
Past Due Loans	-	-	-	-
Higher-Risk Categories Defined by Agency	16	-	-	-
Securities Secured by Mortgage	-	-	-	-
Securitization Exposures	-	-	-	-
Short-Term Claims on Banks and Corporate	-	-	-	-
Undertakings for Collective Investments in Transferable Securities	205.611	104.934	-	-
Other Claims	342.485	-	-	-
Total	15.920.800	1.260.373	1.078	24.756

(*)Includes risk amounts before the effect of credit risk mitigation.

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations related to consolidated credit risk mitigation techniques (continued)*****Main guarantors and their credibility***

Main Guarantors (*)	Fitch Rating
Yapı ve Kredi Bankası A.Ş.	BBB
Denizbank A.Ş.	BBB-
T.Garanti Bankası A.Ş.	BBB
T.İş Bankası A.Ş.	BBB
Tekstil Bankası A.Ş.	B+
Türkiye Halk Bankası A.Ş.	BBB-
TC Ziraat Bankası A.Ş.	BBB-
Şekerbank T.A.Ş.	BB-

(*) Guarantors have risk mitigation effect on 31 December 2012 capital adequacy computation.

XI. Explanations related to consolidated risk management objective and policies

The purpose of the risk management system is to provide identifying, measuring, reporting, monitoring and controlling the risk exposure on both unconsolidated and consolidated basis, through the policies determined related to controlling the risk-return structure of future cash flows of the Parent Bank and observing, controlling, changing if needed, application procedures, limits and policies of Parent Bank and determine the objectives to be achieved through the internal capital adequacy assessment process. In this context, "TSKB Risk Management Policies" and "TSKB Capital Adequacy Policies" are prepared and has become effective following the approval of the Board of Directors.

The Board of Directors of the Parent Bank determine and regularly review the risk level that the Bank is willing to bear to achieve its objectives, considering the risk capacity of Parent Bank.

Risk management process organized within the framework of risk management regulations and served to create a common risk culture throughout the Parent Bank, is in a structure that these risks are described in line with the international regulations and are measuring, analyzing, following, monitoring and reporting within this framework. Within the framework of the mentioned structure, Parent Bank's Risk Management, continues to activities depending on the Audit Committee, which is established to help the audit and monitoring activities of the Board of Directors in accordance with Banking Law No: 5411 and "Regulation on Internal Systems of Banks" communiqué of Banking Regulation and Supervision Agency. Risk Management is responsible for preparing risk management strategies and policies followed by the Parent Bank, implementation, identification, measurement, monitoring, analysis, evaluation and reporting of risk management system activities.

Risk Management monitors the compliance of the risks in line with the Parent Bank's policies and standards and limits, and determines violations, analyzes the size of the risk by developing various scenarios, develops and integrates systems providing measuring, monitoring and reporting the risks.

Within the scope of "TSKB Risk Management Policies" the Parent Bank is mainly exposed to credit risk, market risk, operational risk, currency risk, interest rate risk and liquidity risk.

Credit risk management policy

Credit risk is the possibility of incurring losses due to the credit customer or the counterparty, with whom the Bank has made an agreement with, does not fulfil its obligations appropriately or is not able to meet these obligations.

At Parent Bank, the purpose of credit risk management is to maximize the risk adjusted return of the Bank by managing the risks that the Bank may expose in line with the right parameters in a proactive approach. Although the largest and most visible source for credit risk is the loans that the Bank grants, other banking services regarding the counterparty risk also bear credit risk. In this context, all of the banking activities are assessed within the scope of credit risk.

Credit risk is measured and managed considering the maturity structure of the credit, contractual provisions of the credit and financial conditions, the risk profile structure until the end of the maturity parallel with the possible market conditions, guarantees and collaterals, internal risk ratings and the possible changes in the process of risk exposure, the concentrations (a single company, associated group of companies, industry, country, etc.) and compliance with limits determined by the Board of Directors in order to prevent these concentrations. For measuring credit risk, Internal Rating-Based Model is used in order to monitor, control and provide early warning for credit risk of the Parent Bank.

Maximum effort is expended for the fact that the limits and policies of the external and internal agreements are not so far from the limits and policies of the Parent Bank. The articles in the agreements are compelling even if they are different from existing Bank policies.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****XI. Explanations related to consolidated risk management objective and policies (continued)*****Credit risk management policy (continued)***

In credit risk mitigation policies and procedures, it is considered whether the total amount of credit risk mitigation tool should be taken into account is appropriate or not, also it is controlled whether the protection provided by the credit risk mitigation instruments is in compliance with the capital adequacy level. Parent Bank's Risk Management actively involved in the measurement, analysis and monitoring process of credit risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with credit risk by the Parent Bank's Risk Management.

Market risk management policy and currency risk management policy

Market risk is the possibility of loss that the Parent Bank may face, in the trading book portfolio and in its on-and off-balance sheet positions arising from movements in market prices. Interest rates, foreign exchange rates, equity and commodity prices are the main market risk factors. The purpose of market risk management is to maximize the risk adjusted return of the Parent Bank by managing the risks that the Bank may expose in line with the right parameters in a proactive approach. Market risk is managed by using consistent risk measurement criteria such as fluctuation level of interest rate and/or price fluctuations and Value-at-Risk (VaR) Methods calculations, by establishing proper procedures for performing such controls and observing compliance with determined risk limits, by investigating sources of risk, learning risk and providing consistent information related with market risk to level of organizations within organization structure.

Interest rates, foreign exchange rates, equity and commodity prices are the main market risk factors and in order to control these risks vigorously and it is essential that money and capital market transactions should be "well-diversified" considering the level of risk created in terms of parameters such as maturity, currency, interest rate and other similar parameters. In addition, credit worthiness of issuers of financial instruments creating market risk is strongly taken into account. In the calculation of the market risk, the Parent Bank uses two basic approaches, BRSA Standard Method and Value at Risk (VaR) approach. The accuracy of the VaR model is sustained by applying the retrospective tests (back testing). The test mentioned is based on the comparison of calculated Value at Risk and actual losses. In addition stress tests are applied to determine the effects of the events whose probability of occurrence is low; however, loss level is high on Value at Risk. Currency risk management is measured and monitored by using the VaR model.

Parent Bank's Risk Management actively involved in measurement, analysis and monitoring process of market risk and currency risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with market risk by the Parent Bank's Risk Management.

Operational risk management policy

Operational risk is defined as the risk of loss due to the insufficiency of the processes, the people and the systems or defects or errors on them and external events, and compliance with laws and ethical standards are also included in this definition. These risks are managed by fulfilling special controls of the basic functional areas of the Parent Bank's operations, establishing mechanism distributing appropriate internal audit system and authorization required by this system within the Parent Bank and by applying detailed testing and control of the Parent Bank's all operating systems and by providing full harmony between internal and external systems and opportunity of independent data backup facility.

The Parent Bank applies the principles of separation of duties and distribution of functions in order to reduce the risk of deliberate actions, manipulations or errors. The minimum functions that have to be separated are identified as (i) starting the process (ii) authorisation and approving, (iii) recording the process (iv) confirming the process, (v) safe custody services, (vi) monitoring and auditing, (vii) developing IT systems and activities for daily operations. The transaction information has to be recorded to the system by using IT applications at once the transactions have been completed. Measurement of operational risks carried out by the implementation of Basel II "Basic Indicator Approach" methods. Parent Bank's Risk Management actively involved in the measurement, analysis and monitoring process of operational risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with operational risk by the Parent Bank's Risk Management.

Structural interest rate risk management policy

Structural interest rate risk is the risk of possible changes in interest rates affecting the capital of bank due to re-pricing period of interest bearing assets and liabilities banking books of the Bank and the differences at interest structuring. Structural interest rate risk is managed by providing consistent information related to structural interest rate risk to all the organization stages by using the risk measurement and criteria like the level of fluctuation in interest rates, interest shock and stress test calculations. Maturity mismatches concerning the repricing in predetermined buckets and currency mismatches of asset and liabilities are monitored and measured. Parent Bank manages the interest rate risk by being aware of that it threatens the income, capital, liquidity and reputation of the Bank and it comprises of repricing risk, yield curve risk, basis risk, spread risk and option risk. Parent Bank's Risk Management actively involved in the measurement, analysis and monitoring process of structural interest rate risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with interest rate risk by the Risk Management.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

XI. Explanations related to consolidated risk management objective and policies (continued)

Liquidity risk management policy

Liquidity risk is the risk of not meeting the balance sheet and off-balance sheet items on time. Liquidity risk is also the possibility of loss that the Bank may face, when there is not sufficient cash or cash inflow to meet the cash outflow in full and in time. There are two risks as funding liquidity risk in capital markets and purchase/ sales operations and market liquidity risk in which funding liquidity risk is the risk that investment and funding requirements cannot be met on time or at a reasonable cost due to the incompatibilities in cash flows.

The market liquidity risk is that no long position can be taken on time or at a reasonable cost due to the markets are not so deep, disruption and the bank cannot enter the markets easily.

It is essential to evaluate the diversification of opportunities on the basis of maturities with maximum extent in order to ensure the efficiency of liquidity management and maintain a sustainable situation. In liquidity risk management, a portfolio structure matched with the functions of generating profit from portfolio and market risk management and risk-return trade-off is constantly monitored without compromising of liquidity requirements.

Parent Bank's Risk Management actively involved in the measurement, analysis and monitoring process of liquidity risk and regular reporting is provided to the Board of Directors, Audit Committee, top management and other departments related with liquidity risk by the Risk Management.

