

**KUVEYT TÜRK KATILIM BANKASI
ANONİM ŐİRKETİ**

**INDEPENDENT AUDITOR'S
REPORT,
CONSOLIDATED FINANCIAL
STATEMENTS AND NOTES
FOR THE YEAR ENDED
31 DECEMBER 2012**

*Translated into English
from the Original Turkish Report*

To the Board of Directors of
Kuveyt Türk Katılım Bankası A.Ş.
Istanbul

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR 1 JANUARY 2012 – 31 DECEMBER 2012

We have audited the accompanying consolidated balance sheet of Kuveyt Turk Katılım Bankası A.Ş. (the "Bank") and its financial subsidiaries (the "Group") as of 31 December 2012, and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the regulation on "Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no: 26333 on 1 November 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 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 set out as per the Article 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by BRSA.

Other matters

The financial statements of the Group for the year ended 31 December 2011 have been audited by other auditors. The auditors expressed unqualified opinion at their audit report dated 13 April 2012.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

İstanbul, 4 March 2013

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Şehsuvaroğlu

Partner

THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
AS OF 31 DECEMBER 2012

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The consolidated financial report designed in line with the Banking Regulation and Supervision Agency's official communication on "Financial Statements to be Publicly Announced and the Related Policies and Disclosures" consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARTICIPATION BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARTICIPATION BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITORS' REPORT

Investments in associates, joint ventures, direct and indirect subsidiaries whose financial statements have been consolidated in this reporting package are as follows:

	Subsidiaries	Investment in Associates	Joint Ventures
1.	Kuveyt Türk Katılım Bankası Dubai LTD.	-	-
2.	KT Sukuk Varlık Kiralama A.Ş.	-	-

The accompanying consolidated financial statements and notes have been prepared based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and the Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and, unless otherwise indicated, have been prepared in thousands of Turkish Lira. Related appendices and interpretations on these are independently audited and presented hereby.

Mohammed S.A.I. ALOMAR Chairman of the Board of Directors	Adnan ERTEM Head of the Audit Committee	Shaheen H. A. ALGHANEEM Member of the Audit Committee
Ufuk UYAN Chief Executive Officer	Ahmet KARACA Chief Financial Officer	İsmail Hakkı YEŞİLYURT External Reporting Manager

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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

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

SECTION ONE
GENERAL INFORMATION

I. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status:

Kuveyt Türk Katılım Bankası A.Ş. (“The Bank” or “The Parent Bank”) was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on February 28, 1989 and commenced its operations on March 31, 1989, with the name of Kuveyt Türk Evkaf Finans Kurumu A.Ş. to comply with the Banking Act 5411, the title of the Bank has been changed to Kuveyt Türk Katılım Bankası A.Ş. with a change in the Articles of Association which was approved in the annual general meeting dated April 26, 2006. Main field of operation is, in addition to the Bank’s equity, to collect funds from domestic and foreign customers through “Current Accounts” and “Profit/ Loss Sharing Accounts” and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

The Bank’s subsidiary, which has 100% share, Kuveyt Turkish Participation Bank Dubai Ltd. established at November, 2009. Main field of operations based on law, includes core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers, consulting services, assets management, investment intermediary, investment activities.

The Parent Bank and consolidated Kuveyt Turkish Participation Bank Dubai Ltd. are named as “Group” together.

II. Shareholding Structure, Shareholders Jointly or Individually Having Direct or Indirect, Control over the Management and Supervision of the Bank and the Disclosures on Any Related Changes in the Current Period, if any and information about the Group that the Bank belongs to:

As of 31 December 2012 and 31 December 2011, 62.24% of the Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

III. Explanations on the Titles of Chairman and Members of the Board of Directors, Members of the Audit Committee, General Managers and Assistant General Managers and Their Shareholdings in the Bank:

Name	Title	Date of the assignment	Educational degree	Ownership Percentage %
Mohammad S.A.I. ALOMAR	Chairman of the BOD	19/07/2000	Bachelor	-
Abdullah TİVNİKLİ	Vice Chairman of the BOD	16/05/2001	Master	0.0834%
Dr. Adnan ERTEM	Member of BOD and Chairman of the Audit Committee	22/12/2010	Doctorate	-
Nadir ALPASLAN	Member of BOD	15/04/2011	Bachelor	-
Khaled Nasser Abdulaziz AL FOUZAN	Member of BOD	02/08/2006	Bachelor	-
Fawaz KH E AL SALEH	Member of BOD	20/10/2006	Bachelor	0.0133%
Mohammad Shujauddin AHMED	Member of BOD	17/05/2012	Bachelor	-
Shaheen H.A. AL GHANEM	Member of BOD and Member of Audit Committee	18/12/2006	Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999	Master	0.0556%
Ahmet KARACA	Assistant General Manager and Chief Financial Officer	12/07/2006	Master	0.0088%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003	Bachelor	0.0008%
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003	Bachelor	0.0062%
İrfan YILMAZ(*)	Assistant General Manager, Retail Banking	27/10/2005	Bachelor	0.0111%
Dr. Ruşen Ahmet ALBAYRAK (**)	Assistant General Manager, Corporate and International Banking	05/05/2005	Doctorate	0.0070%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010	Bachelor	0.0005%
Aslan Demir(***)	Assistant General Manager, Strategy	08/10/2012	Bachelor	0.0009%
Mehmet Oral(****)	Assistant General Manager, Retail Banking	01/10/2012	Bachelor	0.0022%
Asım ÖZGÖZÜKARA	Auditor	22/11/1988	Bachelor	-
Güven OBALI	Auditor	11/12/2007	Bachelor	-
Mikdat YETİM	Auditor	15/04/2010	Associate Degree	-

(*) Besides his duty as Assistant General Manager of Retail Banking; İrfan YILMAZ, has been assigned to Assistant General Manager of Banking Services Group from which Dr. Ruşen Ahmet ALBAYRAK has been resigned from.

(**) As of 25 September 2012 Ruşen Ahmet ALBAYRAK has been officially assigned for the duty which Murat Çetinkaya has been resigned and that he had been assigned as deputy since then.

(***) As of 25 September 2012, Aslan Demir has been officially assigned as the Assistant General Manager responsible for Strategy Department.

(****) As of 25 September 2012, Mehmet Oral has been officially assigned as the Assistant General Manager responsible for Retail Banking.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

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

III. Explanations on the Titles of Chairman and Members of the Board of Directors, Members of the Audit Committee, General Managers and Assistant General Managers and Their Shareholdings in the Bank (continued):

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.19% of the Bank's share capital (31 December 2011 – 0.20%).

IV. Information on qualified shareholders:

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	684,654	62.24%	684,654	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	205,912	18.72%	205,912	-
Total	890,566	80.96%	890,566	-

As of 31 December 2012, the shares of parent shareholder of Bank, Kuwait Finance House ("KFH") are 51.52% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

V. Explanations of the Parent Bank's services and field of operations:

The Parent Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank's core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts, and lending such funds to its customers. As of 31 December 2012, the Group is operating through 221 domestic branches (31 December 2011 – 180) with 3,947 employees (31 December 2011 – 3,332). Summary of some of the Parent Bank's operations described in the Articles of Association are as follows:

- To collect funds through "Current Accounts" and "Profit/Loss Sharing Accounts" and special fund pools in line with the regulations;
- To allocate funds to the economy and provide all kinds of cash, non-cash loans within the principles of non-interest banking;
- To offer financial and operational leasing;
- To handle all kinds of deposits and payments, including travellers' checks, credit cards and other payment instruments, provide member business services (POS), consulting, advisory, and safe deposit box services;
- To purchase financial instruments on money and capital markets in cash or instalments, sell and mediate the sale and trade on the stock exchange in accordance with legislation and principles of non-interest banking;
- To purchase, acquire and construct any kind of real estate and if necessary lease or transfer ownership to other persons;
- To act as a representative, deputy or agent for corporations and enterprises (including insurance companies);
- To provide socially responsible aid for the benefit of the community in the light of the legislations.

The Parent Bank's activities are not limited to the list above. If another transaction is decided to be beneficial to the Parent Bank, the transaction must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Customs and Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association.

VI. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries

None.

SECTION TWO

THE CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Commitments
- III. Consolidated Income Statement (Statement of Income / Loss)
- IV. Consolidated Statement of Profit and Loss Accounted for Under Equity
(Statement of Other Comprehensive Income and Loss)
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Cash Flows Statement
- VII. Consolidated Statement of Profit Distribution

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Note	Audited Current period (31.12.2012)			Audited Prior period (31.12.2011)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(I-a)	349,343	3,638,240	3,987,583	455,541	1,965,252	2,420,793
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(I-b)	25,162	23,456	48,618	73,338	13,882	87,220
2.1 Held for trading financial assets		25,162	23,456	48,618	73,338	13,882	87,220
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		15,435	23,456	38,891	60,983	13,882	74,865
2.1.4 Other marketable securities		9,727	-	9,727	12,355	-	12,355
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	(I-c)	313,398	1,270,474	1,583,872	51,169	1,200,389	1,251,558
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-e)	413,421	136,075	549,496	6,542	-	6,542
5.1 Equity securities		8,437	-	8,437	6,542	-	6,542
5.2 Public sector debt securities		404,984	136,075	541,059	-	-	-
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(I-f)	10,698,810	1,017,981	11,716,791	9,354,466	926,231	10,280,697
6.1 Loans and receivables		10,665,629	1,017,981	11,683,610	9,323,752	926,231	10,249,983
6.1.1 Loans to risk group of the Bank		33,668	51,562	85,230	30,289	56,483	86,772
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		10,631,961	966,419	11,598,380	9,293,463	869,748	10,163,211
6.2 Non-performing loans		285,339	-	285,339	209,428	-	209,428
6.3 Specific provisions (-)		252,158	-	252,158	178,714	-	178,714
VII. HELD TO MATURITY INVESTMENTS (Net)	(I-g)	-	-	-	-	-	-
VIII. INVESTMENTS IN ASSOCIATES (Net)	(I-h)	-	-	-	-	-	-
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial associates		-	-	-	-	-	-
8.2.2 Non-financial associates		-	-	-	-	-	-
IX. INVESTMENTS IN SUBSIDIARIES (Net)	(I-i)	57,863	-	57,863	65,653	-	65,653
9.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2 Unconsolidated non-financial subsidiaries		57,863	-	57,863	65,653	-	65,653
X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(I-j)	-	-	-	-	-	-
10.1 Accounted for under equity method		-	-	-	-	-	-
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XI. FINANCE LEASE RECEIVABLES	(I-k)	183,741	-	183,741	132,872	-	132,872
11.1 Finance lease receivables		225,658	-	225,658	169,214	-	169,214
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		41,917	-	41,917	36,342	-	36,342
XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-l)	-	-	-	-	-	-
12.1 Fair value hedge		-	-	-	-	-	-
12.2 Cash flow hedge		-	-	-	-	-	-
12.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
XIII. TANGIBLE ASSETS (Net)	(I-m)	238,007	723	238,730	171,013	1,009	172,022
XIV. INTANGIBLE ASSETS (Net)	(I-n)	43,652	-	43,652	26,453	1	26,454
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		43,652	-	43,652	26,453	1	26,454
XV. INVESTMENT PROPERTIES (Net)	(I-o)	-	-	-	-	-	-
XVI. TAX ASSET	(I-p)	20,804	-	20,804	32,827	-	32,827
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		20,804	-	20,804	32,827	-	32,827
XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-r)	30,004	-	30,004	25,015	-	25,015
17.1 Held for sale		30,004	-	30,004	25,015	-	25,015
17.2 Discontinued operations		-	-	-	-	-	-
XVIII. OTHER ASSETS	(I-s)	267,649	18,479	286,128	144,214	68,488	212,702
TOTAL ASSETS		12,641,854	6,105,428	18,747,282	10,539,103	4,175,252	14,714,355

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

	Note	Audited Current period (31.12.2012)			Audited Prior period (31.12.2011)		
		TL	FC	Total	TL	FC	Total
I. FUND COLLECTED	(II-a)	6,768,470	5,983,687	12,752,157	5,215,357	4,701,462	9,916,819
1.1 Funds from risk group of the Bank		44,424	159,668	204,092	48,936	97,604	146,540
1.2 Other		6,724,046	5,824,019	12,548,065	5,166,421	4,603,858	9,770,279
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-b)	3,252	4,141	7,393	8,566	29,699	38,265
III. FUNDS BORROWED	(II-c)	5,440	2,342,370	2,347,810	-	1,524,922	1,524,922
IV. MONEY MARKET BALANCES		-	-	-	-	-	-
V. MARKETABLE SECURITIES ISSUED (Net)		-	811,539	811,539	-	867,927	867,927
VI. SUNDRY CREDITORS	(II-d)	75,982	16,474	92,456	73,630	67,335	140,965
VII. OTHER LIABILITIES	(II-d)	382,292	68,549	450,841	189,425	18,977	208,402
VIII. FINANCE LEASE PAYABLES	(II-e)	-	102	102	-	-	-
8.1 Finance lease payables		-	103	103	-	-	-
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	1	1	-	-	-
IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-f)	-	-	-	-	-	-
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	-	-	-	-	-
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
X. PROVISIONS	(II-g)	181,942	38,925	220,867	148,514	37,748	186,262
10.1 General loan loss provisions		116,390	21,728	138,118	94,936	15,452	110,388
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		40,308	484	40,792	37,259	290	37,549
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		25,244	16,713	41,957	16,319	22,006	38,325
XI. TAX LIABILITY	(II-h)	15,694	-	15,694	3,683	-	3,683
11.1 Current tax liability		15,694	-	15,694	3,683	-	3,683
11.2 Deferred tax liability		-	-	-	-	-	-
XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(II-i)	-	-	-	-	-	-
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(II-j)	-	361,661	361,661	-	386,681	386,681
XIV. SHAREHOLDERS' EQUITY	(II-k)	1,683,760	3,002	1,686,762	1,440,263	166	1,440,429
14.1 Paid-in capital		1,100,000	-	1,100,000	950,000	-	950,000
14.2 Capital reserves		35,387	1,071	36,458	23,250	-	23,250
14.2.1 Share premium		23,250	-	23,250	23,250	-	23,250
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Marketable securities revaluation reserve		12,137	1,071	13,208	-	-	-
14.2.4 Tangible assets revaluation reserve		-	-	-	-	-	-
14.2.5 Intangible assets revaluation reserve		-	-	-	-	-	-
14.2.6 Investment property revaluation reserve		-	-	-	-	-	-
14.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-
14.2.8 Hedging funds (effective portion)		-	-	-	-	-	-
14.2.9 Value increase on assets held for resale		-	-	-	-	-	-
14.2.10 Other capital reserves		-	-	-	-	-	-
14.3 Profit reserves		300,809	-	300,809	274,575	-	274,575
14.3.1 Legal reserves		46,405	-	46,405	34,923	-	34,923
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		246,279	-	246,279	233,253	-	233,253
14.3.4 Other profit reserves		8,125	-	8,125	6,399	-	6,399
14.4 Profit or loss		247,564	1,931	249,495	192,438	166	192,604
14.4.1 Prior period income/(losses)		(2,604)	166	(2,438)	-	(309)	(309)
14.4.2 Current period income/(losses)		250,168	1,765	251,933	192,438	475	192,913
14.5 Minority shares	(II-l)	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		9,116,832	9,630,450	18,747,282	7,079,438	7,634,917	14,714,355