XII. Explanations related to presentation of financial assets and liabilities at fair value

The table below shows the carrying and fair values of the financial assets and liabilities in the consolidated financial statements of the Group.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	10.146.187	9.273.785	10.201.695	9.326.490
Money Market Placements	199	109.365	199	109.365
Banks	440.075	425.226	440.075	425.226
Available-For-Sale Financial Assets	2.882.262	2.316.883	2.882.262	2.316.883
Held-To-Maturity Investments	-	126.955	-	132.610
Loans (*)	6.823.651	6.295.356	6.879.159	6.342.406
Financial Liabilities	7.231.560	7.029.195	7.231.560	7.029.195
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions	7.118.730	6.880.535	7.118.730	6.880.535
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	112.830	148.660	112.830	148.660

(*)Loans include financial lease receivables.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

- i- For the fair value calculation of loans, the prevailing interest rates as of the reporting date were used.
- ii- For the fair value calculation of the balances with banks, the prevailing interest rates as of the reporting date were used.
- iii- For the fair value calculation of held-to-maturity investments, quoted prices as of the reporting date were used.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market and, those where the valuation techniques involves the use of non observable inputs.

The table below analyses financial instruments carried at fair value, by valuation method.

- a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);
- c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****XII. Explanations related to presentation of financial assets and liabilities at fair value: (continued)**

Current Period	Level I	Level II	Level III
Financial Assets			
Financial Assets held for Trading	17.926	23.243	-
Financial Assets Available For Sale	2.200.145	660.362	21.755
Financial Liabilities			
Derivative Financial Liabilities Held For Trading	-	20.997	-

Prior Period	Level I	Level II	Level III
Financial Assets			
Financial Assets held for Trading	104.972	45.353	-
Financial Assets Available For Sale	1.353.548	947.351	21.756
Financial Liabilities			
Derivative Financial Liabilities Held For Trading	-	48.743	-

XIII. Explanations related to transactions made on behalf of others and fiduciary transactions

The Parent Bank performs trading transactions on behalf of its customers, and gives custody, administration and consultancy services. The Parent Bank does not deal with fiduciary transactions.

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	137	113	190	157
Balances with the Central Bank of Turkey	25.328	107.088	5.267	115.495
Other	-	-	-	-
Total	25.465	107.201	5.457	115.652

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposits	25.328	2.470	5.267	2.586
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Other (*)	-	104.618	-	112.909
Total	25.328	107.088	5.267	115.495

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

As per the Communiqué numbered 2005/1 "Reserve Deposits" of the CBT, banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

As per the "Communiqué on Amendments to be Made on Communiqué on Required Reserves" of Central Bank of Turkey, nr. 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at 31 December 2012 are presented in table below:

	Foreign Currency Liabilities Required Reserve Rates (%)	Turkish Lira Liabilities Required Reserve Rates (%)
Other liabilities up to 1 year maturity (including 1 year)	11	11
Other liabilities up to 3 years maturity (including 3 years)	9	8
Other liabilities longer than 3 years maturity	6	5

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the consolidated assets (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 7.973 (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 199 (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	1.792	1.188	6.507	7.458
Swap Transactions	4.351	15.479	5.094	8.354
Futures Transactions	-	-	-	-
Options	-	433	-	17.940
Other	-	-	-	-
Total	6.143	17.100	11.601	33.752

3. Information on banks and foreign bank accounts

3.a Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	377.261	28.899	19.045	363.000
Foreign	-	33.915	-	43.181
Branches and head office abroad	-	-	-	-
Total	377.261	62.814	19.045	406.181

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****3. Information on banks and foreign bank accounts (continued)****3.b Information on banks and foreign bank accounts:**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	2.839	6.207	-	-
USA, Canada	30.950	35.208	-	-
OECD Countries (*)	126	1.652	-	-
Off-Shore Banking Regions	-	114	-	-
Other	-	-	-	-
Total	33.915	43.181	-	-

(*)OECD countries other than European Union countries, USA and Canada.

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	1.021.262	-	642.410	55.757
Treasury bills	-	-	-	-
Other public sector debt securities	-	293.720	-	144.927
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
Total	1.021.262	293.720	642.410	200.684

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 463.362 (31 December 2011: TL 523.961).

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar investment securities	463.362	-	444.429	79.532
Other	-	-	-	-
Total	463.362	-	444.429	79.532

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

Available for sale financial assets comprise government bonds 73,81%, Eurobonds 11,89%, and shares and other securities 14,30% (31 December 2011: government bonds 72,29%, Eurobonds 13,89% and shares and other securities 13,82%).

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 (continued)

4.c Information on financial assets available-for-sale:

	Current Period	Prior Period
Debt securities	2.846.275	2.304.272
Quoted on a stock exchange	2.396.908	1.791.047
Unquoted	449.367	513.225
Share certificates	47.418	38.639
Quoted on a stock exchange	16.872	8.093
Unquoted	30.546	30.546
Impairment provision(-)	(11.431)	(26.028)
Total	2.882.262	2.316.883

Net book value of unquoted available for sale share certificates is TL 21.755 (31 December 2011: TL 21.756).

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	107.017	117.413	57.506	117.413
Corporate shareholders	107.017	117.413	57.506	117.413
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	168	-	182	-
Total	107.185	117.413	57.688	117.413

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 (Total)	Amendments on Conditions of Contract		Loans and Other Receivables (Total)	Amendments on Conditions of Contract	
		Amendments Related to the Extension of the Payment Plan	Other		Amendments Related to the Extension of the Payment Plan	Other
Non-specialized loans	6.785.248	-	-	28.971	-	-
Corporation loans	1.765.771	-	-	11.418	-	-
Export loans	112.795	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	845.855	-	-	-	-	-
Consumer loans	168	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	4.060.659	-	-	17.553	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	6.785.248		-	28.971	-	

(*)The Parent Bank's finance lease receivables are TL 9.432 (31 December 2011: TL 28.400) and TL 995 (31 December 2011: TL 3.748) of the finance lease receivables are closely monitored.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

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

Number of amendments related to the extension of the payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended for 1 or 2 times	-	-
Extended for 3,4 or 5 times	-	-
Extended for more than 5 times	-	-

The time extended via the amendment on payment plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	-
6 Months - 12 Months	-	-
1-2 Years	-	-
2-5 Years	-	-
5 Years and Over	-	-

5.c Maturity analysis of cash loans:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables (Total)	Amendments on Conditions of Contract	Loans and Other Receivables (Total)	Amendments on Conditions of Contract
Short-term loans and other receivables	329.316	-	6.330	-
Non-specialized loans	329.316	-	6.330	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and Long-term loans	6.455.932	-	22.641	-
Non-specialized loans	6.455.932	-	22.641	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

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 consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Individual Credit Cards-FC	-	-	-
With Instalments	-	-	-
Without Instalments	-	-	-
Personnel Loans- TL	147	21	168
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	147	21	168
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)	-	-	-
Total	147	21	168

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

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.e 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.f Loans according to borrowers:

	Current Period	Prior Period
Public	-	-
Private	6.814.219	6.266.956
Total	6.814.219	6.266.956

5.g Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	6.789.024	6.245.491
Foreign Loans	25.195	21.465
Total	6.814.219	6.266.956

5.h Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	83.374	85.465
Indirect loans granted to subsidiaries and associates	-	-
Total	83.374	85.465

5.i Specific provisions provided against loans:

	Current Period	Prior Period
Loans and receivables with limited collectability	59	5.313
Loans and receivables with doubtful collectability	5.316	5.978
Uncollectible loans and receivables	10.249	16.407
Total	15.624	27.698

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

5.j Information on non-performing loans (net):**5.j.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
Current Period			
(Gross amounts before provisions)	-	5.315	4.420
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.315	4.420
Prior Period			
(Gross amounts before provisions)	-	5.977	4.576
Restructured loans and other receivables	-	-	-
Rescheduled loans and other receivables	-	5.977	4.576

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.j Information on non-performing loans (net) (continued):

5.j.2 Movement of 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
Prior Period End Balance	5.313	5.978	16.407
Additions (+)	59	1	553
Transfers from Other Categories of Non-performing Loans (+)	-	-	-
Transfers to Other Categories of Non-performing Loans (-)	-	-	-
Collections (-)(*)	(5.313)	(663)	(6.681)
Write-offs (-)	-	-	(30)
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	(30)
Current Period Ending Balance	59	5.316	10.249
Specific Provisions (-)	(59)	(5.316)	(10.249)
Net Balance on Balance Sheet	-	-	-

(*)Transfer to 2nd Group Receivables amounting to TL 4.443 is included in "Collections" line.

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

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period			
Period End Balance	56	5.314	82
Specific Provision (-)	(56)	(5.314)	(82)
Net Balance on Balance Sheet	-	-	-
Prior Period			
Period End Balance	3.306	5.977	5.426
Specific Provision (-)	(3.306)	(5.977)	(5.426)
Net Balance on Balance Sheet	-	-	-

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

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.j Information on non-performing loans (net) (continued):****5.j.4 Information regarding gross and net amounts of non-performing loans with respect to user groups:**

	III. Group	IV. Group	V. Group
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	59	5.316	9.836
Specific Provision Amount (-)	(59)	(5.316)	(9.836)
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	413
Specific Provision Amount (-)	-	-	(413)
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
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.k 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 Parent Bank management makes investigations on the financial data of the debtor companies. As a result of these investigations, if the Parent 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 Parent Bank management tries to make the collection through rescheduling the payment terms.

5.1 Explanations about the write-off policies from the assets:

If there is no collateral against uncollectible loans and receivables and if the receivable amount is less than the cost; tax, fee, and other expenses, made for the legal actions, the receivable is written off from the assets upon the request of the Credit Monitoring Department and the approval of the General Management.

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)

5.1 Explanations about the write-off policies from the assets (continued)

However, if there is a collateral against the receivable and after all the costs of legal actions are fulfilled, and if there is still a part of receivables not collected, the receivables are written off after getting of pledge shortage and evidence of insolvency subsequently.

5.m Other explanations and disclosures:

Current Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired loans	5.165.193	1.613.950	168	33.923	6.813.234
Past due not impaired loans	-	985	-	-	985
Individually impaired loans	7.288	6.900	-	1.436	15.624
Total	5.172.481	1.621.835	168	35.359	6.829.843
Less: allowance for individually impaired loans	(7.288)	(6.900)	-	(1.436)	(15.624)
Total allowance for impairment	(7.288)	(6.900)	-	(1.436)	(15.624)
Total Net	5.165.193	1.614.935	168	33.923	6.814.219
Prior Period	Corporate	SME	Consumer	Other	Total
Neither past due nor impaired loans	5.375.507	870.370	182	19.721	6.265.780
Past due not impaired loans	1.176	-	-	-	1.176
Individually impaired loans	13.014	13.236	-	1.448	27.698
Total	5.389.697	883.606	182	21.169	6.294.654
Less: allowance for individually impaired loans	(13.014)	(13.236)	-	(1.448)	(27.698)
Total allowance for impairment	(13.014)	(13.236)	-	(1.448)	(27.698)
Total Net	5.376.683	870.370	182	19.721	6.266.956

A reconciliation of the allowance for impairment losses and advances by classes is as follows:

	Corporate	SME	Consumer	Other	Total
At 1 January 2012	(13.014)	(13.236)	-	(1.448)	(27.698)
Charge for the year	(125)	(62)	-	(426)	(613)
Recoveries (*)	5.851	6.398	-	408	12.657
Amounts written off	-	-	-	30	30
Interest accrued on impaired loans and other receivables	-	-	-	-	-
At 31 December 2012	(7.288)	(6.900)	-	(1.436)	(15.624)
At 1 January 2011	(14.860)	(10.649)	-	(976)	(26.485)
Charge for the year	(754)	(6.802)	-	(647)	(8.203)
Recoveries	2.600	4.215	-	175	6.990
Amounts written off	-	-	-	-	-
Interest accrued on impaired loans and other receivables	-	-	-	-	-
At 31 December 2011	(13.014)	(13.236)	-	(1.448)	(27.698)

(*)Transfer to 2nd Group Receivables amounting to TL 4.443 is included in "Recoveries" line.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

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.m Other explanations and disclosures (continued):**

A breakdown of the allowance for impairment losses is given below;

Current Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(7.288)	(6.900)	-	(1.436)	(15.624)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	7.288	6.900	-	1.436	15.624

Prior Period	Corporate	SME	Consumer	Other	Total
Individual impairment	(13.014)	(13.236)	-	(1.448)	(27.698)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	13.014	13.236	-	1.448	27.698

Movements in the allowance for impairment losses and advances are as follows:

	Current Period	Prior Period
At 1 January	27.698	26.485
Charge for the year	613	8.203
Recoveries	(12.657)	(6.990)
Amounts written off	(30)	-
Interest accrued on impaired loans and other receivables	-	-
At 31 December	15.624	27.698
Individual impairment	(15.624)	(27.698)
Gross amount of loans, individually determined to be impaired (before deducting any individually assessed impairment allowance)	15.624	27.698

Aging analysis of past due but not impaired financial assets per class of financial statements:

Current Period	Less than 30 Days	31- 60 Days	61- 90 Days	Over 91 Days	Total
Loans and Receivables					
Corporate Loans	-	-	-	-	-
SME Loans	985	-	-	-	985
Consumer Loans	-	-	-	-	-
Other	-	-	-	-	-
Total	985	-	-	-	985

Prior Period	Less than 30 Days	31- 60 Days	61- 90 Days	Over 91 Days	Total
Loans and Receivables					
Corporate Loans	1.176	-	-	-	1.176
SME Loans	-	-	-	-	-
Consumer Loans	-	-	-	-	-
Other	1	-	-	-	1
Total	1.177	-	-	-	1.177

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.m Other explanations and disclosures (continued):

Of the total aggregate amount of gross past due but not yet impaired loans and other receivables, the fair value of collaterals, capped with the respective outstanding loan balance as of are shown below:

	Current Period	Prior Period
Residential, commercial and industrial property	985	-
Financial assets	-	1.163
Other (bailment, pledge and charge on ship and vehicle)	-	-
Total	985	1.163

Loans and other receivables amounting to 6.184.223 have floating interest rates (31 December 2011: TL 5.605.242) and the remaining TL 629.996 have fixed interest rates (31 December 2011: TL 661.714).

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 (-)	-	-
Total	-	126.955

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
Total	-	126.955

(*) The amount comprises redemption of held to maturity investments on 15 February 2012 (31 December 2011: TL 177.795 of the amount comprises of the Parent Bank's held to maturity investment that was redeemed on 11 May 2011 and on 3 August 2011).

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SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****7. Information on investments in associates (net):****7.a.1 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated associates and reason of unconsolidating:**

Unconsolidated non-financial associates are valued at cost.

7.a.2 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".

	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)	18.440	3.734	647	258	-	230	651	-
Ege Tarım (2)	11.215	10.799	8.894	182	-	(353)	83	-

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

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

Information on associates disposed in the current period

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

Information on associates purchased in the current period

The Parent Bank has obtained bonus shares of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. amounting to TL 15 with capital increase of TL 152.

In accordance with the General Assembly of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. dated 19 October 2012, Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. increased its capital to TL 11.152 by transferring TL 152 from its retained earnings to its capital. In the meeting of the General Assembly of Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. held on 22 November 2012; it has been resolved that, paid-in capital of the Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. will be increased from TL 11.152 to TL 13.552 paid in cash and the Parent Bank has made a capital commitment with the shares of 10% amounting to TL 240 and has paid the TL 120 TL and the remaining TL 120 will be paid by the Parent Bank on 31 March 2013.

7.a.3 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

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.3 Information on the consolidated 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
İş Factoring (1)	1.041.260	59.723	630	52.332	50	4.574	8.236	-
İş Finansal (2)	2.820.322	565.798	2.214	158.051	1.247	40.805	52.473	113.320
İş Girişim (3)	232.587	204.415	9.067	-	-	34.245	37.995	24.730

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

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

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

	Current Period	Prior Period
Balance at the Beginning of the Period	190.472	173.600
Movements During the Period	19.574	16.872
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	20.271	20.917
Sales	-	(986)
Revaluation Increase	(697)	-
Provision for Impairment	-	(3.059)
Balance at the End of the Period	210.046	190.472
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

Information on associates disposed in the current period

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

Information on associates purchased in the current period

In the current period, the Group has not purchased any associates. 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.

7.a.4 Sectoral information of consolidated associates and the related carrying amounts in the legal books:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	26.348	23.370
Leasing Companies	149.441	138.305
Financial Service Companies	-	-
Other Associates	34.257	28.797

7.a.5 Information on consolidated associates quoted on stock market:

	Current Period	Prior Period
Associates Quoted on Domestic Stock Markets	183.698	167.102
Associates Quoted on Foreign Stock Markets	-	-

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**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 equity component of subsidiaries:**

	YFMEND (*)	TSKGYO (*)
	Current Period	Current Period
CORE CAPITAL		
Paid-in Capital	61.000	150.000
Inflation Adjustment to Share Capital	775	-
Share Premium	-	593
Legal Reserves	4.598	5.721
Current and Prior Years' Profit / Loss	827	79.513
Leasehold Improvements (-)	675	-
Intangible Assets (-)	394	3
Total Core Capital	66.131	235.824
SUPPLEMENTARY CAPITAL	80	-
CAPITAL	66.211	235.824
NET AVAILABLE CAPITAL	66.211	235.824

(*)The information is obtained from financial statements subject to consolidation as of 31December 2012.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry. Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items. Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves. Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the third clause of first and second paragraph of 466 and 467 articles of Turkish Commercial Code.

There is no internal capital adequacy assessment approach for the subsidiaries.

8.a.2 As per Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards unconsolidated subsidiaries and reason of unconsolidating and needed capital if they are subject to capital requirement:

TSKB Gayrimenkul Değerleme A.Ş., TSKB Gayrimenkul Danışmanlık A.Ş. are valued at cost and are not consolidated since they are not financial subsidiaries. Unconsolidated subsidiaries of the Parent Bank are not subject to capital requirement.

8.a.3 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 /Türkiye	99,99	99,99
2	TSKB Gayrimenkul Danışmanlık A.Ş.(TGD A.Ş.)	Istanbul /Türkiye	46,58	100,00
3	Sürdürülebilir Danışmanlık A.Ş.	Istanbul /Türkiye	-	96,00

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

8.a.3 Information related to unconsolidated subsidiaries (consolidated):

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
TSKB GMD (1)	9.281	7.119	1.362	-	-	2.568	1.739	-
TGD A.Ş. (2)	574	517	34	-	-	(215)	32	-
SD A.Ş. (3)	322	309	18	25	-	33	(37)	-

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

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

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

Subsidiaries disposed in the current period

In the Board of Directors meeting of TSKB Gayrimenkul Danışmanlık A.Ş., one of the subsidiary of the Parent Bank, held on 14 September 2012, it was decided to merge with TSKB Danışmanlık Hizmetleri A.Ş., also one of the subsidiary of the Parent Bank, by using the financial statements dated 31 August 2012.

Subsidiaries purchased in the current period

In the current period, the Parent Bank has not purchased any subsidiaries.

8.a.4 Information related to consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
1	Yatırım Finansman Menkul Değerler A.Ş.(YFMEN.DEĞ.)	Istanbul /Turkey	95,78	98,51
2	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (TSKB GYO)	Istanbul/Turkey	59,00	66,84

	Total Assets	Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
YF MEN.DEĞ. (1)	452.148	66.231	1.896	24.811	1.038	2.725	5.919	-
TSKB GYO (2)	364.374	235.144	328.125	1.589	-	17.048	(2.838)	68.145

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

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

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****8. Information related to subsidiaries (net) (continued)****8.a.4 Information related to consolidated subsidiaries (continued):**

	Current Period	Prior Period
Balance at the Beginning of the Period	195.434	187.772
Movements During the Period	636	7.662
Purchases	-	-
Bonus Shares Obtained	7.184	7.662
Current Year Shares of Profit	-	-
Sales (*)	(6.548)	-
Revaluation Increase	-	-
Provision for Impairment	-	-
Balance At the End of the Period	196.070	195.434
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(*) As of 31 December 2012, TSKB Yatırım Ortaklığı A.Ş. is excluded from subsidiaries due to merger with İş Yatırım Ortaklığı A.Ş.. Cost of TSKB Yatırım Ortaklığı A.Ş. is presented in "Sales" line.