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AND
CONTINGENCIES AS OF 31 DECEMBER 2012

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

	Notes	Audited Current period (31.12.2012)			Audited Prior period (31.12.2011)		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		24,820,146	7,131,112	31,951,258	15,349,627	6,267,200	21,616,827
I. GUARANTEES	(III-a)	3,438,273	2,862,179	6,300,452	2,636,162	2,405,516	5,041,678
1.1. Letters of guarantees		3,437,473	1,771,195	5,208,668	2,636,162	1,719,813	4,355,975
1.1.1. Guarantees subject to state tender law		147,127	4,833	151,960	99,269	11,197	110,466
1.1.2. Guarantees given for foreign trade operations		131,129	1,541	132,670	71,723	1,494	73,217
1.1.3. Other letters of guarantee		3,159,217	1,764,821	4,924,038	2,465,170	1,707,122	4,172,292
1.2. Bank loans		-	65,386	65,386	-	59,492	59,492
1.2.1. Import letter of acceptances		-	65,386	65,386	-	59,492	59,492
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letter of credits		800	990,812	991,612	-	606,486	606,486
1.3.1. Documentary letter of credits		-	378,803	378,803	-	229,993	229,993
1.3.2. Other letter of credits		800	612,009	612,809	-	376,493	376,493
1.4. Pre-financing given as guarantee		-	9,206	9,206	-	1,414	1,414
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Other guarantees		-	25,580	25,580	-	18,311	18,311
1.7. Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	(III-a)	19,945,034	263,544	20,208,578	10,806,653	521,693	11,328,346
2.1. Irrevocable commitments		1,342,727	263,544	1,606,271	1,107,948	521,693	1,629,641
2.1.1. Forward asset purchase commitments		82,664	263,544	346,208	235,890	521,693	757,583
2.1.2. Share capital commitment to associates and subsidiaries		-	-	-	1,000	-	1,000
2.1.3. Loan granting commitments		53,487	-	53,487	24,951	-	24,951
2.1.4. Securities underwriting commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6. Payment commitment for checks		937,408	-	937,408	652,891	-	652,891
2.1.7. Tax and fund liabilities from export commitments		106	-	106	106	-	106
2.1.8. Commitments for credit card expenditure limits		269,062	-	269,062	193,110	-	193,110
2.1.9. Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.10. Receivables from short sale commitments		-	-	-	-	-	-
2.1.11. Payables for short sale commitments		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		-	-	-	-	-	-
2.2. Revocable commitments		18,602,307	-	18,602,307	9,698,705	-	9,698,705
2.2.1. Revocable loan granting commitments		18,602,307	-	18,602,307	9,698,705	-	9,698,705
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		1,436,839	4,005,389	5,442,228	1,906,812	3,339,991	5,246,803
3.1. Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1. Fair value hedge		-	-	-	-	-	-
3.1.2. Cash flow hedge		-	-	-	-	-	-
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		1,436,839	4,005,389	5,442,228	1,906,812	3,339,991	5,246,803
3.2.1. Forward foreign currency buy/sell transactions		1,403,598	3,400,140	4,803,738	1,906,812	3,162,218	5,069,030
3.2.1.1. Forward foreign currency transactions-buy		870,607	1,725,885	2,596,492	1,046,020	1,453,029	2,499,049
3.2.1.2. Forward foreign currency transactions-sell		532,991	1,674,255	2,207,246	860,792	1,709,189	2,569,981
3.2.2. Other forward buy/sell transactions		33,241	605,249	638,490	-	177,773	177,773
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		50,807,912	59,481,049	110,288,961	29,751,395	64,617,593	94,368,988
IV. ITEMS HELD IN CUSTODY		2,708,303	426,985	3,135,288	2,488,099	325,130	2,813,229
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		37,442	-	37,442	4,162	-	4,162
4.3. Checks received for collection		2,418,872	258,671	2,677,543	2,135,626	256,629	2,392,255
4.4. Commercial notes received for collection		251,989	34,385	286,374	348,311	68,001	416,312
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	133,929	133,929	-	500	500
V. PLEDGED ITEMS		48,087,933	59,032,926	107,120,859	27,255,887	64,271,439	91,527,326
5.1. Marketable securities		62,529	17,380	79,909	62,529	18,588	81,117
5.2. Guarantee notes		102,015	722,312	824,327	109,905	826,960	936,865
5.3. Commodity		2,291,547	97,293	2,388,840	1,953,255	39,429	1,992,684
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		27,022,226	588,817	27,611,043	20,260,793	653,017	20,913,810
5.6. Other pledged items		18,609,616	57,607,124	76,216,740	4,869,405	62,733,445	67,602,850
5.7. Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,676	21,138	32,814	7,409	21,024	28,433
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		75,628,058	66,612,161	142,240,219	45,101,022	70,884,793	115,985,815

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED
31 DECEMBER 2012

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

III. CONSOLIDATED INCOME STATEMENT (STATEMENT OF INCOME / LOSS)

		Current Period Audited 01.01 - 31.12.2012	Prior Period Audited 01.01- 31.12.2011	
		Notes		
I.	PROFIT SHARE INCOME	(IV-a)	1,300,882	967,621
1.1	Profit share on loans		1,249,695	929,988
1.2	Profit share on reserve deposits		-	-
1.3	Profit share on banks		12,732	18,578
1.4	Profit share on money market placements		-	-
1.5	Profit share on marketable securities portfolio		8,037	-
1.5.1	Held-for-trading financial assets		-	-
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Available-for-sale financial assets		8,037	-
1.5.4	Investments held-to-maturity		-	-
1.6	Finance lease income		12,113	7,735
1.7	Other profit share income		18,305	11,320
II.	PROFIT SHARE EXPENSE	(IV-b)	599,177	424,770
2.1	Expense on profit sharing accounts		466,274	369,511
2.2	Profit share expense on funds borrowed		93,557	45,689
2.3	Profit share expense on money market borrowings		-	-
2.4	Expense on securities issued		39,346	9,570
2.5	Other profit share expense		-	-
III.	NET PROFIT SHARE INCOME (I - II)		701,705	542,851
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		75,234	64,705
4.1	Fees and commissions received		131,345	100,773
4.1.1	Non-cash loans		60,531	50,646
4.1.2	Other	(IV-l)	70,814	50,127
4.2	Fees and commissions paid		56,111	36,068
4.2.1	Non-cash loans		122	58
4.2.2	Other	(IV-l)	55,989	36,010
V.	DIVIDEND INCOME	(IV-c)	-	-
VI.	NET TRADING INCOME	(IV-d)	103,645	99,793
6.1	Capital market transaction gains / (losses)		(284)	55
6.2	Gains/ (losses) from derivative financial instruments		21,403	588
6.3	Foreign exchange gains / (losses)		82,526	99,150
VII.	OTHER OPERATING INCOME	(IV-e)	112,585	78,736
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		993,169	786,085
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	198,078	164,658
X.	OTHER OPERATING EXPENSES (-)	(IV-g)	484,058	378,100
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		311,033	243,327
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(IV-h)	311,033	243,327
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(IV-i)	(59,100)	(50,414)
16.1	Current income tax charge		(50,379)	(74,770)
16.2	Deferred tax charge / benefit		(8,721)	24,356
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		251,933	192,913
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 CHARGE FOR DISCONTINUED OPERATIONS (±)	(IV-j)	-	-
21.1	Current income tax charge		-	-
21.2	Deferred tax charge / benefit		-	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	(IV-k)	251,933	192,913
23.1	Group's income/loss		251,933	192,913
23.2	Minority interest income/loss (-)		-	-
	Earnings per share income/loss (full TL)		-	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENTS OF CONSOLIDATED PROFIT AND LOSS ACCOUNTED FOR UNDER
EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2012

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER
EQUITY (STATEMENT OF OTHER COMPREHENSIVE INCOME AND LOSS)

	Audited	Audited
	Current period	Prior period
Statement of income and expenses accounted under equity	(01.01-31.12.2012)	(01.01-31.12.2011)
I. Additions to marketable securities revaluation differences from available for sale financial assets	16,510	-
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	(1,503)	4,293
V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)	-	-
VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted under equity as per Turkish accounting standards	-	-
IX. Deferred tax on valuation differences	(3,302)	-
X. Total net profit/loss accounted under equity (I+II+...+IX)	11,705	4,293
XI. Profit/loss	-	-
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	-	-
XI.2 Reclassification of derivatives accounted for cash flow hedge purposes to income statement	-	-
XI.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4 Other	-	-
XII. Total profit/loss accounted for the period (X±XI)	11,705	4,293

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2012

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

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	traordinary reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
Current period (01.01-31.12.2012)																			
I.	Beginning balance	950,000	-	23,250	-	34,923	-	233,253	6,399	-	192,604	-	-	-	-	-	1,437,978	-	1,437,978
II.	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	13,208	-	-	-	-	13,208	-	13,208
IV.	Hedging funds (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 operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	-	-	-	-	-	-	-	(1,503)	-	-	-	-	-	-	-	(1,503)	-	(1,503)
IX.	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	(II-k)	150,000	-	-	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-
12.1.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2.	Internal sources	(II-k)	150,000	-	-	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-
XIII.	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Net income/(loss) for the period	-	-	-	-	-	-	-	-	251,933	-	-	-	-	-	-	-	-	251,933
XVIII.	Profit distribution	-	-	-	-	11,482	-	13,026	3,229	-	(45,042)	-	-	-	-	-	(17,305)	-	(17,305)
18.1.	Dividends distributed	(V-b)	-	-	-	-	-	-	-	-	(17,305)	-	-	-	-	-	(17,305)	-	(17,305)
18.2.	Transfers to reserves	-	-	-	-	11,482	-	13,026	3,229	-	(27,737)	-	-	-	-	-	-	-	-
18.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance (I+II+III+...+XVI+XVII+XVIII)		(II-k)	1,100,000	-	23,250	-	46,405	-	246,279	8,125	251,933	(2,438)	13,208	-	-	-	1,686,762	-	1,686,762

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2012

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

V. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Note	Paid-in capital	Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory Reserves	Extraordinary Reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund	Total excluding minority interest	Minority interest	Total equity
Previous period (01.01-30.12.2011)																			
I.		850,000	-	23,250	-	25,565	-	196,712	2,106	159,545	(206)	-	-	-	-	-	1,256,972	-	1,256,972
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		850,000	-	23,250	-	25,565	-	196,712	2,106	159,545	-	-	-	-	-	-	1,256,972	-	1,256,972
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	4,293	-	-	-	-	-	-	-	4,293	-	4,293
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		100,000	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	-	-	-
14.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2		100,000	-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.		-	-	-	-	-	-	-	-	192,913	-	-	-	-	-	-	192,913	-	192,913
XX.		-	-	-	-	9,358	-	36,541	-	(159,545)	99,897	-	-	-	-	-	(13,749)	-	(13,749)
20.1		-	-	-	-	-	-	-	-	-	(13,749)	-	-	-	-	-	(13,749)	-	(13,749)
20.2		-	-	-	-	9,358	-	36,541	-	-	(45,899)	-	-	-	-	-	-	-	-
20.3		-	-	-	-	-	-	-	-	(159,545)	159,545	-	-	-	-	-	-	-	-
Closing balance (I+II+III+...+XVI+XVII+XX)		(II-k)	950,000	-	23,250	-	34,923	-	233,253	6,399	192,913	(309)	-	-	-	-	1,440,429	-	1,440,429