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

Subsidiaries disposed in the current period

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 İstanbul 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 related with merger. 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%. Accordingly, 0,08923 kuruş shares of İş Yatırım Ortaklığı A.Ş. has given for every 0,01 kuruş nominal share of TSKB Yatırım Ortaklığı A.Ş.. After merger, the paid in capital of İş Yatırım Ortaklığı A.Ş. has been raised to 16.059.928.400 share, amounting to TL 160.599 and share of the Bank has become 7,25%. 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 20th clauses and within Communiqué on Principles Regarding Mergers, Serial: 1, No:31 of Capital Market Board ("CMB"). "The merger agreement" has been registered by İstanbul Trade Registry Office on 16 July 2012 and has been published in the Trade Registry Gazette numbered 8116, dated 20 July 2012. In the Board of Directors meeting held on 26 December 2012, General Management was authorized for sale of Parent Bank's İş Yatırım Ortaklığı A.Ş. Group A shares with a rate of 1,43% and with a number of 2.297.411 of İş Yatırım Ortaklığı A.Ş.'s capital amounting to TL 160.599 to İş Yatırım Menkul Değerler A.Ş. in accordance with pricing principles of IMKB Wholesale Market Foundation and Operation Fundamentals Circular. Sales transaction occurred on 11 February 2013.

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****8. Information related to subsidiaries (net) (continued)****8.a.4 Information related to consolidated subsidiaries (continued):*****Subsidiaries disposed in the current period (continued)***

TSKB Yatırım Ortaklığı Anonim Şirketi, merged with İş Yatırım Ortaklığı Anonim Şirketi by the dissolution of its legal personality and stock exchange transaction together with all of its assets, receivables, liabilities and obligations realized on 13 August 2012. In the Stock Exchange Board of Directors meeting held on 16 August 2012, due to dissolution of TSKB Yatırım Ortaklığı A.Ş. by the way of merger with İş Yatırım Ortaklığı Anonim Şirketi, TL 29.067,736 par value stocks of TSKB Yatırım Ortaklığı A.Ş. in stock exchange quote have expelled perpetually from quotation and stock market in accordance with (f) sub clause of article no.24 of Istanbul Stock Exchange Listing Regulations.

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.

8.a.5 Sectoral information on consolidated subsidiaries and the related carrying amounts in the legal books:

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financial Service Companies	-	-
Other Subsidiaries	196.070	195.434

8.a.6 Subsidiaries quoted on stock exchange:

As of 31 December 2012, the fair value of the Group's subsidiaries quoted on the stock exchange is TL 74.123 (31 December 2011: TL 57.749).

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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 TSKB GYO. 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 Otel Project (1)	10.548	(71)	9.025	-	-	(23)	(68)	-

Represents un-audited 31 December 2012 financial statements. Prior year profit/loss is obtained from un-audited 31 December 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	6.073	5.829	726	711
Between 1- 4 years	3.685	3.603	28.851	27.689
More than 4 years	-	-	-	-
Total	9.758	9.432	29.577	28.400

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

	Current Period	Prior Period
Gross investments in finance leases	9.758	29.577
Unearned revenue from finance leases (-)	(326)	(1.177)
Cancelled finance leases (-)	-	-
Net investments in finance leases	9.432	28.400

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.

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).

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Information on tangible assets (net)

Current Period	Prior Period End	Additions	Disposals	Transfers	Current Period End
Cost					
Land and buildings (*)	39.433	551	(125)	-	39.859
Assets Held under Finance Leases	5.206	16	(101)	-	5.121
Vehicles	1.313	119	(138)	-	1.294
Assets for Resale	1.440	195	(255)	-	1.380
Other	18.028	1.602	(154)	-	19.476
Total Cost	65.420	2.483	(773)	-	67.130
Accumulated Depreciation					
Land and buildings (*)	(19.914)	(864)	-	-	(20.778)
Assets Held under Finance Leases	(4.798)	(219)	101	-	(4.916)
Vehicles	(784)	(217)	102	-	(899)
Assets for Resale	(5)	(9)	-	-	(14)
Other	(15.258)	(1.186)	154	-	(16.290)
Total Accumulated Depreciation	(40.759)	(2.495)	357	-	(42.897)
Impairment Provision					
Land and buildings (*)	-	-	-	-	-
Assets Held under Finance Leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets for Resale	(437)	(20)	10	-	(447)
Other	-	-	-	-	-
Total Impairment Provision	(437)	(20)	10	-	(447)
Net Book Value	24.224	(32)	(406)	-	23.786

(*) Land and buildings also include lands and buildings held under finance leases.

Prior Period	Prior Period End	Additions	Disposals	Transfers	Current Period End
Cost					
Land and buildings (*)	34.504	432	-	4.497	39.433
Assets Held under Finance Leases	5.003	-	-	203	5.206
Vehicles	1.369	-	(89)	33	1.313
Assets for Resale	17.222	363	(16.145)	-	1.440
Other	19.048	994	-	(2.014)	18.028
Total Cost	77.146	1.789	(16.234)	2.719	65.420
Accumulated Depreciation					
Land and buildings (*)	(24.014)	(814)	-	4.914	(19.914)
Assets Held under Finance Leases	(3.673)	(342)	-	(783)	(4.798)
Vehicles	(624)	(223)	85	(22)	(784)
Assets for Resale	(6.155)	(588)	6.738	-	(5)
Other	(14.225)	(1.033)	-	-	(15.258)
Total Accumulated Depreciation	(48.691)	(3.000)	6.823	4.109	(40.759)
Impairment Provision					
Land and buildings (*)	-	-	-	-	-
Assets Held under Finance Leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Assets for Resale	(3.556)	(50)	3.169	-	(437)
Other	-	-	-	-	-
Total Impairment Provision	(3.556)	(50)	3.169	-	(437)
Net Book Value	24.899	(1.261)	(6.242)	6.828	24.224

(*) Land and buildings also include lands and buildings held under finance leases.

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****12. Information on tangible assets (net) (continued)****12.a If impairment amount on individual asset recorded or reversed in the current period is material for the overall financial statements:****12.a.1 Events and conditions for recording or reversing impairment:**

The Parent Bank recorded 5% impairment provision per year for asset held for sale and tangible assets that are not depreciated.

12.a.2 Amount of recorded or reversed impairment in the financial statements:

The impairment amount recorded as at the reporting date is TL 20 and impairment reversed is TL 10 (31 December 2011: impairment recorded is TL 50, impairment reversed is TL 3.169).

12.b The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this:

There is no impairment provision on individual asset set or cancelled in the current period, other than impairment on properties referred to above. (31 December 2011: None)

13. Information on intangible assets**13.a Useful lives and amortization rates used:**

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.

Rental or administrative purposes or other unspecified purposes of assets that under construction will be amortised when they are ready to use.

13.b Amortization methods used:

The intangible assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

13.c Cost and accumulated amortization at the beginning and end of the period:

Current Period	Period Beginning		Period End	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	3.949	(3.084)	4.457	(3.442)
Goodwill	1.005	-	1.005	-

Prior Period	Prior Period Beginning		Prior Period End	
	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Software	3.546	(2.692)	3.949	(3.084)
Goodwill	1.005	-	1.005	-

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

13. Information on intangible assets (continued)

13.d Movement of cost and accumulated amortization for the period:

Current Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	3.949	508	-	4.457
Goodwill	1.005	-	-	1.005
Total Cost	4.954	508	-	5.462
Accumulated Amortization				
Software	(3.084)	(358)	-	(3.442)
Goodwill	-	-	-	-
Total Accumulated Amortization	(3.084)	(358)	-	(3.442)
Impairment Provision	-	-	-	-
Software	-	-	-	-
Total Impairment Provision	-	-	-	-
Net Book Value	1.870	150	-	2.020

Prior Period	Closing Balance of Prior Period	Current Year Additions	Current Year Disposals	Closing Balance of Current Period
Cost				
Software	3.546	403	-	3.949
Goodwill	1.005	-	-	1.005
Total Cost	4.551	403	-	4.954
Accumulated Amortization				
Software	(2.692)	(392)	-	(3.084)
Goodwill	-	-	-	-
Total Accumulated Amortization	(2.692)	(392)	-	(3.084)
Impairment Provision	-	-	-	-
Software	-	-	-	-
Total Impairment Provision	-	-	-	-
Net Book Value	1.859	11	-	1.870

13.e The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements:

As of the reporting date, the Group has no individual intangible asset which is material to the financial statements as a whole (31 December 2011: None).

13.f Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition:

As of the reporting date, the Group has no intangible assets acquired through government grants (31 December 2011: None).

13.g The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition:

As of the reporting date, the Group has no intangible assets acquired with government incentives (31 December 2011: None).

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****13. Information on intangible assets (continued)****13.h The book value of intangible assets that are pledged or restricted for use:**

As of the reporting date, the Group has no intangible assets with restricted use or pledged (31 December 2011: None).

13.i Amount of purchase commitments for intangible assets:

As of the reporting date, the Group has no purchase commitments for intangible assets (31 December 2011: None).

13.j Information on revalued intangible assets according to their types:

The Group did not revalue its intangible assets as at the reporting date (31 December 2011: None).

13.k Amount of total research and development expenses recorded in income statement within the period, if any:

The Group has no research and development costs expensed in the current period (31 December 2011: None).