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD
ENDED 31 DECEMBER 2012

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

VI. CONSOLIDATED CASH FLOWS STATEMENT

	Note	Audited	
		Current period 01.01.2012 -31.12.2012	Prior period 01.01.2011 -31.12.2011
A. CASH FLOWS FROM BANKING OPERATIONS			
I.1 Operating profit before changes in operating assets and liabilities		460,331	591,917
1.1.1 Profit share income received		1,277,978	941,254
1.1.2 Profit share expense paid		(579,309)	(385,877)
1.1.3 Dividend received		-	-
1.1.4 Fees and commissions received		130,538	100,198
1.1.5 Other income		57,337	76,227
1.1.6 Collections from previously written off loans		26,564	61,964
1.1.7 Payments to personnel and service suppliers		(381,422)	(175,386)
1.1.8 Taxes paid		(59,871)	(96,494)
1.1.9 Others		(11,484)	70,031
I.2 Changes in operating assets and liabilities		673,736	(2,400,489)
1.2.1 Net (increase) decrease held for trading financial assets		2,628	17,474
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		(1,422,813)	(1,480,316)
1.2.4 Net (increase) decrease in loans		(1,602,983)	(3,123,362)
1.2.5 Net (increase) decrease in other assets		53,443	(54,721)
1.2.6 Net increase (decrease) in bank deposits		296,422	-
1.2.7 Net increase (decrease) in other deposits		2,533,682	2,043,669
1.2.8 Net increase (decrease) in funds borrowed		807,303	208,638
1.2.9 Net increase (decrease) in due payables		-	-
1.2.10 Net increase (decrease) in other liabilities		6,054	(11,871)
I. Net cash provided from / (used in) banking operations		1,134,067	(1,808,572)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities		(650,785)	(83,135)
2.1 Cash paid for purchase jointly controlled operations, associates and subsidiaries		-	(33,650)
2.2 Cash obtained from sale of jointly controlled operations, associates and subsidiaries		-	-
2.3 Fixed assets purchases	(I-m)	(106,061)	(80,429)
2.4 Fixed assets sales		19,800	32,938
2.5 Cash paid for purchase of financial assets available for sale		(539,652)	(1,994)
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		-	-
2.9 Other	(I-m)	(24,872)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities		(17,305)	1,894,079
3.1 Cash obtained from funds borrowed and securities issued		-	2,406,533
3.2 Cash used for repayment of funds borrowed and securities issued		-	(498,705)
3.3 Capital increase		-	-
3.4 Dividends paid		(17,305)	(13,749)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(V-c)	10,314	3,041
V. Net increase (decrease) in cash and cash equivalents (I + II + III + IV)		476,291	5,413
VI. Cash and cash equivalents at the beginning of the period	(V-a)	1,355,187	1,349,774
VII. Cash and cash equivalents at the end of the period	(V-a)	1,831,478	1,355,187

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE PERIOD ENDED 31 DECEMBER 2012

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

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

	Current period 31.12.2012	Prior period 31.12.2011
I. Distribution of current year profit (*) (***)		
1.1. Current period profit	309,256	245,456
1.2. Taxes and legal duties payable (-)	59,100	50,414
1.2.1. Corporate tax (income tax)	50,379	74,770
1.2.2. Withholding tax	-	-
1.2.3. Other taxes and duties (**)	8,721	(24,356)
A. Net profit for the period (1.1-1.2) (Not V-I-17-c)	250,156	195,042
1.3. Accumulated losses (-)	-	-
1.4. First legal reserves (-)	-	9,752
1.5. Other statutory reserves (-)	-	-
B. Net profit available for distribution [(A-(1.3+1.4+1.5)]	-	185,290
1.6. First dividend to shareholders (-)	-	16,000
1.6.1. To owners of ordinary shares	-	16,000
1.6.2. To owners of privileged shares	-	-
1.6.3. To owners of redeemed shares	-	-
1.6.4. To profit sharing bonds	-	-
1.6.5. To holders of profit and loss sharing certificates	-	-
1.7. Dividends to personnel(-)	-	-
1.8. Dividends to board of directors (-)	-	1,305
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of privileged shares	-	-
1.9.3. To owners of redeemed shares	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To holders of profit and loss sharing certificates	-	-
1.10. Second legal reserves (-)	-	1,730
1.11. Status reserves (-)	-	-
1.12. Extra ordinary reserves	-	163,026
1.13. Other reserves	-	3,229
1.14. Special funds	-	-
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 privileged shares	-	-
2.3.3. To owners of redeemed shares	-	-
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	-	-
3.2. To owners of ordinary shares (%)	-	-
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	-	0.015
4.2. To owners of ordinary shares (%)	-	%1.517
4.3. To owners of privileged shares	-	-
4.4. To owners of privileged shares (%)	-	-

(*) The profit distribution of the Parent Bank is decided by the General Assembly which is not held as of date of these financial statements.

(**) Deferred income tax is presented under other tax and legal liabilities. Deferred tax income can not be added into profit distribution, thus it is classified under extraordinary reserves.

(***) According to Turkish Law, companies do not distribute consolidated profit. In this context, the profit distribution table shown above belongs to the Parent Bank.

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Explanations on basis of presentation

a. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

The consolidated financial statements have been prepared in accordance with the ‘Regulation on Accounting Applications for Banks and Safeguarding of Documents’ numbered 5411 published in the Official Gazette No:26333 dated November 1, 2006, which refers to ‘Turkish Accounting Standards’ (TAS) and ‘Turkish Financial Reporting Standards’ (TFRS) issued by the ‘Turkish Accounting Standards Board’ (TASB) and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all ‘Turkish Accounting Standards’ or ‘TAS’) published by the Banking Regulation and Supervision Agency. The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to Those Financial Statements”, published in Official Gazette No. 28337, dated 28 June 2007, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish tax legislation.

In accordance with the Article 37 of the Banking Act 5411, the Banks must apply the uniform chart of accounts in their accounting systems in accordance with the procedures and principles identified by the Banking Regulation and Supervision Agency (“BRSA”) by taking into account the international standards and opinions of the TASB and other associations of the banking sector into consideration; record all transactions in accordance with their underlying nature; prepare clear, reliable, comparable, suitable for audit, analysis and interpretation, timely and accurate financial reports in a form and content that meets the information requirements of users.

The Additional Clause 1 of the Law No: 2499 were nullified and Public Oversight, Accounting and Auditing Standards Institution (the “Institution”) was established with the Statutory Decree No: 660, which were published in the Official Gazette and became effective on 2 November 2011. As per the Provisional Article 1 of the Statutory Decree, prevailing standards and regulations will apply until new standards and regulations to be issued by the Institution are in effect. In this respect, this matter has no effect over the basis of preparation of the financial statements disclosed in the accompanying financial statements as of the reporting date.

b. Classification

The Group classified Borrowing through the rent certificates (Sukuk) amounting to TL 673,782 from “Funds Borrowed” to “Marketable Securities Issued (Net)” in the 31 December 2011 consolidated balance sheet in accordance with the current period presentation.

The Bank has classified TL 419,149 of precious metal, presented under Cash and Balances with the Central Bank, to “Banks” as of 31 December 2011 in order to be in consistent with the current period presentation.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

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

I. Explanations on basis of presentation (continued)

c. Accounting policies and valuation principles applied in the preparation of consolidated financial statements:

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities held for trading carried at fair value.

The preparation of consolidated financial statements in conformity with TAS requires the Bank management to make assumptions and estimates with respect to assets and liabilities on the balance sheet and contingent issues outstanding as of the balance sheet date. These assumptions and estimates are mainly related with the determination of the fair values of the financial instruments and determination of the impairments on assets and these assumptions are being reviewed regularly and, when necessary, appropriate corrections are made and the effects of these corrections are reflected to the income statement.

d. Preparation of the financial statements in the current purchasing power of money:

Until 31 December 2004, the financial statements of the Bank were subject to inflation adjustments in accordance with Turkish Accounting Standard No: 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”). BRSA explained with its decision numbered 1623 and dated 21 April 2005 and its circular dated 28 April 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied beginning from 1 January 2005.

II. Explanations on strategy of using financial instruments and foreign currency transactions

The Group follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Bank’s exposure to liquidity risk, currency risk and credit risk while increasing profitability and strengthening the Bank’s equity. The assets-liabilities committee (ALCO) manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee.

Gains and losses arising from foreign currency transactions have been recorded in the period in which the transaction took place. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates published by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized in the income statement under the net foreign exchange income/expense account.

The Group’s portion of risk regarding loans originating from participation accounts followed in receivables to be written off, doubtful commission, fees and other receivables, uncollectible loans and other receivables, along with foreign currency (FC) loans and receivables originating from the Bank’s equity and private current accounts are converted to Turkish Lira with the rates prevailing at the date of the transfer of such receivables to non-performing loan portfolio. The participation accounts’ portion of the risk of the foreign currency loans and FC pegged loans, originating from participation accounts, is evaluated with the current foreign currency rates and the differences are recorded foreign currency gains/losses account in the income statement.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments into Turkish Lira are included in the income statement. There are no foreign currency differences capitalized by the Group.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

III. Information about the consolidated subsidiaries

The consolidated financial statements have been prepared in accordance with the “Turkish Accounting Standard for the Consolidated and Separate Financial Statements” (“TAS 27”).

The subsidiaries included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

Description	Address (City/Country)	Principal Activity	31 December 2012	31 December 2011
Kuwait Turkish Participation Bank Dubai Ltd.	Dubai/United Arab Emirates	Banking	100%	100%
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Corporation	100%	100%

The Parent Bank and its consolidated subsidiaries of the Parent Bank, as a whole, are named as “Group”.

Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control is received as the Bank has more than half of the voting rights directly or indirectly through subsidiaries or not has majority but has privileged shares or has half of the voting rights with respect to agreements made with other shareholders or has authority to manage financial and operating policies of the company through a regulation or an agreement or has power to control the majority of votes at the board of directors or at executive organ containing these rights or has power to appoint or disposal majority of the members of the board of directors.

In the full consolidation method, 100% of subsidiaries’ assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank’s assets, liabilities, income, expense and off-balance sheet items. The carrying amount of the Group’s investment in each subsidiary and the Group’s portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group and presented separately in the Group’s income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The special purpose entity, Kuveyt Turk Sukuk Limited was established at 24 August 2010 which is not a subsidiary of the Bank. Since the Bank has 100% control power on the subsidiary it is included in the scope of consolidation.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

The Group enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. The Bank classifies its derivative instruments as “Derivative Financial Instruments Held for Hedging Purposes” and “Derivative Financial Instruments Held for Trading” in accordance with “TAS 39”. Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as “held for trading” within the framework of “TAS 39”, and are reflected in the “Derivative Financial Assets/Liabilities Held for Trading” account in the balance sheet. The Bank has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

The payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their notional amounts.

Fair values of foreign currency forward transactions and swaps are calculated by using the discounted cash flow model. Differences resulting from the changes in the fair values of derivatives held for trading are accounted under ‘Trading Income/Loss’ line in the income statement.

Embedded derivatives are separated from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Embedded derivatives are accounted as derivative instruments in-line with “TAS 39”. If the embedded derivatives are closely related with the host contract, embedded derivatives are accounted for in-line with the relevant standard applicable for the host contract.

V. Explanations on profit share income and expense

Profit share income is recognized in the income statement on an accrual basis by using the method of internal rate of return and is accounted under profit share income account in the financial statements. In accordance with the related regulation, the profit share accruals of non-performing loans are cancelled and are not recorded until the profit share income is realized.

The Group calculates expense accrual in accordance with the unit value calculation method on profit/loss sharing accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

VI. Explanations on fees and commission income and expenses

Except for the fees and commission income and expenses obtained for some banking services which are recorded as income when collected, fees and commission income/expenses are reflected in the income statement over the period of the related transaction.

In accordance with the provisions of TAS, commission and fees collected in advance for loans granted are deferred and reflected to the income statement by using the internal rate of return method. Unearned portion of the commission and fees relating to the future periods are recorded to the “Unearned Revenues” account under “Other Liabilities” on the balance sheet.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

VII. Explanations on financial assets

The Group classifies and accounts for its financial assets as “Fair value through profit/loss”, “Available for sale”, “Loans and receivables” or “Held to maturity”. Sale and purchase transactions of the financial assets mentioned above are recognized at the ‘Settlement dates’. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of the investment.

a. Financial assets at fair value through profit or loss:

This category has two sub categories: “Trading financial assets” and “Financial assets designated at fair value through profit/loss at initial recognition”.

Trading financial assets are financial assets which are either acquired for generating a profit from short-term fluctuations in prices or dealers’ margin, or are financial assets included in a portfolio and derivative instruments in which a pattern of short-term profit making exists.

Trading financial assets are initially recognized at transaction prices, which are assumed to be the fair value, and subsequently measured at fair value. All gains and losses arising from these valuations are reflected in the income statement.

Other than trading financial assets, the Group has no financial assets at fair value through profit or loss.

b. Financial assets available for sale:

Financial assets available for sale are initially recognized at cost; which reflects their fair values; including the transaction costs. Financial assets classified as available for sale financial assets which do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less impairment, if any.

Financial assets available-for-sale gains and losses are valued using internal rate of return and recorded in the income statement as profit share income. Financial assets available-for-sale profit share discounts recognized in the profit/share account, current value differences recognized in the “securities value increase fund” under the shareholders’ equity. In case of sales, the realized gain/losses in the shareholders’ equity are recognized directly in the income statement.

c. Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market and are not classified as held for trading, financial assets at the fair value through profit or loss or as available for sale. Loans and receivables are initially recognized at cost, which is assumed to reflect their fair value and subsequently recognized at the amortized cost calculated using the internal rate of return method. The expenses incurred for the loans and receivables received as collateral are not considered as transaction costs and are recognized in the expense accounts.

d. Held to maturity financial assets:

Held to maturity financial assets are financial assets with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity that are not classified under ‘Loans and receivables’. Held to maturity financial assets are initially recognized at cost which is assumed to reflect their fair value, and subsequently carried at ‘Amortized Cost’ using the ‘Internal Rate of Return’. Profit share income from held to maturity financial assets is reflected in the income statement. The Group does not have any held to maturity financial assets as of the balance sheet date.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

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

VIII. Explanations on impairment of financial assets:

At each balance sheet date an assessment is made as to whether there is objective evidence that a financial asset or group of financial assets is impaired. If such evidence exists, impairment is provided for financial asset categories as explained below.

i) Loans and receivables:

If there is objective evidence that the loans might not be collected, the Parent Bank reclassifies such loans to III., IV. and V. groups and provides impairment reserve in accordance with the Communiqué of “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published on 1 November 2006 in the Official Gazette No: 26333 and “Communiqué for the amendment of the Communiqué of “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published on 25 December 2012 in the Official Gazette No: 28508. For the loans with poor financial position and/or payment capability, the Parent Bank can provide a specific impairment reserve in excess of the amounts calculated using the minimum required rates for the related group.

Collections related to the provisions provided in the current period for such loans are deducted from “Provisions for Loan losses and Other Receivables” account in the income statement. Subsequent recoveries of amounts previously written off or provisions made in prior periods are included in “Other Operating Income” in the income statement.

In the case where there is evidence for the possibility of uncollectability of loans, the Bank classifies related loans and receivables in non-performing loans and provides specific and general provision, in accordance with the Communiqué dated 1 November 2006, published on the Official Gazette No: 26333 and revised with the Communiqué dated 6 March 2010, published on the Official Gazette No: 27513 and the Communiqué dated 21 September 2012, published on the Official Gazette No: 28418 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”. In addition, the Group provides general provision calculation as per regulations published in the Official Gazette No: 27968 dated 18 June 2011, Official Gazette No: 27947 dated 28 May 2011, Official Gazette No: 28158 dated 30 December 2011 and Official Gazette No: 28418 dated 21 September 2012.

ii) Financial assets held to maturity:

If there is objective evidence indicating that the value of financial assets held to maturity is impaired, the amount of the loss is measured as the difference between the present values of future estimated cash flows discounted using the original profit share and the carrying value; provision is made for impairment and the provision is associated with expense accounts

iii) Financial assets available for sale:

If there is objective evidence indicating that the fair value of an available for sale financial asset, for which decreases in the fair value has been accounted under the equity, has been impaired then the total loss which was accounted directly in the equity is transferred from equity to the income statement.

Impairment losses recognized in the income statement related to the investments in equity instruments classified as available for sale financial assets cannot be reversed through the income statement. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on equity instruments cannot be reversed.

IX. Explanations on offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

X. Explanations on sale and repurchase agreements and lending of securities

The Group has no sale and repurchase agreements transactions and lending securities transactions.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
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XI. Explanations on assets held for sale and discontinued operations and related liabilities

As mandated by the Banking Act 5411 Article 57 “Banks cannot participate in commercial real-estate and commodity trade with the exception of real-estate and commodity based agreements within the scope of Capital Markets Act No. 2499, and precious metal trade as seen appropriate by the board, and cannot participate in partnerships with firms whose main business activity is commercial real-estate, with the exception of real-estate investment partnerships and companies that finance mortgaged residential estates. The rules and procedures regarding the sales of real-estate and commodities that were acquired due to receivables and debtors’ obligations to the bank are determined by the board.”

The principles for valuation and accounting for disposal of assets acquired by banks in return for their nonperforming loans are determined by the official communication of “Principles and Procedures on Bank’s Disposal of Precious Metals and Assets Held for Sale” No. 26333 published on 1 November 2006 and No. 26592 published on 24 April 2007 in the Official Gazette.

Assets that meet the criteria for classification as assets held for sale are measured at the lower of the carrying amount of assets and fair value less any costs to be incurred for disposal. Assets held for sale are not amortized and presented in the financial statements separately. In order to classify an asset as held for sale, the sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset (or the disposal group) together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset (or the disposal group) should be actively in the market at a price consistent with its fair value. In addition, the sale is expected to be recognized 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 there is remote possibility of making any significant changes in the plan or cancellation of the plan. Various events and conditions may extend the completion period of the disposal over one year. If such delay arises from any events and conditions beyond the control of the entity and there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or disposal group) can remain to be classified as assets (or disposal group) held for sale. Extension of the period necessary to complete the sale, does not avoid the classification of the related asset (or disposal group) to be classified as asset held for sale.

Although the Group has assets acquired due to receivables and debtors’ obligations to the Group, such assets are classified as fixed assets rather than assets held for sale and are amortized due to inability to dispose them or to produce a solid plan for disposal within a year within the provisions of banking legislation.

On the other hand properties acquired by the Bank due to receivables and debtors’ obligations to the Bank are reflected as assets held for sale in the financial statements provided that there is a contracted term sale agreement.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale. Discontinued operations are presented separately in the income statement. The Parent Bank has no discontinued operations.

XII. Explanations on goodwill and other intangible assets

Intangible assets are stated at cost adjusted for inflation until 31 December 2004, less provision for impairment, if any, and accumulated amortization and amortized with straight-line method.

The other intangible assets of the Group comprise mainly computer software. The useful lives of such assets acquired prior to 2004 have been determined as 5 years and for the year 2004 and forthcoming years, as 3 years.

There is no goodwill related to associates and subsidiaries.

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XIII. Explanations on tangible assets

Fixed assets are stated at cost adjusted for inflation until 31 December 2004, less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The annual rates used for amortization are as follows:

Property	2%
Movables, Leased assets	6.67% - 20%

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than one year as of the balance sheet date. Leasehold improvements are depreciated over the term of the lease agreements by straight-line method.

If the recoverable amount (the higher of value in use and fair value) of a tangible asset is less than its carrying value, impairment loss is provided and the carrying value is written down to its recoverable amount.

Gains or losses resulting from disposals of the fixed assets are recorded in the income statement as the difference between the net proceeds and net book value of the asset.

Expenses for repairs are capitalized if the expenditure increases economic life of the asset; other repair costs are expensed.

Property held for long-term rental yields and/or capital appreciation is classified as investment property. Investment properties are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the properties.

XIV. Explanations on leasing transactions

Bank as a lessee

Assets acquired under finance lease contracts are recorded both as an asset and a liability at the beginning date of the lease. The basis for the determination of these amounts is the lower of fair value of the leased asset or the present value of the lease payments. The direct costs incurred during a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets and if a diminution in recoverable value of the leased asset is identified, a provision for impairment is recognized.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Bank as a lessor

The Parent Bank, as a participation bank, acts as a lessor in finance leasing transactions. The Group presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

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XV. Explanations on provisions and contingent liabilities

Provisions and contingent liabilities are accounted for in accordance with “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (“TAS 37”).

Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of 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. The Bank recognizes provisions for obligations which arose from prior periods in current financial year, only if, the possibility of realization is high and a reliable estimation can be made.

A provision is provided if liabilities have been originated as a result of past events in the period they arise, if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

When a reliable estimate of the amount of the obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, the obligation is considered as a “Contingent” liability and is disclosed in the related notes to the financial statements.

XVI. Explanations on liabilities relating to employee benefits

a) Defined benefit plans:

In accordance with existing social legislation, the Group is required to make severance pay to each employee who has completed over one year of service with the Group and who retires or quits the employment to receive old age or disability benefits, to fulfil the compulsory military service, because of the marriage (for females) or because of the other compulsive reasons as defined in the laws and whose employment is terminated due to reasons other than resignation or misconduct.

The retirement pay provision recognized in the accompanying financial statements, is calculated based on “Turkish Accounting Standard on Employee Benefits (“TAS 19”)), and based on upon factors derived using the past experience of the Group with respect to completion of service period and eligibility to receive retirement pay and discounted at the balance sheet date.

The Group’s employees are not members of any pension fund, foundations, union or other similar entities.

b) Defined contribution plans:

The Parent Bank pays defined contribution plans to publicly administered Social Security Funds for its employees as mandated by the Social Security Association. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as employee benefit expense when they are due.

c) Short term benefits to employees:

In accordance with “TAS 19”, vacation pay liabilities are defined as “Short Term Benefits to Employees” and accrued as earned and not discounted.

Group management calculates bonus accrual if it foresees that the budgeted year-end figures approved by the Board of Directors are attainable.

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XVII. Explanations on taxation

Current tax

The corporate tax rate in Turkey is 20%. This rate is applied on taxable income which is calculated by adjusting the income before tax for certain disallowable expenses, tax exempt income and other allowances. No further tax is applicable unless the profit is distributed. According to the tax code, each quarter advance tax amount is calculated using a rate of 20% over tax base and paid, then the paid advance taxes are deducted from the corporate tax liability that is calculated for the year.

Withholding taxes is not applied to dividends distributed to companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey. With the Council of Minister's decision numbered 2009/14593 and 2009/14594 which are published in official gazette numbered 27130 and dated 3 February 2009, some deduction rates in 15th and 30th articles of the corporate tax law numbered 5520 were re-determined. In accordance with this, dividends distributed to companies other than companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey are subject to 15% withholding taxes. Double tax treaty agreements are also taken into consideration during the application of withholding taxes on dividends distributed to real persons and to foreign based taxpayers. Addition of profit to share capital is not considered as dividend distributed therefore no withholding taxes is applied.

Corporate tax returns are filed by the twenty fifth day of the fourth month following the balance sheet date and taxes is paid in one instalment by the end of that month.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. However, losses cannot be carried back to offset profits from previous periods. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments.

Deferred tax

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). Deferred tax asset is calculated on all temporary differences other than general provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. If transactions and events are recorded directly in the shareholders' equity, the related tax effects are recognized directly in the shareholders' equity.

XVIII. Explanations on additional disclosures on borrowings

Borrowings other than funds collected are measured at amortized cost using the internal rate of return method after the initial recognition. The Group does not apply hedging techniques on related borrowings.

There are no debt securities issued by the Group.

The Group has not issued convertible bonds.

Borrowing through the rent certificates (Sukuk)

In order to collect funds from various investors, the Parent Bank issued a 5 year term rent certificate amounting to USD 350 million on 31 October 2011 with a profit share rate of 5.875%. The Parent Bank has performed this issue through KT Sukuk Varlık Kiralama A.Ş. (Note V Part I-i), which is a subsidiary of the Parent Bank that is established specifically for this transaction (the issuance of the rent certificates). Funds collected by KT Sukuk Varlık Kiralama A.Ş. from rent certificate investors, amounting to USD 350 million, is transferred to the Bank in exchange of some of the real estate assets, loan receivables and leasing receivables of the Parent Bank. Within the scope of the aforementioned transaction, the Parent Bank sold its real estate properties with a net book value of TL 61,195 to KT Sukuk Varlık Kiralama A.Ş. for a consideration equal to their market price of TL 248,734 (USD 136,870 thousand) and leased back these real estate assets for 5 years with a repurchase option at the end of the fifth year.

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XVIII. Explanations on additional disclosures on borrowings (continued)

Borrowing through the rent certificates (Sukuk) (Continued)

In accordance with the letter received from BRSA, numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated 13 March 2012 this transaction is accounted for as “sale and lease back” transaction in accordance with “TAS 17”. As a consequence of this accounting treatment, the net book value of the real estate property transferred and leased back increased from TL 61,195 to TL 248,734. The difference of TL 187,539 between the net book value of TL 61,195 before the aforementioned transaction and the net book value of TL 248,734 after the aforementioned transaction will be recognized as income in 5 years using the effective interest method and accounted for as deferred income under other liabilities. Current period TL 20,896 of the aforementioned deferred income is recognized as income in the income statement. The difference accounted as tangible assets mentioned above, will be recognized as expense by accounting under “other expenses” in the income statement during the period of lease.

As a result of the lease back of the real estate property, the total amount of semi-annual rental payments to be made to KT Sukuk Varlık Kiralama A.Ş. in 5 years and total amounting to USD 177,076 thousand is discounted with a profit share rate of 5.875% to the date of the transaction as USD 136,870 thousand and accounted for as financial lease payables.

The remaining part of the total funds of USD 350 million transferred by KT Sukuk Varlık Kiralama A.Ş. to the Bank which is not part of the sale and leaseback transaction and amounting to USD 213,130 thousand is accounted for as Funds Borrowed in the balance sheet.

While preparing the consolidated financial statements as per TFRS explanation 27, the below eliminations and classifications have been performed to borrowings through the rent certificate (Sukuk) which is accounted at the stand alone financial statements as mentioned above .

The difference between the sales price and the net carrying value before the sale amounting to TL 184,729 (31 December 2011: TL 186,914) of the real estate property concerning rent certificate is eliminated from “Tangible Assets”, deferred income amounting to TL 163,414 (31 December 2011: TL 184,310) is eliminated from “Other Liabilities”, current period PL effect of deferred income from real estate property amounting to TL 20,896 (31 December 2011: None) and amortization expense based on the revaluation of property amounting to TL 2,185 (31 December 2011: None) and fixed asset impairment amounting to TL 18,711 is eliminated from other operating expenses.

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XIX. Explanations on share certificates issued

The Parent Bank's paid in capital increased by TL 150,000 from 2011 net profit (TL 195,042), after distributing TL 27,737 as reserves and TL 17,305 as dividend.

XX. Explanations on acceptances and availed drafts

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

XXI. Explanations on government grants

There are no government grants received by the Group.

XXII. Explanations on segment reporting

The Group operates in three main segments; Corporate and Commercial Banking; Retail Banking; International Banking, Treasury and Investment Banking. Each segment operates with unique products, and the operational results are followed based on these segments.

Segment reporting is disclosed in Section Four, Note X.

XXIII. Explanations on other matters

There are no other matters to be disclosed by the Group.

XXIV. Additional paragraph for convenience translation

The effects of differences between accounting principles and standards set out by regulations in conformity with article 37 of the Banking Act No. 5411, the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations on consolidated capital adequacy standard ratio

Capital adequacy ratio is calculated in accordance with the “The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette No: 26333, dated 1 November 2006 and “The Regulation on Amendments to the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette No: 26669, 26824, 27320, 27968 and 28337 dated 10 October 2007, 22 March 2008, 15 August 2009, 18 June 2011 and 28 June 2012 respectively.