13.l Information on goodwill:

Goodwill on Consolidation	Share Rate %	Carrying Amount
Yatırım Finansman Menkul Değerler A.Ş.	95,78	1.005

13.m The carrying value of goodwill at beginning and end of the period, and movements within the period:

	Current Period	Prior Period
Net Value at the Beginning of the Period	1.005	1.005
Changes in the Period:	-	-
Additional Goodwill	-	-
Restatements Arising from Changes in Assets and Liabilities	-	-
Goodwill Written off due to Discontinued Operations or Partial/Full Derecognizing of an Asset (-)	-	-
Impairment Loss (-)	-	-
Reversal of Impairment loss (-)	-	-
Changes in Carrying Value	-	-
Net Value at the End of Period	1.005	1.005

13.n The carrying value of negative goodwill at beginning and end of the period, and movements within the period:

As of the reporting date, the Group has no negative goodwill in the accompanying financial statements (31 December 2011: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

14. Information on investment properties

In the current period, the Parent Bank has 3 investment properties with a net book value of TL 240.370 belonging to the Parent Bank's subsidiary operating in the real-estate investment trust sector. The fair values of the investment properties are determined as TL 18.650, TL 10.100 and TL 211.620 based on an independent appraisal reports by a CMB registered real-estate appraiser company issued on 31 December 2012, respectively. As of 31 December 2012, TL 3.228 of fair value (31 December 2011: TL 9.218) difference is recognized under other operating income in the accompanying financial statements.

Investment Properties Movement table as of 31 December 2012 and 31 December 2011 is as below:

Current Period	Closing Balance of Prior Period	Transfer from Tangible Assets	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	7.360	-	-	-	2.740	10.100
Pendorya AVM	203.845	-	6.433	(107)	1.449	211.620
Adana Land Project	15.600	-	4.697	(686)	(961)	18.650
Total	226.805	-	11.130	(793)	3.228	240.370

Prior Period	Closing Balance of Prior Period	Transfer from Tangible Assets	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	6.265	-	-	-	1.095	7.360
Pendorya AVM	195.290	-	1.027	(3)	7.531	203.845
Adana Land Project	11.726	-	3.568	(286)	592	15.600
Total	213.281	-	4.595	(289)	9.218	226.805

15. Information on deferred tax assets

15.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.

Deferred tax asset:	Current period	Prior period
Loan commissions accrual adjustment	11.496	12.090
Other provisions	10.775	8.174
Marketable securities	119	1.131
Employee benefit provision	1.778	1.172
Other	617	1.642
Total Deferred Tax Asset	24.785	24.209
Deferred tax liabilities:		
Marketable securities	(14.703)	(4.902)
Borrowings commissions accrual adjustment	(2.395)	(1.832)
Derivative instrument accruals	(2.004)	(1.076)
Useful life difference of fixed assets	(40)	(735)
Total Deferred Tax Liability	(19.142)	(8.545)
Net Deferred Tax Asset	5.643	15.664

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and disclosures related to the consolidated assets (continued)****15.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:**

There is 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).

15.c Allowance for deferred tax and deferred tax assets from reversal of allowance:

There is no allowance for deferred tax and deferred tax assets from reversal of allowance (31 December 2011: None).

16. Information on assets held for sale:

In the current period, the Parent Bank has no assets held for sale (31 December 2011: None).

17. Information about other assets**17.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 do not exceed 10% of total assets, excluding off-balance sheet commitments (31 December 2011: None).

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. 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	1.565	1.164	6.119	6.451
Swap Transactions	-	17.901	351	17.882
Futures Transactions	-	-	-	-
Options	-	367	-	17.940
Other	-	-	-	-
Total	1.565	19.432	6.470	42.273

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on banks and other financial institutions

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	142.819	90.711	10.006	232.836
From Foreign Banks, Institutions and Funds	-	6.796.075	13.757	6.528.936
Total	142.819	6.886.786	23.763	6.761.772

3.b Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	142.819	270.665	23.763	533.785
Medium and long-term	-	6.616.121	-	6.227.987
Total	142.819	6.886.786	23.763	6.761.772

3.c Additional information about the concentrated areas of liabilities:

Under normal banking operations, the Parent Bank provided funds under repurchase agreements and funds borrowed. Fund resources of the Parent Bank particularly consist of foreign FC funds borrowed and FC and TL repurchase transactions. Information relating to funds provided under repurchase agreements is shown in the table below:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	1.016.533	50.613	769.607	61.654
Financial institutions and organizations	941.545	-	736.039	-
Other institutions and organizations	38.312	39.977	18.090	52.161
Real persons	36.676	10.636	15.478	9.493
From Foreign Transactions	794	167.239	185	116.308
Financial institutions and organizations	155	166.710	19	115.309
Other institutions and organizations	-	-	-	-
Real persons	639	529	166	999
Total	1.017.327	217.852	769.792	177.962

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).

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and disclosures related to the consolidated liabilities (continued)****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 modifications of agreements and new obligations bring forth:

There are no modifications in financial leasing contracts.

5.c Explanations on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	8	6	-	-
Between 1- 4 years	-	-	2	-
More than 4 years	-	-	-	-
Total	8	6	2	-

5.d Explanations regarding operational leases:

As of the reporting date, 1 head office of a Group Company and 14 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.e 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).

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

	Current Period	Prior Period
General Provisions	77.247	58.491
Provisions for First Group Loans and Receivables	67.544	51.699
- Additional provisions for the loans with extended payment plan	-	-
Provisions for Second Group Loans and Receivables	599	994
- Additional provisions for the loans with extended payment plan	-	-
Provisions for Non-Cash Loans	2.417	2.220
Other	6.687	3.578

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on provisions

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 8.426 (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 The specific provisions provided for unindemnified non cash loans:

The Group has no specific provisions provided for unindemnified non cash loans as of the reporting date (31 December 2011: TL 4).

7.d Information related to other provisions:

7.d.1 Provisions for possible losses:

There is no provision for possible losses (31 December 2011: None).

7.d.2 Information on employee termination benefits and unused vacation accrual:

The Group has calculated reserve for employee termination benefits by using actuarial valuations as set out in the Turkish Accounting Standard No:19 and reflected the calculated amount to the financial statements.

As of 31 December 2012, TL 11.295 (31 December 2011: TL 10.344) reserve for employee termination benefits was provided against a total undiscounted liability of TL 7.769 (31 December 2011: TL 4.752).

As of 31 December 2012, the Group provided a reserve of TL 1.217 (31 December 2011: TL 1.107) for the unused vacations. This balance is classified under reserve for employee benefits in the financial statements.

Movement employee termination benefits

	Current Period	Prior Period
As of 1 January	4.752	4.146
Payments during the period	(1.402)	(654)
Arising during the period	4.419	1.260
Total	7.769	4.752

Liabilities on pension rights

As explained on the Section Three, Accounting Policies, XVI. Explanations on Liabilities Regarding Employee Benefits as of 31 December 2012, the Group has no obligations on pension rights (31 December 2011: None).

Liabilities for pension funds established in accordance with Social Security Institution

None (31 December 2011: None).

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and disclosures related to the consolidated liabilities (continued)****7. Information on provisions (continued)**

Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees

The Parent Bank's present value of the liabilities, subject to the transfer to the Social Security Institution of the Pension Fund as of 31 December 2012 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated February 2013, there is no need for technical or actual deficit to book provision as of 31 December 2012. Accordingly, as of 31 December 2012 the Parent Bank has no requirements for the benefits transferable to the fund and for other benefits not transferable to the fund and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees in accordance to the law explained in Note 3.15, the accounting policies related with employee benefits.

7.d Information related to other provisions**7.d.3 If other provisions exceeds 10% of total provisions, the name and amount of sub-accounts:**

	Current Period	Prior Period
Provision for Possible Losses	-	-
Provision for Dividend Received from Subsidiaries	-	-
Other (*)	53.940	40.320
Total	53.940	40.320

(*) Other provision account includes TL 50.000 of provision for risks on credit portfolio (31 December 2011: TL 40.000).

8. Information on taxes payable**8.a Information on taxes payable:****8.a.1 Information on taxes payable:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Corporate Taxes and Deferred Taxes				
Corporate Taxes Payable (*)	29.690	-	13.583	-
Deferred Tax Liability	-	-	-	-
Total	29.690	-	13.583	-

(*) As of 31 December 2012, Corporate Tax Provision is TL 94.286 and netted off from Prepaid Tax of TL 64.596 (31 December 2011: Corporate Tax Provision is TL 49.201 and netted off from Prepaid Tax of TL 35.618).

8.a.2 Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	29.690	13.583
Taxation of Securities	1.079	1.276
Property Tax	-	-
Banking and Insurance Transaction Tax (BITT)	1.224	1.073
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	84	112
Other	873	1.391
Total	32.950	17.435

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on taxes payable (continued)

8.a Information on taxes payable (continued):

8.a.3 Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	86	80
Social Security Premiums-Employer	91	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	22	23
Unemployment Insurance-Employer	45	46
Other	13	-
Total	257	233

8.b Information on deferred taxes liabilities:

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

9. Information on liabilities regarding assets held for sale

None (31 December 2011: None).

10. 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 88.400 as of 31 December 2012). The interest accrued on this loan is TL 725 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 (0,60+3,25 spread) 3,85%. Principal of the loan will be repaid on 15 October 2016 as a whole.

Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	89.125	-	95.000
Total	-	89.125	-	95.000

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and disclosures related to the consolidated liabilities (continued)****11. Information on shareholders' equity****11.a Presentation of paid-in capital:**

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

11.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 approval of registered capital increase registered with Turkish Trade Registry Gazette No: 8042 on 5 April 2012.

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

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 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

In the meeting of the General Assembly held on 25 March 2011; it has been resolved that, paid-in capital of the Parent Bank will be increased from TL 700.000 to TL 800.000 by TL 100.000. In respect of the resolution of the General Assembly, TL 100.000 of this increase will be incorporated from the profit of the year 2010. The increase in paid-in capital was approved by the BRSA on 15 April 2010, has registered on 12 May 2011 and has been published in the Turkish Trade Registry Gazette No: 7824 on 27 May 2011.

11.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).