For the calculation of the capital adequacy ratio, the accounting records prepared in compliance with the current legislation are used. Such accounting information is included in the calculation of credit and market risks subsequent to their designation as “trading book” and “banking book” according to the Regulation.

Trading books include in and off the balance sheet accounts and positions over which derivative financial instruments and speculative-purpose derivative instruments are followed up, the financial instruments and commodities held by the Bank for the purpose of performing purchase and sales transactions in order to benefit from the price differences expected or realized as short term and/or between the purchase and sales prices or the other price and rate of exchange changes and in order to protect from the risks or reduce such risks arising of the positions relevant to the mentioned financial instruments and commodities. The accounts other than the trading books are defined as banking books.

Banking books include Due from Central Bank, Due from Banks, Loans and Receivables, Leasing Receivables, Transactions and Other Assets items in the assets; and Funds Collected, Securities Issued, Borrowings, Subordinated Loans, Other Liabilities items in the liabilities. The derivative financial instruments and available-for-sale financial assets are followed up over the Trading Books.

Risk measurement methods used in the determination of the standard rate capital adequacy ratio by way of determination of the risk-weighted assets and non-cash loans according to the risk weight rates in the relevant regulation and inclusion within the capital adequacy standard rate calculations after calculation of the market risk and the operational risk in compliance with the relevant regulations. Credit risk is calculated by subjecting the risk-weighted assets and non-cash loans to the risk weight rates in the relevant legislation and application of the risk reduction techniques, and the standard method is used for the market risk and the basic indicator method is used for the operational risk.

Based on the Communiqué concerning “Measurement and Assessment of Capital Adequacy of Banks”, the capital adequacy ratio of the Bank is 14.16%.

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I. Explanations on consolidated capital adequacy standard ratio (continued)

Information for capital adequacy standard ratio:

Consolidated	Risk Weights									
	0%	10%	20%	50%	75%	100%	150%	200%	1250%	
Value at Credit Risk	-	-	212,903	2,165,602	2,196,661	6,814,278	29,112	17,766	-	
Exposure Categories	4,389,716	-	1,064,513	4,331,204	2,928,881	6,814,278	19,408	8,883	-	
Conditional and unconditional receivables from central governments or central banks	2,061,557	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from international Organizations	-	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from banks and brokerage houses	99,052	-	1,063,685	278,602	-	369,226	-	-	-	
Conditional and unconditional receivables from corporates	185,376	-	-	-	-	5,110,227	-	-	-	
Conditional and unconditional retail receivables	131,852	-	-	-	2,928,881	-	-	-	-	
Conditional and unconditional receivables secured by mortgages	25,084	-	-	4,047,414	-	602,364	-	-	-	
Past due receivables	42	-	-	5,188	-	12,695	-	-	-	
Receivables defined in high risk category by BRSA	222	-	-	-	-	-	19,408	8,883	-	
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	
Securitization positions	-	-	-	-	-	-	-	-	-	
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	
Other receivables	1,886,531	-	828	-	-	719,766	-	-	-	

Parent Bank	Risk Weights									
	0%	10%	20%	50%	75%	100%	150%	200%	1250%	
Value at Credit Risk	-	-	212,903	2,165,602	2,196,661	6,977,447	29,112	17,766	-	
Exposure Categories	4,389,711	-	1,064,513	4,331,204	2,928,881	6,977,447	19,408	8,883	-	
Conditional and unconditional receivables from central governments or central banks	2,061,557	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from international Organizations	-	-	-	-	-	-	-	-	-	
Conditional and unconditional receivables from banks and brokerage houses	99,052	-	1,063,685	278,602	-	368,822	-	-	-	
Conditional and unconditional receivables from corporates	185,376	-	-	-	-	5,091,295	-	-	-	
Conditional and unconditional retail receivables	131,852	-	-	-	2,928,881	-	-	-	-	
Conditional and unconditional receivables secured by mortgages	25,084	-	-	4,047,414	-	602,364	-	-	-	
Past due receivables	42	-	-	5,188	-	12,695	-	-	-	
Receivables defined in high risk category by BRSA	222	-	-	-	-	-	19,408	8,883	-	
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	
Securitization positions	-	-	-	-	-	-	-	-	-	
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	
Other receivables	1,886,526	-	828	-	-	902,271	-	-	-	

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I. Explanations on capital adequacy standard ratio (continued)

Summary of the capital adequacy standard ratio:

	Parent Bank	Consolidated
	Current Period	Current Period
Capital Requirement for Credit Risk (Amount Subject to Credit Risk *0.08) (CRCR)	927,959	914,906
Capital Requirement for Market Risk (MRCR)	80,394	80,767
Capital Requirement for Operational Risk (ORCR)	95,383	95,383
Shareholders' Equity	1,927,929	1,930,655
Shareholders' Equity / ((TRWA + ASMR + ASOR) *12.5*100)	13.97	14.16

Components of shareholders' equity:

	Current Period
CORE CAPITAL	
Paid-in Capital	1,100,000
Nominal capital	1,100,000
Capital commitments (-)	-
Inflation indexation difference on paid-in capital subordinated to all other receivables in case of the liquidation of the Bank	-
Share premium	23,250
Share cancellations profits	-
Legal Reserves	300,809
Inflation Adjustments to Legal Reserves	-
Profit	251,933
Current Period's Profit	251,933
Prior Periods' Profit	-
Provision for Possible Losses (up to 25% of Core Capital)	-
Income on Sale of Equity Shares and Real Estates	-
Primary subordinated loans up to 15% of the core capital	-
Loss (in excess of Reserves) (-)	(2,438)
Current Period's Losses	-
Prior Periods' Losses	(2,438)
Leasehold Improvements on Operational Leases (-)	31,455
Intangible Assets (-)	43,652
Deferred Tax Asset in excess of 10% of Core Capital (-)	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-
Total core capital	1,598,447
SUPPLEMENTARY CAPITAL	
General provisions	86,826
45% of the revaluation reserve for movable fixed assets	-
45% of the of revaluation reserve for properties	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Primary subordinated loans excluded in the calculation of the core capital	-
Secondary subordinated loans	281,938
45 % of Securities Value Increase Fund	5,944
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit / Loss	-
Total supplementary capital	374,708
CAPITAL	1,973,155
DEDUCTIONS FROM CAPITAL	42,500
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments of ten percent or more	-
Shareholdings of banks and financial institutions (Domestic, Foreign) in which the Bank has investments less than ten percent total of which exceed ten percent of Bank's Core and Supplementary Capital	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from such parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-
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 from foreclosure	2,070
Securitization Positions to be Deducted from Equity	-
Other	40,430
TOTAL SHAREHOLDER'S EQUITY	1,930,655

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I. Explanations on consolidated capital adequacy standard ratio (continued)

Approaches for assessment of adequacy of internal capital requirements for current and future activities

Internal evaluation process is established for continuously evaluating and maintaining the types, components and distribution of the adequate level of capital in order to provide for various risks exposed to or to be exposed to. The final purpose of the evaluation process of the internal capital requirement, is to define and evaluate whether all the risks are included in the calculation of the legal capital requirements, within the frame of the activities of the bank, and to provide the availability of adequate capital in order to cover for these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Group's growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effects of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Groups risk profile and risk appetite.

Within this scope, 2012 capital structure is reviewed as based on the frame of the activities and risks exposed to, and the internal capital requirement, probable to occur within the direction of 2013 targets and strategies of the Group is evaluated. This evaluation includes interest rate risk, concentration risk, liquidation risk, reputation risk, residual risk, country risk and strategic risk arising of the banking books as well as market, credit and operational risks. Capital requirement internal evaluation is evaluated to be a developing process and the development areas for the future period are determined and plans are prepared.

II. Explanations on Consolidated Credit Risk

Credit risk means the risks and damages to arise as a result of partial or complete non-fulfilment of the obligations timely by non-compliance of the counter party with the requirements of the agreement concluded with the Group.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. The upper limit of the rate of the credits granted to the companies in one sector to the total credits is determined annually by the Board of Directors and is updated as required.

The credit risk which the Group is exposed to outside of Turkey is followed up by the Board of Directors within the frame of the determined limits according to countries and regions. Within this scope, the total risk which the Group is exposed in the foreign country or region, the total of the credit risk taken by the banks residing abroad and/or their branches in Turkey, the total risks of the credits granted to the people residing abroad or with foreign nationality, the risk total taken over the corporate customers and/or banks to which the partners residing in Turkey but of which the principal shareholder or shareholders reside in another country, had given guarantee and in required cases, the risk total taken by the Group in Turkey should be followed up.

The risks and limits arising from the treasury transactions and customer based commercial transactions are followed up daily. Moreover, the review of the limits allocated as based on the ratings of the correspondent banks and the maximum risk that the Group can take within its equity; are also performed daily. The risk limits relevant to the transactions performed daily are determined and the risk intensity relevant to the off balance sheet transactions are being followed up.

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans, the credit worthiness of the debtors of the loans and the other receivables are followed up at regular intervals, in case of early determination of a probable repayment problem, the credit limits are redefined and additional guarantees are received and in order to sustain the profitability of the Bank. The account statement documents are received as defined in the legislation, during the loan generation process. The guarantees are received within the frame of the relevant legislation, by consideration of the quality of the credit and the financial structure of the company and as based on the credit committee decision.

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II. Explanations on Consolidated Credit risk (continued)

The loans which do not exceed the passed due limits to be classified as Third Group loans defined in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans, are classified as "past due" loans; all the loans and receivables classified in the third, fourth and fifth groups indicated in the same Regulation are accepted to be "impaired loans".

The positions in the form of futures, options agreements and similar agreements are not held.

Non-cash loans which are liquidated, are subject to the same risk weight with the overdue loans as stated in the communicate on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans. The rescheduled and restructured loans are followed up in compliance with the methods determined in the relevant legislation.

Foreign trade financing and inter-banks loan transactions are performed by a wide network of correspondents. The country risks, limits, correspondent risks and limits are regularly evaluated within this scope.

There is no material credit risk concentration when evaluated together with the financial activities of the other financial institutes.

The Group's largest 100 and 200 cash loan customers represent 11% and 15% of the total cash loan portfolio, respectively.

The Group's largest 100 and 200 non-cash loan customers represent 43% and 54% of the total non-cash loan portfolio, respectively.

The Group's largest 100 and 200 cash and non-cash loan customers represent 22% and 28% of the total cash and non-cash loan portfolio, respectively.

The general provision for credit risk amounts to TL 138,118.

Exposure Categories	Current period Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional exposures to central governments or central banks	2,061,557	1,846,552
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial Undertakings	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organisations	-	-
Conditional and unconditional exposures to banks and brokerage houses	1,810,565	1,845,274
Conditional and unconditional exposures to corporates	5,295,603	5,335,060
Conditional and unconditional retail exposures	3,060,733	2,924,015
Conditional and unconditional exposures secured by real estate property	4,674,862	4,613,273
Past due items	17,925	15,408
Items in regulatory high-risk categories	28,513	39,635
Exposures in the form of bonds secured by mortgages	-	-
Securitization positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Other items	2,607,125	2,533,710
Total	19,556,883	19,152,927

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(**) Average risk amounts 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 Banks (28 June 2012) to the period end.

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II. Explanations on Consolidated Credit Risk (continued)

Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Other	Total
Domestic	2,061,557	479,749	5,154,290	3,056,390	4,632,879	17,925	28,402	-	15,431,192
European Union (EU)	-	484,194	5,268	1,413	9,321	-	111	-	500,307
OECD Countries(**)	-	300,291	-	53	313	-	-	-	300,657
Off-Shore Banking Regions	-	103,940	32,123	805	19,077	-	-	-	155,945
USA, Canada	-	78,407	-	22	101	-	-	-	78,530
Other Countries	-	363,984	103,922	2,050	13,171	-	-	-	483,127
Associates, Subsidiaries and									
Joint –Ventures	-	-	-	-	-	-	-	57,863	57,863
Unallocated									
Assets/Liabilities(***)	-	-	-	-	-	-	-	2,549,262	2,549,262
Total	2,061,557	1,810,565	5,295,603	3,060,733	4,674,862	17,925	28,513	2,607,125	19,556,883

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

(**) Includes OECD countries other than EU countries, USA and Canada.

(***) Includes asset and liability items that can not be allocated on a consistent basis.