11.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 (31 December 2011: None).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on shareholders' equity (continued)

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

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

11.g Information on preferred shares:

The Parent Bank has no preferred shares (31 December 2011: None).

11.h Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control	2.450	-	2.680	-
Valuation Differences	61.919	69.385	(5.526)	20.006
Foreign Exchange Difference	-	-	-	-
Total	64.369	69.385	(2.846)	20.006

11.i Information on legal reserves:

	Current Period	Prior Period
First legal reserve	62.321	49.750
Second legal reserve	62.678	48.174
Other Legal Reserves Appropriated In Accordance with Special Legislation	53	51
Total	125.052	97.975

11.j Information on extraordinary reserves:

	Current Period	Prior Period
Reserves Appropriated by the General Assembly	7.544	152.167
Retained Earnings	2.920	2.920
Accumulated Losses	-	-
Foreign Currency Share Capital Exchange Differences	-	-
Total	10.464	155.087

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and disclosures related to the consolidated liabilities (continued)****11. Information on shareholders' equity (continued)****11.k Explanations related to equity:**

Movement of equity reserves during the period:

	Value Increase Funds of Marketable Securities from Available for Sale	Value Increase Funds of Marketable Securities from Subsidiaries and Associates	Revaluation value increase Subsidiaries and Associates	Others Equity Reserves	Total
As of 1 January	14.480	2.680	31.174	374	48.708
Value increase/decrease of available for sale investments recognized directly under equity	145.633	(230)		-	145.403
Profit/loss on disposal of available for sale investments recycled to income statement from equity	(756)	-		-	(756)
Tax effect of gains on available for sale investments	(28.053)	-		-	(28.053)
Other (*)	-	-	3.983	-	3.983
As of 31 December	131.304	2.450	35.157	374	169.285

(*) In the current period, according to the Turkish Corporate Tax Code 5-(I)/e, 75% of the gain on sale of the building amounting to TL 5.311 in the tax purpose financial statements amounting to TL 3.983 exempt from corporate income tax and for the five years following 2011, until the profit distribution process has completed, gains are agreed to be kept in a special fund account under equity and within the specified period, except the share capital, gains are not allowed to transfer into another account. The Parent Bank has transferred such gains to the "Tangible and Intangible Assets Revaluation Differences " accounts.

12. Information on minority shares:

	Current Period	Prior Period
Paid-in-Capital	54.343	68.461
Share Premium	205	228
Securities Value Increase Fund	15	-
Legal Reserves	109	897
Extraordinary Reserves	2.061	7.121
Other Profit Reserves	-	-
Retained Earnings / Accumulated Losses	19.399	22.227
Net Profit or Loss	8.141	(2.143)
Total	84.273	96.791

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. Explanations related to the consolidated off-balance sheet contingencies and commitments (continued)****1. Information on off-balance sheet liabilities****1.a Nature and amount of irrevocable loan commitments:**

Group has commitments for forward purchase and sales of assets amounting to TL 10.175 (31 December 2011: TL 150.324), commitments for stock brokerage purchase and sales amounting to TL 135.666 (31 December 2011: TL 23.463), commitments for letter of credit amounting to TL 338.675 (31 December 2011: 434.332).

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 572.564 (31 December 2011: TL 555.929).

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

As of the reporting date, total letters of guarantee is TL 635.768 (31 December 2011: TL 689.477).

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

	Current Period	Prior Period
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	1.212.557	1.268.979
Total	1.212.557	1.268.979

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. Explanations related to the consolidated off-balance sheet contingencies and commitments (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	-	-	-	-	-	-	-	-
Industry	160.031	55	668.187	72	151.208	51	948.748	97
Mining	-	-	-	-	-	-	-	-
Manufacturing Industry	4.393	1	286.673	31	4.391	1	272.765	28
Electricity, Gas, Water	155.638	54	381.514	41	146.817	50	675.983	69
Construction	4.285	2	4.665	1	4.785	2	4.882	1
Services	122.439	42	248.950	27	138.454	46	16.894	2
Wholesale and Retail Trade	-	-	182.048	20	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	-	-
Financial Institutions	121.959	42	66.434	7	138.131	46	16.400	2
Real Estate and Leasing Services	480	-	468	-	323	-	494	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	4.000	1	-	-	4.008	1	-	-
Total	290.755	100	921.802	100	298.455	100	970.524	100

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	290.755	921.802	298.455	970.524	-	-	-	-
Letters of Guarantee	286.530	349.238	278.215	411.262	-	-	-	-
Bank Acceptances	-	-	-	3.333	-	-	-	-
Letters of Credit	-	572.564	-	555.929	-	-	-	-
Endorsements	-	-	-	-	-	-	-	-
Purchase Guarantees on Issuance of Securities	-	-	-	-	-	-	-	-
Factoring Guarantees	-	-	-	-	-	-	-	-
Other	4.225	-	20.240	-	-	-	-	-

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. Explanations related to the consolidated off-balance sheet contingencies and commitments (continued)****2. Information related to derivative financial instruments**

	Current Period	Prior Period
Foreign currency related derivative transactions (I)	1.301.638	3.540.196
Forward transactions	475.517	1.234.847
Swap transactions	706.432	887.503
Futures transactions	-	-
Option transactions	119.689	1.417.846
Interest related derivative transactions (II)	1.677.074	1.426.824
Interest rate swap transactions	1.645.874	1.376.916
Interest option transactions	31.200	49.908
Futures interest transactions	-	-
Other trading derivative transactions (III)	-	1.939
A. Total trading derivative transactions (I+II+III)	2.978.712	4.968.959
Types of hedging transactions	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Net investment hedges	-	-
B. Total hedging related derivatives	-	-
Total Derivative Transactions (A+B)	2.978.712	4.968.959

As of 31 December 2012, the breakdown of the Group's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell
Current Period										
TL	55.432	55.189	37.968	14.070	15.734	15.734	-	-	-	-
US Dollar	63.778	63.756	547.368	826.694	40.631	20.069	-	-	-	-
Euro	118.678	118.684	593.050	332.263	18.865	39.856	-	-	-	-
Other	-	-	893	-	-	-	-	-	-	-
Total	237.888	237.629	1.179.279	1.173.027	75.230	75.659	-	-	-	-

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Futures Buy	Futures Sell	Other Buy	Other Sell
Prior Period										
TL	277.535	83.959	158.308	14.070	322.425	322.425	-	-	-	1.939
US Dollar	145.624	307.833	369.504	775.506	124.239	124.239	-	-	-	-
Euro	195.403	224.493	604.056	341.518	284.827	284.827	-	-	-	-
Other	-	-	568	889	2.386	2.386	-	-	-	-
Total	618.562	616.285	1.132.436	1.131.983	733.877	733.877	-	-	-	1.939

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. Explanations related to the consolidated off-balance sheet contingencies and commitments (continued)****2. Information related to derivative financial instruments (continued)**

Derivative Financial Liabilities Held For Trading	Current Period			Prior Period		
	Fair value assets	Fair value liabilities	Contractual Derivative Transactions TL Amount	Fair value assets	Fair value liabilities	Contractual Derivative Transactions TL Amount
Swap Transactions	4.518	(356)	706.432	5.362	(7.959)	887.503
Interest Rate Swap Transactions	15.312	(17.546)	1.645.874	8.086	(10.274)	1.376.916
Forward Transactions	2.980	(2.729)	475.517	13.965	(12.570)	1.234.847
Futures Transactions	-	-	-	-	-	-
Option Transactions	433	(366)	150.889	17.940	(17.940)	1.467.754
Other	-	-	-	-	-	1.939
Total	23.243	(20.997)	2.978.712	45.353	(48.743)	4.968.959

Fair value hedges

For the year ended 31 December 2012 the Group does not have any items to hedge financial risks (31 December 2011: None).

Hedging from the cash-flow risk

As of 31 December 2012 there is no cash-flow hedging transactions (31 December 2011: None).

3. Explanations on loan derivatives and risk exposures

The Group has no loan derivatives and risk exposures to this respect.

4. Explanations on contingent liabilities and assets

There are 29 legal cases against the Group which are amounting to TL 964 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. The request for the cancellation of the execution has been rejected on 16 January 2012.

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. As well as uncertainties about conclusion of lawsuits prevail as of report date, TSKB GYO management does not expect a conclusion that affects financial statements significantly.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations related to the consolidated off-balance sheet contingencies and commitments (continued)

5. Custodian and intermediary services

The Group provides trading and safe keeping services in the name and account of real persons, entities, funds, pension funds and other entities which are presented in the statement of contingencies and commitments.

IV. Explanations and disclosures related to the consolidated income statement

1. Information on interest income

1.a Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on Loans (*)				
Short Term Loans	12.779	9.749	15.123	4.619
Medium and Long Term Loans	75.746	233.951	75.033	185.584
Interest on Non-performing Loans	219	514	6.352	1.851
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	88.744	244.214	96.508	192.054

(*)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	22.942	224	22.578	8.622
Foreign Banks	1	1	-	49
Branches and Head Office Abroad	-	-	-	-
Total	22.943	225	22.578	8.671

1.c Information on interest received from marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Trading Securities	3.756	-	6.451	1
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Available for Sale Financial Assets	208.945	28.382	137.219	29.068
Investments Held to Maturity	7.693	-	35.817	-
Total	220.394	28.382	179.487	29.069

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	2.837	1.629

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and disclosures related to the consolidated income statement (continued)****2. Information on interest expense****2.a Information on interest on funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	3.039	6.073	1.334	6.834
The Central Bank of Turkey	4	-	421	-
Domestic Banks	3.006	695	894	575
Foreign Banks	29	5.378	19	6.259
Branches and Head Office Abroad	-	-	-	-
Other Financial Institutions	-	84.231	-	72.226
Total (*)	3.039	90.304	1.334	79.060

(*)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:

There is no interest expense to its associates and subsidiaries.