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II. Explanations on Consolidated Credit Risk (continued)

Risk profile by sectors or counterparties

Current Period (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Items in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other items	TL	FC	Total	
Agriculture	-	-	-	-	-	-	133,332	51,586	63,940	142	116	-	-	-	-	-	232,229	16,887	249,116	
Farming and Stockbreeding	-	-	-	-	-	-	99,055	26,928	34,253	2	66	-	-	-	-	-	149,520	10,784	160,304	
Forestry	-	-	-	-	-	-	30,411	22,766	27,008	139	50	-	-	-	-	-	74,471	5,903	80,374	
Fishery	-	-	-	-	-	-	3,866	1,892	2,679	1	-	-	-	-	-	-	8,238	200	8,438	
Manufacturing	-	-	-	-	-	-	1,534,897	572,986	811,910	1,371	2,522	-	-	-	-	-	2,369,630	554,056	2,923,686	
Mining and Quarrying	-	-	-	-	-	-	310,601	108,926	163,243	586	363	-	-	-	-	-	426,153	157,566	583,719	
Production	-	-	-	-	-	-	1,010,373	442,089	593,677	780	2,127	-	-	-	-	-	1,744,609	304,437	2,049,046	
Electricity, Gas and Water	-	-	-	-	-	-	213,923	21,971	54,990	5	32	-	-	-	-	-	198,868	92,053	290,921	
Construction	-	-	-	-	-	-	1,394,542	385,791	730,162	14,223	1,414	-	-	-	-	-	1,941,738	584,394	2,526,132	
Services	2,061,557	-	-	-	-	-	1,810,565	1,463,557	948,613	1,256,682	894	4,208	-	-	-	-	3,583,937	3,962,139	7,546,076	
Wholesale and Retail Trade	-	-	-	-	-	-	767,288	614,851	891,176	777	3,193	-	-	-	-	-	1,979,476	297,809	2,277,285	
Accommodation and Dining	-	-	-	-	-	-	36,447	21,343	80,093	16	116	-	-	-	-	-	97,024	40,991	138,015	
Transportation and Telecom.	-	-	-	-	-	-	438,329	222,150	107,466	10	651	-	-	-	-	-	575,585	193,021	768,606	
Financial Institutions	2,061,557	-	-	-	-	-	1,810,565	38,555	527	14,297	-	-	-	-	-	-	541,748	3,383,753	3,925,501	
Real Estate and Rental																				
Services	-	-	-	-	-	-	79,737	11,998	36,513	-	13	-	-	-	-	-	98,109	30,152	128,261	
Professional Services	-	-	-	-	-	-	103	134	190	-	1	-	-	-	-	-	428	-	428	
Educational Services	-	-	-	-	-	-	3,927	6,217	15,819	1	3	-	-	-	-	-	24,952	1,015	25,967	
Health and Social Services	-	-	-	-	-	-	99,171	71,393	111,128	90	231	-	-	-	-	-	266,615	15,398	282,013	
Others	-	-	-	-	-	-	769,275	1,101,757	1,812,168	1,295	20,253	-	-	-	-	-	2,607,125	4,306,154	2,005,719	6,311,873
Total	2,061,557	-	-	-	-	-	1,810,565	5,295,603	3,060,733	4,674,862	17,925	28,513	-	-	-	-	2,607,125	12,433,688	7,123,195	19,556,883

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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II. Explanations on Consolidated Credit Risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Categories (*),(**)	Term to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional exposures to central governments or central banks	2,061,557	-	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	597,331	158,399	1,854	149,458	9,562
Conditional and unconditional exposures to Corporates	783,547	441,571	640,018	923,778	2,423,187
Conditional and unconditional retail exposures	311,242	262,599	416,515	591,755	1,294,092
Conditional and unconditional exposures secured by real estate property	215,885	237,503	441,325	844,623	2,935,524
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	7,807	443	268	2,863	17,130
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment Undertakings	-	-	-	-	-
Other items	14,646	-	10,752	-	-
Total	3,992,015	1,100,515	1,510,732	2,512,477	6,679,495

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

(**) Undistributed credit risk amounts are not included in the table above.

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II. Explanations on Consolidated Credit Risk (continued)

Exposure Categories

In compliance with the 7th article of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks, determination of the risk weights is performed based on the credit ratings provided by the rating companies.

The ratings of an international credit rating institution are used for Banks and Corporate Receivables and being limited to the receivables in which the counter party resides abroad. The receivables from the banks are examined under two different receivable classes based on the remaining term. If the remaining term is 3 months or less, these are classified as "Short Term Receivables from Banks and Brokerage Houses" and if more than 3 months, as "Receivables from Banks and Brokerage Houses". The banks and institutions residing in the country are evaluated without rating.

The ratings provided by the international rating institution are used while determining the class of risk weighted asset. The ratings of the credit rating institution are used for Banks and Corporate Receivables class, being limited to the receivables, in which the counter party resides abroad.

"Credit Quality Levels" corresponding to the ratings of the credit rating institution are presented in the following table.

Exposure Categories					
Credit Quality Grade	Fitch Risk Rating	Exposures from Banks and Brokerage Houses			
		Exposures to Central Governments or Central Banks	Exposures with Remaining Maturities Less Than 3 Months	Exposures with Remaining Maturities More Than 3 Months	Exposures to Corporates
1	AAA AA+ AA AA-	0%	20%	20%	20%
2	A+ A A-	20%	20%	50%	50%
3	BBB+ BBB BBB-	50%	20%	50%	100%
4	BB+ BB BB-	100%	50%	100%	%100%
5	B+ B B-	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%
Unrated	Unrated	100%	20% (*)	50% (*)	100%

(*) This is used under the condition of not being less than the implemented rate in the centralized management of the Parent Bank's located country.

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II. Explanations on Consolidated Credit Risk (continued)

Exposure Categories (continued)

Exposures by risk weights:

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deductions from Equity
Exposures before										
Credit Risk										
Mitigation	4,047,140	-	1,064,513	4,331,247	3,060,733	7,024,737	19,630	8,883	-	42,500
Exposures after										
Credit Risk										
Mitigation	4,389,716	-	1,064,513	4,331,205	2,928,881	6,814,277	19,408	8,883	-	42,500

Information by major sectors and type of counterparties

Impaired Loans; are the credits that either overdue for more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, “Specific Provisions” are provided as per the Provisioning Regulation.

Past Due Loans; are the credits that overdue for up to 90 days but not impaired. For such credits, “General Provisions” are provided as per the Provisioning Regulation.

Current Period	Credits			
	Impaired Credits	Past Due Credits	Adjustments (*)	Value Provisions
Agriculture	5,109	6,390	124	4,762
Farming and Stockbreeding	2,129	3,170	66	2,038
Forestry	2,728	2,889	53	2,473
Fishery	252	331	5	251
Manufacturing	74,336	90,176	2,143	69,866
Mining and Quarrying	12,367	11,964	254	11,162
Production	59,362	74,357	1,807	56,142
Electricity, Gas and Water	2,607	3,855	82	2,562
Construction	75,898	127,743	2,211	58,785
Services	89,412	218,968	3,904	82,965
Wholesale and Retail Trade	59,342	76,447	1,798	54,429
Accommodation and Dining	2,198	8,437	180	2,023
Transportation and Telecommunication	23,177	114,431	1,582	22,261
Financial Institutions	-	56	1	-
Real Estate and Rental Services.	790	2,899	53	774
Professional Services	26	-	-	25
Educational Services	42	1,454	24	37
Health and Social Services	3,837	15,244	266	3,416
Others	40,584	294,413	4,097	35,780
Total	285,339	737,690	12,479	252,158

(*) The figures represent general provision amount for past due loans.

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II. Explanations on Consolidated Credit Risk (continued)

Movements in value adjustments and provisions

	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
Specific Provisions	178,714	159,532	(65,735)	(20,353)	252,158
General Provisions	110,388	27,730	-	-	138,118

(*) Represents written-off loans.

Credit rating system of Parent Bank for cash and non-cash loans

31 December 2012	High grade	Standard grade	Sub-standard grade	Unrated	Total
Banks, Central Bank and reserve deposit (excluding cash on hand)	2,026,872	1,583,872	-	-	3,610,744
Loans and Leasing Receivables	2,052,391	5,362,899	2,640,751	1,844,491	11,900,532
Corporate	1,997,510	2,522,476	2,204,493	1,035,753	7,760,232
Individual	-	1,662,663	226,858	270,035	2,159,556
Small Business	47,698	1,146,884	196,952	453,003	1,844,537
Credit Card	7,183	30,876	12,448	85,700	136,207
Contingent Liabilities-Guarantees	2,610,873	1,464,983	1,157,916	1,066,680	6,300,452
Commitments	346,218	-	-	1,260,053	1,606,271
Total	7,036,354	8,411,754	3,798,667	4,171,224	23,417,999

31 December 2011	High grade	Standard grade	Sub-standard grade	Unrated	Total
Banks, Central Bank and reserve deposit (excluding cash on hand)	1,274,052	832,409	-	-	2,106,461
Loans and Leasing Receivables	393,104	7,659,133	274,560	2,086,772	10,413,569
Corporate	362,150	5,547,267	43,832	909,541	6,862,790
Individual	26	981,066	105,308	789,202	1,875,602
Small Business	29,693	1,108,391	123,391	314,371	1,575,846
Credit Card	1,235	22,409	2,029	73,658	99,331
Contingent Liabilities-Guarantees	653,787	3,561,922	34,572	791,397	5,041,678
Commitments	733,025	-	-	896,616	1,629,641
Total	3,053,967	12,053,464	309,132	3,774,786	19,191,349

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III. Explanations on consolidated market risk

The Group has established market risk operations and has taken the necessary precautions in order to manage market risk within its financial risk management purposes under “Risk Management Systems” in accordance with BRSA “Regulation on Banks’ Internal Systems” published in the Official Gazette No. 26333 dated 1 November 2006.

Organizational and functional internal applications of risk management systems have been determined by the Board of Directors in accordance with the regulation mentioned above. The Bank approved the regulation related to the “Risk Management Systems and Working Procedures and Principles of the Risk Management Presidency”. With this internal regulation and Treasury Directorship’s Marketing and Liquidity Risk Management Policy and Application Procedures which are also approved by the Board of Directors, the procedures with respect to management of market risk are determined. Additionally, the Board of Directors, without transfer of its responsibility, requires the consent of the risk management group and the top management of the Bank to take necessary actions in order to identify, measure, control and manage the risks that the Bank is exposed to.

Additionally, in accordance with the official communication on “Measurement and Assessment of Capital Adequacy of Banks”, published in the same Official Gazette as mentioned above, and in the context of other related regulations, the Bank has started to calculate and report to BRSA the amount subject to market risk with the Standard Method and the amount thus calculated has been considered in the capital adequacy calculation of the Bank.

The capital which should be kept against general market risk and specific risks, is calculated and monthly reported in accordance with the “Marketing risk measurement process with standard method” which is the third chapter of “Calculation of Marketing Risk Amount” of the “Communiqué on the “Measurement and Assessment of Capital Adequacy of Banks”. The following table indicates the details of the market risk calculation as of 31 December 2012, in accordance with the Market Risk Calculation principles pursuant to the Part 2 of the Second Section of the “Regulation on Measurement and Assessment of Capital Adequacy of Banks” published in the Official Gazette No. 28337 on 28 June 2012.

a. Information related to market risk:

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	42,549
(II) Capital Obligation against Specific Risk - Standard Method	21,051
Capital Requirement against Specific Risks of Securitization Positions– Standard Method	-
(III) Capital Obligation against Currency Risk - Standard Method	6,954
(IV) Capital Obligation against Commodity Risk - Standard Method	9,010
(V) Capital Obligation against Settlement Risk - Standard Method	-
(VI) Total Capital Obligation against Market Risks of Options – Standard	-
(VII) Capital Requirement against Counterparty Credit Risks - Standard Method	1,203
(VIII) Total Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(IX) Total Capital Obligation against Market Risk (I+II+III+IV+V+VI+VII)	80,767
(X) Value-At-Market Risk (12.5 x VIII) or (12.5 x IX)	1,009,588

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III. Explanations on consolidated market risk (continued)

b. Monthly average values at market risk

	Current Period		
	Average	Highest	Lowest
Interest Rate Risk	481	511	450
Equity-Shares Position Risk	40,845	63,149	18,540
Currency Position Risk	7,186	7,417	6,954
Commodity Risk	12,190	15,370	9,010
Clearing Risk	-	-	-
Option Market Risk	-	-	-
Counterparty Credit Risk	1,360	1,517	1,203
Total Value at Risk	62,062	87,964	36,157

The table above is prepared starting from 1 July 2012 according to the Communiqué on "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette numbered 28337 on 28 June 2012.

Quantitative information on counterparty risk

In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amount. The replacement costs are calculated valuing the contracts at their fair values and the potential credit risks are calculated multiplying the contract amounts with the credit conversion factors set in the appendix of the regulation.

	Amount
Interest-Rate Contracts	-
Foreign-Exchange-Rate Contracts	26,115
Commodity Contracts	1,919
Equity-Shares Related Contracts	-
Other	-
Gross Positive Fair Values	389
Netting Benefits	-
Net Current Exposure Amount	-
Collaterals Received	-
Net Derivative Position	28,423

Information on Consolidated Operational Risk

"Basic Indicator Method" is used during calculation of the consolidated operational risk of the Group. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Bank for the last 3 years, 2011, 2010 and 2009 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks published in the Official Gazette numbered 28337 and dated 28 June 2012. The annual gross revenue is calculated by adding of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the bank, subsidiary of the bank or subsidiary of the shareholder of the bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service received from a bank and the amounts compensated from insurance. TL 95,383 corresponding to the 8% of TL 1,192,287 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 95,383 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

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III. Explanations on consolidated market risk (continued)

Information on Consolidated Operational Risk (continued)

	31/12/2009	31/12/2010	31/12/2011	Total/ No. of		Total
	Amount	Amount	Amount	Years of Positive	Rate (%)	
Gross Income	541,872	595,806	769,979	Gross	15	95,383
Value at Operational Risk (Total*12.5)						1,192,287

IV. Explanations on consolidated currency risk

Foreign currency risk represents the Group's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to Standard Method.

The Parent Bank monitors daily the designated limits set by the Board of Directors and additionally observes the possible value changes in foreign currency positions. The limits are determined and followed both for the net foreign currency position and for the cross exchange rate risk within the position. As a tool of foreign currency risk management, foreign currency forward transactions are used when necessary to mitigate the risk.

As of 31 December 2012, the Group carries a net foreign currency long position of TL 21,745 (31 December 2011 – TL 463 long position) comprising TL 334,605 balance sheet long position (31 December 2011 - TL 4,655 long position) and TL 312,860 off balance sheet short position (31 December 2011 - TL 5,118 long position).