2.c Information on interest expense to securities issued:

	Current period	Prior period
Interest Expense to Securities Issued	-	3.922

3. Information on dividend income

	Current period	Prior period
Trading Securities	407	894
Financial Assets at Fair Value Through Profit and Loss	-	-
Available-for-Sale Securities	2.173	2.035
Other	3.434	2.293
Total	6.014	5.222

4. Information on net trading income (net)

	Current period	Prior period
Profit	406.082	659.102
Gains on capital market operations	7.195	8.613
On derivative financial instruments (*)	160.512	179.605
Foreign exchange gains	238.375	470.884
Losses (-)	(379.773)	(679.127)
Losses on capital market operations	(4.377)	(13.643)
On derivative financial instruments (*)	(111.773)	(234.035)
Foreign exchange losses	(263.623)	(431.449)

(*) Foreign exchange gain from derivative transactions amounting to TL 133.264 is presented in "Profit on derivative financial instruments" (31 December 2011: TL 133.556), foreign exchange loss from derivative transactions amounting to TL (104.134) is presented in "Losses on derivative financial instruments" (31 December 2011: TL (189.194)).

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information related to other operating income

	Current Period	Prior Period
Provisions Released	13.638	14.564
Gains on Sale of Assets	2.962	11.467
From Associate and Subsidiary Sales	-	-
From Immovable Fixed Asset Sales	2.912	-
From Property Sales	50	-
From Other Asset Sales	-	11.467
Other	15.660	26.850
Total	32.260	52.881

(*) Gain on fair value difference of investment properties of the Group amounting to TL 4.189 and rent income amounting to TL 9.518 is included in "Other"(31 December 2011: TL 9.218 fair value difference, TL 8.931 rent income).

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

	Current Period	Prior Period
Specific provisions for loans and other receivables	613	8.203
III. Group	59	6.713
IV. Group	1	1
V. Group	553	1.489
General provision expenses	18.756	14.952
Provision expenses for possible losses	-	-
Marketable securities impairment expenses	1.476	3.784
Trading securities	396	1.672
Investment securities available for sale	1.080	2.112
Impairment provisions	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control (Joint Vent.)	-	-
Investment securities held to maturity	-	-
Other	13.750	5.295
Total	34.595	32.234

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and disclosures related to the consolidated income statement (continued)****7. Information Related to Other Operating Expenses**

	Current Period	Prior Period
Personnel expenses	60.091	56.458
Reserve for employee termination benefits	3.017	755
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	2.486	2.412
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	358	392
Impairment on subsidiaries accounted for under equity method	-	-
Impairment on assets for resale	20	50
Depreciation expenses of assets held for resale	9	588
Impairment expenses of assets held for sale	-	-
Other operating expenses	22.865	22.119
Rent expenses	2.107	1.873
Maintenance expenses	1.477	1.412
Advertisement expenses	1.372	1.738
Other expenses	17.909	17.096
Loss on sales of assets	110	161
Other	11.262	10.311
Total	100.218	93.246

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

As of 31 December 2012, profit before tax of the Group has increased by 24,70% as compared to the prior period (31 December 2011: 12,11% increased). In comparison with the prior year, the Group's net interest income has increased by 17,97% (31 December 2011: 18,33% increase)

9. Information on tax provision for continued and discontinued operations**9.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 94.286 (31 December 2011: TL 51.040). Deferred tax benefit is TL 18.032 (31 December 2011: TL 12.229 tax charge).

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

Deferred tax benefit calculated on temporary differences is TL 18.032 (31 December 2011: TL 12.229 tax charge).

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

As of 31 December 2012, deferred tax benefit calculated based on temporary timing differences is TL 18.032 (31 December 2011: TL 12.229 tax charge). There is no deferred tax benefit or charge reflected to income statement on carry forward tax losses, tax deductions and exceptions (31 December 2011: None).

In addition, TL 32.264 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).

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and disclosures related to the consolidated income statement (continued)****10. Information on net profit from continued and discontinued operations before tax**

For the year ended 31 December 2012, net profit of the Group has increased by 25,73 % compared to the prior year (31 December 2011: 13,55 %).

11. Information on net profit/loss

11.a The nature and amount of certain income and expense items from ordinary operation is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Group's performance for the period:

The Group has generated TL 613.037 interest income, TL 188.193 interest expenses, TL 26.520 net fee and commission income from banking operations (31 December 2011: TL 534.704 interest income, TL 174.582 interest expenses, TL 28.252 net fee and commission income).

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

There are no changes in the accounting estimates.

11.c Minority share of profit and loss:

The current year profit attributable to minority shares is TL 8.141 (31 December 2011: TL (2.143) loss). The total shareholders' equity, including current year profit attributable to minority shares is TL 84.273 (31 December 2011: TL 96.791).

12. 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

	Current Period	Prior Period
Gains on Other Fees and Commissions		
Gains on Brokerage Commissions	13.834	16.119
Commissions from Initial Public Offering	469	527
Investment Fund Management Income	2.253	4.553
Other	3.171	3.534
Total	19.727	24.733

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****V. Explanations related to consolidated statement of changes in shareholders' equity****1. Information related to capital**

As of 31 December 2012, shareholders are as follows:

Current Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate(%)	Capital	Capital
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)	457.829	41,62	457.829	-
Physically Under Custody (Other Institutions and Individuals)	18	-	18	-
Total	1.100.000	100,00	1.100.000	-
Prior Period	Share	Shareholding	Paid in	Unpaid
Name Surname/Commercial Title	Capital	Rate(%)	Capital	Capital
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	-
Total	800.000	100,00	800.000	-

In the current period, 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 10 May 2012, has registered on 6 June 2012 and has been published in the Turkish Trade Registry Gazette No: 8088 on 12 June 2012.

2. Information on the increase arising from the revaluation of available-for-sale securities

As of 31 December 2012, TL 163.568 value increase is arising from the valuation of available for sale investments at fair value. TL 32.264 deferred tax is offset against value increase related to these investments and as a result, TL 131.304 net value increase is disclosed under the securities value increase fund in the statement of changes in the equity. In the prior period, TL 13.984 value increase is arising from the valuation of available for sale investments at fair value. TL 4.211 deferred tax is offset against value increase related to these investments and as a result, TL 9.773 net value increase is disclosed under the securities value increase fund in the statement of changes in the equity.

3. Information on increases in the cash flow hedges

There is no increase in the cash flow hedges.

4. Reconciliation between beginning and ending balances for foreign currency differences

There is no difference in the beginning and ending balances for foreign currency differences accounted for under equity.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations related to consolidated statement of changes in shareholders' equity (continued)

5. Information on the decrease arising from the revaluation of securities available-for-sale

The increase/decrease arising from the revaluation of securities available-for-sale is explained in Note V.2, above.

6. Information about dividends

6.a Dividends declared subsequent to the reporting date, but before the announcement of the financial statements:

Dividend income related with the equity shares are determined by the General Assembly of the Shareholders. Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The profit distribution will be approved at the General Assembly, which is not yet held as of the date of the financial statements authorized for issue.

6.b Net dividend per share proposed after the reporting period:

As of the reporting date, there are no dividends proposed by the Parent Bank for the approval in the General Assembly as explained above.

7. Amounts transferred to legal reserves

In the current year, TL 27.936 was transferred to the legal reserves (31 December 2011: TL 22.417).

8. Offsetting of the prior period's losses

There is no offsetting of accumulated losses made during the current and prior year.

VI. Explanations related to consolidated statement of cash flows

1. Explanations about other cash flows items and the effect of changes in foreign exchange rates in cash and cash equivalents

In the current period, TL 85.850 other income consists of gain from sale of assets, derivative financial instruments gain and other non-interest income (31 December 2011: TL 75.511 other income consists of other income rental income, securities trade gains gain from sale of assets and gains other than interest).

Other caption in changes in assets and liabilities from banking operations, TL (60.176) (31 December 2011: TL 24.714) consists of securities trade losses, personnel expense, financial lease expense, employee termination benefits provision, depreciation expense and other operating expense other than taxes paid, and fees and commissions paid.

In the current period, net increase/decrease in other assets TL 116.869 (31 December 2011: TL (53.518) consists of miscellaneous receivables and changes in other assets. In the current period, TL 101.026 other liabilities (31 December 2011: TL (109.594) consists of changes in funds, miscellaneous payables and funds provided under repurchase agreements.

In the current period, the effect of foreign currency differences on cash and cash equivalents is TL 2.400 loss (31 December 2011: TL 10.380 gain).

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****VI. Explanations related to consolidated statement of cash flows (continued)****2. Information about cash flows from acquisition of associates, subsidiaries, and other investments:**

In the current period, the Group invested TL 13.613 to movable fixed assets and properties and TL 420 to subsidiaries and associates.

In the prior period, the Group invested TL 6.384 to movable fixed assets and properties and TL 1.040 to subsidiaries and associates.

3. Information about disposal of associates, subsidiaries, and other investments:

The total amount of purchases or sales of related account and their cash and cash equivalent assets;

In the current period, the Group has generated cash inflows of TL 3.865 on sale of movable fixed assets and properties. The Group has not sold any associates and subsidiaries in the current period.

In the prior period, the Group has generated cash inflows of TL 17.995 on sale of movable fixed assets and properties. The Group has generated cash inflows of TL 392 on sale of associates and subsidiaries in the prior period.

4. Cash and cash equivalents at the beginning and end of period:

Cash and cash equivalents at the beginning of period:

	At the Beginning of Current Period	At the Beginning of Prior Period
Cash	8.200	7.520
Cash Equivalents	526.489	557.126
Total	534.689	564.646

Cash and cash equivalents at the end of period:

	At the End of Current Period	At the End of Prior Period
Cash	28.048	8.200
Cash Equivalents	438.611	526.489
Total	466.659	534.689

5. Amount of cash and cash equivalents restricted for the usage of the Parent Bank and the shareholders by legal limitations and other reasons

There are no cash and cash equivalents restricted for the usage of the Parent Bank and affiliates by legal limitations and other reasons.