The announced current foreign exchange buying rates of the Parent Bank as of 31 December 2012 and the previous five working days are as follows (Full TL):

	24/12/2012	25/12/2012	26/12/2012	27/12/2012	28/12/2012	Balance sheet evaluation rate
USD	1.7869	1.7893	1.7877	1.7848	1.7829	1.7826
EURO	2.3605	2.3651	2.3586	2.3566	2.3657	2.3517
GBP	2.9003	2.8950	2.8796	2.8787	2.8823	2.8708
CHF	1.9516	1.9549	1.9516	1.9484	1.9544	1.9430
100 JPY	2.1210	2.1150	2.1050	2.0870	2.0750	2.0660

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days preceding the balance sheet date are as follows (full TL):

	Monthly average FC purchase rate
USD	1.7788
EUR	2.3335
GBP	2.8696
CHF	1.9276
100 JPY	2.1249

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IV. Explanations on consolidated currency risk (continued):

Currency risk of the Group:

	EURO	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (****)	286,352	1,173,183	2,178,705	3,638,240
Banks	110,231	847,481	312,762	1,270,474
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Available-for-sale financial assets (**)	-	136,789	-	136,789
Loans and finance lease receivables (*)	1,166,522	3,577,676	146,189	4,890,387
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Held-to-maturity investments	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	367	356	-	723
Intangible assets	-	-	-	-
Other assets	4,971	13,289	219	18,479
Total assets	1,568,443	5,748,774	2,637,875	9,955,092
Liabilities				
Current account and funds collected from Banks via participation accounts	1,948	96,124	89,971	188,043
Current and profit sharing accounts FC(****)	1,009,094	2,608,382	2,178,168	5,795,644
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	110,198	2,593,935	-	2,704,133
Marketable securities issued	-	811,539	-	811,539
Miscellaneous payables	158	11,688	4,628	16,474
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	17,327	85,588	1,739	104,654
Total liabilities	1,138,725	6,207,256	2,274,506	9,620,487
Net balance sheet position	429,718	(458,482)	363,369	334,605
Net off-balance sheet position	(421,493)	468,105	(359,472)	(312,860)
Financial derivative assets	333,445	1,470,499	174,093	1,978,037
Financial derivative liabilities	754,938	1,002,394	533,565	2,290,897
Non-cash loans (***)	728,611	1,962,846	170,722	2,862,179
Prior period				
Total assets	1,046,960	4,653,404	1,894,520	7,594,884
Total liabilities	1,095,444	4,454,204	2,040,581	7,590,229
Net balance sheet position	(48,484)	199,200	(146,061)	4,655
Net off-balance sheet position	48,043	(189,210)	146,285	5,118
Financial derivative assets	493,855	1,208,237	231,309	1,933,401
Financial derivative liabilities	445,812	1,397,447	85,024	1,928,283
Non-cash loans (***)	585,755	1,422,316	397,445	2,405,516

- (*) Includes foreign currency indexed loans amounting to TL 3,872,406 (31 December 2011 – TL 3,432,816) followed as TL on the balance sheet.
(**) Includes TL 714 (31 December 2011 – TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 413,421 on the balance sheet and TL 17,917 (31 December 2011 – TL 17,917) of foreign currency denominated subsidiaries, which are followed in Turkish Lira as TL 75,830 on the balance sheet.
(***) Does not have any effect to the net off-balance sheet position.
(****) Precious metals are included in "Other FC" column.

Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio, are explained by their gradation in the financial statements below;

- Derivative financial assets held for trading : TL 23,456 (31 December 2011 – TL 3,882)
- Prepaid expenses : TL 0 (31 December 2011 – TL 16)
- Derivative financial liabilities held for trading : TL 4,141 (31 December 2011 – TL 29,699)

Receivables/Payables related to derivative financial instruments include foreign currency purchase/sale transactions that are amounting to;

- Forward foreign currency purchase transactions: TL 125,986 (31 December 2011 - TL 338,718)
- Forward foreign currency sale transactions: TL 137,557 (31 December 2011 - TL 182,975)
- Future precious metal purchase transactions: TL 126,166 (31 December 2011 - TL 141,654)
- Future precious metal sale transactions: TL 479,084 (31 December 2011 – TL 36,119)

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IV. Explanation on consolidated currency risk (continued)

Currency risk sensitivity:

The group is mainly exposed to foreign currency risk in EURO and USD.

The following table shows the group's sensitivity to 10% change both USD and EURO exchange rate. Negative amount refers to decreasing effect that is occurred on profit/loss or equity when USD and EURO appreciate 10% against TL.

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current period	Prior period	Current period	Prior period
USD	10%	962	999	(43)	429
EURO	10%	823	(44)	-	-

V. Explanations on position risk of equity securities in banking book

a) Relation of risks with gains accounted under equity and analysing according to their aims including strategic reasons and the accounting policies applied and general information about valuation techniques with assumptions in this application, the elements that manipulate valuation and important changes:

The Group's non-quoted securities are accounted for fair value. When the fair value cannot be reliably measured, the cost method is used.

b) Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:

Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
1 Securities Available-for-Sale	8,437	-	-
Quoted Securities	-	-	-
2 Investments in Associates	-	-	-
Quoted Securities	-	-	-
3 Investment in Subsidiaries	57,863	-	-
Quoted Securities	-	-	-

c) Realized gains/losses, revaluation surplus, unrealized gains/losses on equity securities and results included in core and supplementary capitals: None.

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VI. Explanations on consolidated liquidity risk

Liquidity risk represents risk of not having sufficient cash or cash inflows to completely meet the cash outflows on time as a result of imbalance in cash flows.

Liquidity risk may also result from inability to penetrate to market or change positions quickly at suitable prices and amounts due to market disruptions or barriers. To mitigate liquidity risk, the Group diversifies funding sources (customer funds and funds borrowed from abroad) and keeps a certain level of assets as cash and cash equivalents.

The Group determines the liquidity position daily and the treasury department manages market transactions in accordance with the liquidity position of the Group. Indicators of liquidity conditions are analysed at the weekly Asset/Liability meetings with the participation of top management.

The liquidity position of the Group's assets and liabilities within framework of the monitoring and evaluation of the liquidity ratio is calculated on a weekly basis. Rates during the period are as follows:

First Maturity Bracket (Weekly)			
	Average (%)	Highest (%)	Lowest (%)
FC	287.89	456.18	146.16
TL+FC	217.67	301.97	134.34

Second Maturity Bracket (Monthly)			
	Average (%)	Highest (%)	Lowest (%)
TL	184.48	275.68	118.73
TL+FC	151.19	199.69	110.67

Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Unallocated (*)	Total
Current period								
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	2,133,934	1,853,649	-	-	-	-	-	3,987,583
Banks	894,369	489,581	143,443	56,479	-	-	-	1,583,872
Financial assets at fair value through profit and loss	9,727	23,096	13,652	2,143	-	-	-	48,618
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	404,984	136,075	8,437	549,496
Loans (*)	-	2,129,272	1,915,892	4,256,661	3,243,920	321,606	33,181	11,900,532
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (**)	4,321	280,170	34,685	227	20,804	-	336,974	677,181
Total assets	3,042,351	4,775,768	2,107,672	4,315,510	3,669,708	457,681	378,592	18,747,282
Liabilities								
Current account and funds collected from banks via participation accounts	124,029	53,653	27,553	91,187	-	-	-	296,422
Current and profit sharing accounts	3,160,690	2,987,587	4,947,560	978,067	381,831	-	-	12,455,735
Funds provided from other financial institutions	-	740,997	247,677	991,995	367,243	361,661	-	2,709,573
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	181,510	630,029	-	-	811,539
Miscellaneous payables	69,305	23,151	-	-	-	-	-	92,456
Other liabilities (*)	-	453,484	19,357	1,087	-	-	1,907,629	2,381,557
Total liabilities	3,354,024	4,258,872	5,242,147	2,243,846	1,379,103	361,661	1,907,629	18,747,282
Net liquidity gap	(311,673)	516,896	(3,134,475)	2,071,664	2,290,605	96,020	(1,529,037)	-
Prior period								
Total assets	2,508,666	2,753,197	1,796,043	3,950,835	3,118,634	257,765	329,215	14,714,355
Total liabilities	2,991,854	2,805,492	3,559,353	1,722,525	947,978	1,060,462	1,626,691	14,714,355
Net liquidity gap	(483,188)	(52,295)	(1,763,310)	2,228,310	2,170,656	(802,697)	(1,297,476)	-

(*) This line also includes receivables from leasing transactions.

(**) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies and prepaid expenses are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions balances.

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VI. Explanations on consolidated liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities:

The following table is prepared before the Group's liabilities are undiscounted and based on the earliest date to the payment. Adjustment column shows the items that give rise to probable cash exit according to contractual terms at later period. The items that is mentioned is included the maturity analysis however it is not included the balance sheet value of financial liabilities at the balance sheet.

	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
31 December 2012								
Collective Fundings Marketable Securities	6,325,959	4,975,113	1,069,254	381,831	-	12,752,157	-	12,752,157
Issued	-	4,679	219,594	733,875	-	958,148	(146,609)	811,539
Other Fundings	742,288	253,988	1,026,263	490,732	436,098	2,949,369	(239,898)	2,709,471
Borrowings from Leasings	26	51	26	-	-	103	(1)	102
Total	7,068,273	5,233,831	2,315,137	1,606,438	436,098	16,659,777	(386,508)	16,273,269

31 December 2011

Collective Fundings Other Fundings	5,307,560	3,152,469	944,651	512,139	-	9,916,819	-	9,916,819
Borrowings from Leasings	135,128	398,457	798,220	928,744	381,300	2,641,849	(56,464)	2,585,385
	-	-	-	-	-	-	-	-
Total	5,442,688	3,550,926	1,742,871	1,440,883	381,300	12,558,668	(56,464)	12,502,204

Maturity analysis for guarantees and contingencies:

	Demand	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Unallocated	Total
31 December 2012								
Letters of Guarantee	1,011,744	4,923	1,489	168,843	3,294,447	727,222	-	5,208,668
Bills of Exchange and Bank Acceptances	58,915	-	-	-	6,471	-	-	65,386
Letters of Credit	278,562	5,397	8,390	122,705	557,307	19,251	-	991,612
Other guarantees	6,320	-	265	698	1,033	17,264	-	25,580
Pre-financings given as guarantee	3,477	-	-	240	1,828	3,661	-	9,206
Total	1,359,018	10,320	10,144	292,486	3,861,086	767,398	-	6,300,452

31 December 2011

Letters of Guarantee	1,194,178	50,595	123,598	873,104	1,559,660	554,840	-	4,355,975
Bills of Exchange and Bank Acceptances	52,848	-	95	2,427	2,996	1,126	-	59,492
Letters of Credit	524,092	8,867	14,280	35,147	18,889	5,211	-	606,486
Other guarantees	18,311	-	-	-	-	-	-	18,311
Pre-financings gives as guarantee	1,217	-	197	-	-	-	-	1,414
Total	1,790,646	59,462	138,170	910,678	1,581,545	561,177	-	5,041,678

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VI. Explanations on consolidated liquidity risk (continued)

Contractual maturity analysis of derivative instruments:

31 December 2012	Up to 1 month	1-3 month	3-12 month	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	1,816,294	791,865	128,550	-	-	2,736,709
Exit	1,796,251	781,943	127,325	-	-	2,705,519
Hedging purposes financial assets						
Foreign exchange derivatives:						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
Total cash inflow	1,816,294	791,865	128,550	-	-	2,736,709
Total cash outflow	1,796,251	781,943	127,325	-	-	2,705,519

31 December 2011	Up to 1 month	1-3 month	3-12 month	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	1,318,712	812,752	509,239	-	-	2,640,703
Exit	1,308,625	789,576	507,899	-	-	2,606,100
Hedging purposes financial assets						
Foreign exchange derivatives:						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
Total cash inflow	1,318,712	812,752	509,239	-	-	2,640,703
Total cash outflow	1,308,625	789,576	507,899	-	-	2,606,100

VII. Explanations on securitization positions

None.

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VIII. Credit risk mitigation techniques

The Bank applies the Comprehensive Financial Collateral Techniques explained in “Credit Risk Mitigation Techniques Communiqué” published in Official Gazette No. 28337 as of 28 June 2012.

There is no balance sheet and off-balance sheet offsetting.

Credit risk mitigation techniques used by the Bank in terms of credit facility are listed as follows:

- Financial Collaterals (Cash, Deposit Pledges, Gold)
- Guarantees
- Real Estate Mortgage

Financial collaterals are evaluated on a daily basis.

For loans that are amounting over TL 3,000 or loans amounting to over 5% of the equity, real estate valuation should be repeated minimum every 3 year by the rating companies authorized from the Banking Regulation and Supervision Agency or Capital Markets Boards of Turkey.

Volatility in real estate market is closely followed by the Bank; values of real estate for commercial real estates are revised at least every year whereas housing real estates are revised at least in every 3 year.

Exposure Categories	Amount (*)	Financial Collaterals	Other/Physical Collaterals	Guaranties and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	2,061,557	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,996,825	-	-	-
Conditional and unconditional receivables from Corporates	23,052,789	185,376	-	-
Conditional and unconditional retail receivables	7,753,788	131,852	-	-
Conditional and unconditional receivables secured by Mortgages	5,015,330	25,084	-	-
Past due receivables	17,925	42	-	-
Receivables defined in high risk category by BRSA	28,513	222	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	2,607,125	-	-	-
Total	42,533,852	342,576	-	-

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

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IX. Explanations on risk management objectives and policies

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee (“ALCO”) and the Risk Management Department (“RMD”) which has been composed in order to manage systemic risks that the Parent Bank is exposed. The Board of Directors is the owner of the Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Bank's Risk Management System is to identify, measure, monitor and control the risks that the Bank is exposed to, by determining the policies, limits and procedures to control, to monitor, and if necessary to change the risk-return structure of the Bank's future cash flows and the level & the quality of related activities.