6. Additional information related to financial position and liquidity**6.a Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities**

There are not any unused financial borrowing facilities which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations related to consolidated statement of cash flows (continued)

6. Additional information related to financial position and liquidity

6.b Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:

Under current economical conditions, the cash flows are followed daily and cash flows showing the increase in the capacity of operations of the Bank are investigated.

VII. 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	83.374	412	107.017	117.413	44.671	4.225
Interest and commission income received	2.832	5	2.082	294	2.031	-

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 received	1.624	5	1.721	220	2.003	-

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 8.702 (31 December 2011: TL 8.407).

Notes to the Consolidated Financial Statements For the Year Ended 31 December 2012

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

SECTION FIVE (Continued)**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)****VIII. Information and disclosures related to the domestic, foreign offshore branches and foreign representations of the Parent Bank****1. Information and disclosures related to the domestic, foreign branches and foreign representations of the Group**

	Number	Number of Employees			
Domestic branches	15	500			
			Country of Incorporation		
Foreign representations	-	-			
				Total Asset	Statutory Share Capital
Foreign branches	-	-		-	-
Off-shore banking region branches	-	-		-	-

2. Explanation on opening, closing of a branch/agency of the Parent Bank or changing its organizational structure significantly:

In the current period, the Parent Bank has opened 2 new domestic branches and there is no significant change in the organization structure of the Parent Bank's operating branches. 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. As of 27 December 2012, closing procedures of the Bahrain Branch have been completed.

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)	BBB-
Long-term Maturity Foreign Currency (issuer) Outlook	Stable
Short-term Maturity Foreign Currency (issuer)	F3
Long-term Maturity National Currency (issuer)	BBB-
Long-term Maturity National Currency (issuer) Outlook	Stable
Short-term Maturity National Currency (issuer)	F3
Support Note	2
National Note	AAA
National Note Outlook	Stable

Information above is received from Fitch Ratings report dated 14 December 2012.

MOODY'S

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

In the Board of Directors meeting held on 26 December 2012, General Management was authorized for sale of Parent Bank's İş Yatırım Ortaklığı A.Ş. Group A shares with a rate of 1,43% and with a number of 2.297.411 of İş Yatırım Ortaklığı A.Ş.'s capital amounting to TL 160.599 to İş Yatırım Menkul Değerler A.Ş., in accordance with pricing principles of IMKB Wholesale Market Foundation and Operation Fundamentals Circular. Sales transaction was completed on 11 February 2013.

SECTION SEVEN**INDEPENDENT AUDITORS' REPORT****I. Explanations on the independent auditors' report**

Consolidated financial statements and the notes to the financial statements as at 31 December 2012 have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("the Turkish member firm of KPMG International, a Swiss entity"). The independent auditors' report dated 12 February 2013 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.

Türkiye Sınai Kalkınma Bankası A.Ş. TSKB Stock Performance in 2012

TSKB 2012 ANNUAL REPORT

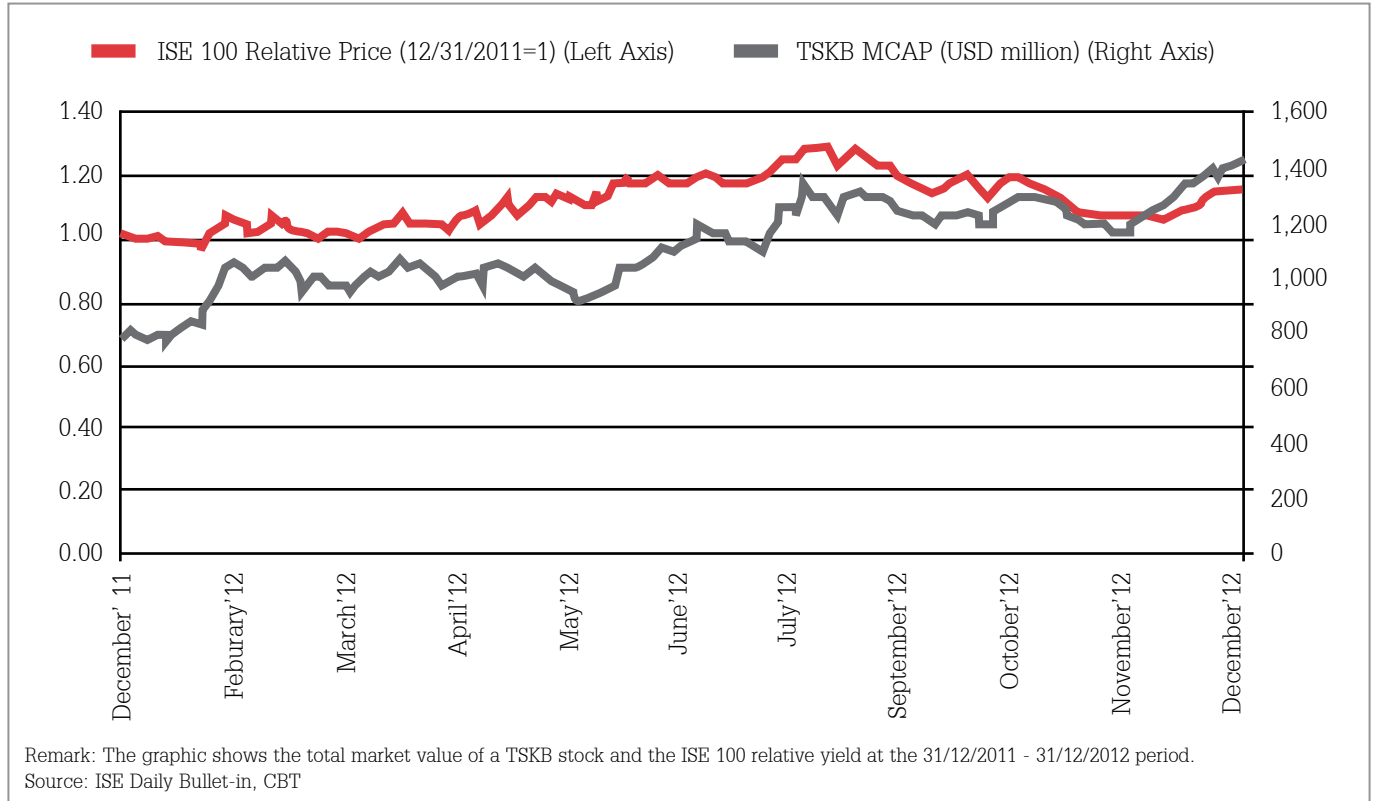
A positive outlook emerged in 2012 thanks to the steps taken for resolving the European debt crisis, growing support to Greece and the introduction of the new liquidity program in the USA. Domestic markets enjoyed a better progress thanks to upgraded credit ratings by Moody's and Fitch as well as improved macroeconomic indicators. The current deficit and inflation rate also improved as a result of the Central Bank of Turkey's effective policies while growth rate slowed down. A further upgrade in the credit ratings has therefore taken its place in the agenda of 2013.

The markets that started the year positively with the support of the European Central Bank's liquidity tenders fluctuated at the second half of the year in consequence of the uncertainties regarding the elections in France and Greece. The recovery of the markets, which accelerated by the ECB's announcement of its bond purchasing program and declining bond rates in Italy and Spain, continued until the end of the year. The Fed's open ended bond purchasing announcement of USD 40 million per month also contributed to this optimism. Moody's upgraded Turkey's credit rating by one level in June. The credit rating of Turkey which was one level below investment grade according to Moody's, has been upgraded to investment grade by Fitch in November. The inflation rate that was 10.45% at the outset of the year declined to 6.16% at the year-end and the annual current deficit decreased from USD 77 billion to USD 53 billion by the end of October.

The Istanbul Stock Exchange (ISE) index enjoyed a 53% increase throughout the year. The bond interest rates which declined from 11.5% to 6.15% had positive reflections on the banking index. The banking index increased by 65% while the industry index increased by 34% in 2012. Despite foreign capital inflow to bond markets, local currency had a relatively stable trend due to Central Bank of Turkey's multi-tool policies. The USD/TL parity which was 1.8889 at the beginning of 2012 closed with 1.7776 at the end of the year. Moreover, the share of foreigners in stocks increased from 62.5% to 65.7% and from 17.8% to 24.3% in bonds in 2012.

The performance of TSKB stocks in 2012 was above the ISE 100 index and the banking sector index, as was the case in previous years. 76.2% increase was recorded in the stock price of the Bank. The relative yield of TSKB to ISE 100 index and banking sector index has been 15.5% and 7.1% respectively. This high performance can be attributed to a number of factors. TSKB has not been investigated by the Competition Board which affected the banking stocks adversely in 2012. In addition, the Bank has a less risky position than the deposit banks which are more sensitive to potential developments in fees and commissions.

Market capitalization of the Bank which was USD 775 million at the beginning of 2012 reached USD 1.42 billion by the end of the year, the historical peak achieved as a result of its increasing trend throughout the year.



Türkiye Sınai Kalkınma Bankası A.Ş.

Contacts

Headquarters

Meclisi Mebusan Cad.
No: 81 Fındıklı 34427 İstanbul
Tel: (212) 334 50 50
Fax: (212) 334 52 34
Financial Institutions:
Tel: (212) 334 51 26
Investor Relations:
Tel: (212) 334 51 94
Website: www.tskb.com.tr
ISE Code: TSKB
SWIFT Code: TSKBTRIS
EFT Code: 0014

Ankara Branch

Aziye Mahallesi,
Piyade Sok., B Blok, No: 3/7,
Çankaya, Ankara
Tel: (312) 441 75 22
Fax: (312) 441 75 66

İzmir Branch

Cumhuriyet Bulvarı
Alan Apt, No: 140, Kat: 1
Pasaport, 35220, İzmir
Tel: (232) 463 12 00
Faks: (232) 463 33 50

Commercial Registration

Number: 42527



Türkiye Sınai Kalkınma Bankası A.Ş.
www.tskb.com