In accordance with Parent Bank’s strategies, risk policies and vision, the analyses that Risk Management Service presents to Internal Systems Committee and Audit Committee are credit risks, market risks, liquidity risks, operational risks and Information Technologies (“IT”) risk evaluations. Besides, in accordance to market trends, economic conduct and Bank’s strategic growth, capital adequacy stress test and scenario analyses, evaluation of economic development in the World and Turkey are presented to Internal Systems Committee and Board of Directors by Risk Management Service. These analyses contribute to Bank Top Management’s resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

In addition, Risk Management Service verifies its own coordination to be ready proactively in business availability of Kuveyt Türk and situations connected with it.

Risk Management Service continues risk monitoring and analysing operations in accordance to Board of Director’s Kuveyt Türk’s mission, vision and growth strategy to prevent the potential risks. In this context credit and market risks, liquidity risk, operational risks and all limits, internal personal scoring and corporate rating modelling with IT risks issues, IT risk evaluation, operational lost data base, key risk indicators, operational risk insurances, market risk calculations, following up of treasury transactions and asset-liability risks are being motorized.

Fair values of financial assets and liabilities

The table summarizes the book value and fair value of the financial assets and liabilities that were not accounted by the values in Group’s financial statements. Book value is the sum of the acquisition value and accumulated profit share accruals.

	Book Value		Fair Value	
	Current period	Prior period	Current period	Prior period
Financial Assets				
Banks	1,583,872	832,409	1,583,872	832,409
Financial assets available for sale	549,496	6,542	549,496	6,542
Loans and lease receivables	11,867,351	10,382,855	12,057,527	10,245,524
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	296,422	111,065	296,422	111,065
Other current and profit sharing accounts	12,455,735	9,805,754	12,455,735	9,805,754
Funds provided from other financial institutions	2,709,573	2,585,385	2,748,140	2,647,847
Marketable Securities issued	811,539	194,145	848,473	207,115
Miscellaneous payables	92,456	140,965	92,456	140,965

The estimated fair value of the loans is calculated by discounting future cash flows by using current market rates of profit share. The fair value of financial assets and liabilities carried at amortized cost other than loans, available for sales financial assets and funds provided from other financial institutions approximates to their book values since they are short term in nature and their effective profit share rates are similar with current effective profit rates.

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IX. Explanations on risk management objectives and policies (continued)

Hierarchy of valuation techniques which establishes basis for fair value calculation of financial assets and liabilities

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable market information for the assets or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that is not based on observable market information.

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles as of 31 December 2012 and 31 December 2011 are given in the table below:

Current period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading	9,727	38,891	-	48,618
Forward transactions	-	25,293	-	25,293
Swap transactions	-	13,598	-	13,598
Other marketable securities	9,727	-	-	9,727
Available-for-sale financial assets	541,059	-	-	541,059
Government debt securities	541,059	-	-	541,059
Financial liabilities				
Financial liabilities held for trading	-	7,393	-	7,393
Forward transactions	-	5,132	-	5,132
Swap transactions	-	2,261	-	2,261
Prior period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading	12,355	74,865	-	87,220
Forward transactions	-	69,692	-	69,692
Swap transactions	-	5,173	-	5,173
Other marketable securities	12,355	-	-	12,355
Financial liabilities				
Financial liabilities held for trading	-	38,265	-	38,265
Forward transactions	-	16,603	-	16,603
Swap transactions	-	21,662	-	21,662

No transfers have taken place between Level 1 and Level 2 for the current year.

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X. Explanations on the activities carried out on behalf and account of other persons

The Parent Bank does not perform purchases, sales and custody services in the name of others. The Bank has no fiduciary based transactions.

XI. Explanations on business segments

The Group operates in Corporate and Commercial Banking, Retail Banking, International Banking – Treasury and Investment Banking sectors.

Corporate and Commercial Banking: to meet the financial needs of the customers', unique cash flow and financial solutions are provided to customers through loans, non-cash loans, foreign trade financing services and similar customized products. Domestic and foreign business opportunities are supported by using different corporate banking instruments to serve the sustainability of the production of entities.

Retail Banking; there are four main activities: fund collection, consumer financing, credit cards and alternative distribution channels. The Bank serves in the range of products of profit share accounts creation, banking services, Trade Finance, Checks, POS services, Credit Cards, ATM services, Online Banking and Mobile Banking in these fields.

International Banking: In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The aim of international banking is to enable foreign trade financing and develop mutual long term financing agreements with foreign banks. The Matched Murabaha is offered to SME's and international investors to meet the financing needs of SME's with international funds. Besides supplying syndicated loans for the Bank, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Bank, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (Forward, Swap) with banks and customers, trades of gold within the context of membership of Istanbul Gold Exchange, trades share certificates in Istanbul Stock Exchange and international markets and conducts Murabaha transactions with foreign banks.

Specific balance sheet and income statement items according to segments:

Current Period 1 January – 31 December 2012	Retail banking	Corporate and commercial banking	Treasury, investment banking and international banking	Unallocated	Group's total operation
Operating income	649,188	942,087	57,182	-	1,648,457
Operating expenses	417,119	299,241	137,285	483,779	1,337,424
Transfers between segments	234,658	(184,372)	(50,286)	-	-
Net operating income(loss)	466,727	458,474	(130,389)	(483,779)	311,033
Income from associates	-	-	-	-	-
Income (loss) before tax	466,727	458,474	(130,389)	(483,779)	311,033
Provision for taxation	-	-	-	(59,100)	(59,100)
Net income for the period	466,727	458,474	(130,389)	(542,879)	251,933
Current Period 31 December 2012					
Segment assets	4,005,148	7,895,384	6,169,569	-	18,070,101
Associates, subsidiaries and joint ventures	-	-	-	57,863	57,863
Undistributed assets	-	-	-	619,318	619,318
Total assets	4,005,148	7,895,384	6,169,569	677,181	18,747,282
Segment liabilities	9,331,261	3,423,777	3,525,522	-	16,280,560
Undistributed liabilities	-	-	-	779,960	779,960
Shareholders' equity	-	-	-	1,686,762	1,686,762
Total liabilities	9,331,261	3,423,777	3,525,522	2,466,722	18,747,282

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XI. Explanations on business segments (continued)

Prior Period					
1 January – 31 December 2011	Retail banking	Corporate and commercial banking	Treasury, investment banking and international banking	Unallocated	Bank's total Operation
Operating income	456,775	695,742	58,338	-	1,210,855
Operating expenses	(316,861)	(233,991)	(56,289)	(360,387)	(967,527)
Transfers between segments	220,841	(153,025)	(67,816)	-	-
Net operating income(loss)	360,755	308,726	(65,767)	(360,387)	243,327
Income from associates	-	-	-	-	-
Income (loss) before tax	360,755	308,726	(65,767)	(360,387)	243,327
Provision for taxation	-	-	-	(50,414)	(50,414)
Net income for the period	360,755	308,726	(65,767)	(410,801)	192,913
Segment assets	3,452,310	6,961,259	3,766,113	-	14,179,682
Associates, subsidiaries and joint ventures	-	-	-	65,653	65,653
Undistributed assets	-	-	-	469,020	469,020
Total assets	3,452,310	6,961,259	3,766,113	534,673	14,714,355
Prior Period					
31 December 2011					
Segment liabilities	7,076,224	2,842,103	2,816,287	-	12,734,614
Undistributed liabilities	-	-	-	539,312	539,312
Shareholders' equity	-	-	-	1,440,429	1,440,429
Total liabilities	7,076,224	2,842,103	2,816,287	1,979,741	14,714,355

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SECTION FIVE

I. Explanations and notes related to assets

a. Cash and balances with the Central Bank of Republic of Turkey:

1. Cash and balances with the Central Bank of Republic of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	175,840	128,245	105,855	64,977
The Central Bank of Republic of Turkey	173,223	1,853,649	349,686	924,366
Other (*)	280	1,656,346	-	975,909
Total	349,343	3,638,240	455,541	1,965,252

(*) As of 31 December 2012, precious metal account amounting to TL 1,655,798 (31 December 2011 - TL 975,130) and money in transit amounting to TL 828 (31 December 2011 – TL 779) are presented in this line.

2. Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	173,223	-	349,686	1,531
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	1,853,649	-	922,835
Total	173,223	1,853,649	349,686	924,366

The Parent Bank maintains required reserves in TL for TL liabilities and in USD and/or Euro for foreign currency liabilities in accordance with the “Communiqué on Reserve Requirements no. 2005/1”, published by the Central Bank of the Republic of Turkey. As per the “Amendment to the Communiqué on Reserve Requirements no.2012/9”, published in the Official Gazette No.28387, dated August 17, 2012, up to 60% of the required reserve for TL liabilities can be maintained in USD or Euro over the amount calculated by multiplying the amount that corresponds to the first bracket of 40% with the coefficient “1.4”, the amount that corresponds to the second bracket of 5% with the coefficient “1.8”, the amount that corresponds to the third bracket of 5% with the coefficient “2.1”, the amount that corresponds to the fourth bracket of 5% with the coefficient “2.3”, the amount that corresponds to the fifth bracket of 5% with the coefficient “2.4”; and up to 30% of the required reserve for TL liabilities can be maintained in Gold over the amount calculated by multiplying the amount that corresponds to the first bracket of 20% with the coefficient “1.2”, the amount that corresponds to the second bracket of 5% with the coefficient “1.7”, the amount that corresponds to the third bracket of 5% with the coefficient “2.2”. With this amendment, up to 60% of required reserves for TL liabilities can be maintained as USD and/or Euro, and up to 30% can be maintained as standard gold. Up to total amount of required reserves for precious metal deposit accounts of required reserves for foreign currency liabilities can be maintained as standard gold, while, 0% of required reserves for foreign currency liabilities other than precious metal deposit accounts can be maintained as standard gold.

The reserve rates for TL liabilities vary between 5% and 11% for TL deposits and other liabilities according to their maturities as of 31 December 2012 (31 December 2011 – 5% and 11% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 6% and 11% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2012 (31 December 2011 – 6% and 11% for all FC liabilities).

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I. Explanations and notes related to assets (continued)

b. Information on financial assets at fair value through profit and loss:

- As of 31 December 2012, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2011 – None).
- Positive Differences Related to Derivative Financial Assets Held-for-Trading:

Derivative financial assets held-for-trading	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	13,873	11,421	56,119	13,573
Swap transactions	1,562	12,035	4,864	309
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	15,435	23,456	60,983	13,882

c. Information on Banks:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	313,398	1,270,474	51,169	1,200,389
Domestic	62,030	413,448	50,451	346,683
Foreign	251,368	857,026	718	853,706
Branches and head office abroad	-	-	-	-
Total	313,398	1,270,474	51,169	1,200,389

d. Information on foreign bank accounts:

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	775,226	-	659,639	-
USA and Canada	78,407	-	84,838	-
OECD Countries(*)	6,343	-	21,815	-
Off-shore Banking Regions	103,942	-	709	-
Other	144,476	-	87,423	-
Total	1,108,394	-	854,424	-

(*) OECD countries other than European Union countries, USA and Canada.

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I. Explanations and notes related to assets (continued)

e. Information on financial assets available-for-sale:

1. There are no financial assets available for sale subject to repurchase transactions, given as a guarantee or blocked (31 December 2011 – None).
2. Information on Financial Assets Available-for-Sale:

As of 26 September 2012, the Bank has bought foreign currency rent certificate (“Sukuk”) issued by T.R Undersecretariat of the Treasury with an annual 2.8% profit share, semi-annual profit share payment, maturity of 5.5 years amounting to USD 75,000,000.- (full amount) and as of 3 October 2012, the Bank has bought domestic currency rent certificate (“Sukuk”) issued by T.R Undersecretariat of the Treasury with an annual 7.4% profit share, semi-annual profit share payment, maturity of 2 years amounting to TL 382,820,168.- (full amount). These amounts are classified under “Government debt securities”.

	Current period	Prior period
Debt Securities	541,059	-
Quoted on stock exchange	541,059	-
Not quoted on stock exchange	-	-
Share certificates	8,437	6,542
Quoted on stock exchange	-	-
Not quoted on stock exchange	8,437	6,542
Impairment provision	-	-
Total	549,496	6,542

f. Information on loans and receivables:

1. All types of loans and advances given to shareholders and employees of the Bank:

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	1,146	544	94	298
Corporate Shareholders	-	544	6	-
Real Person Shareholders	1,146	-	88	298
Indirect Loans Granted to Shareholders	84,084	13,157	86,678	2,919
Loans Granted to Employees	4,677	6	3,772	17
Total	89,907	13,707	90,544	3,234

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I. Explanations and notes related to assets (continued)

f. Information on loans and receivables (continued):

2. Information on first and second category loans and other receivables including restructured or rescheduled loans:

Cash Loans	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Loans	11,138,664	31,604	-	527,701	178,309	-
Exports Loan	60,054	-	-	-	-	-
Imports Loans	965,684	-	-	4,333	-	-
Working Capital Loans	6,780,231	30,973	-	438,003	175,566	-
Consumer Loans	1,865,937	631	-	70,455	2,743	-
Credit Cards	131,751	-	-	3,440	-	-
Precious Metal Loans	144,187	-	-	1	-	-
Loans to Financial Sector	9	-	-	-	-	-
Loans Extended Abroad	177,098	-	-	3,805	-	-
Other	1,013,713	-	-	7,664	-	-
Other Receivables	2,999	-	-	14,246	-	-
Total	11,141,663	31,604	-	541,947	178,309	-

In accordance with the Communiqué “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for These Loans” published in Official Gazette dated 28 May 2011 and numbered 27947, information related to the restructuring (after publish date of the aforementioned Communiqué) of the standard loans and loans and other receivables under close monitoring with respect to the payment schedules and terms is as follows (average maturities are taken into the account):

No. of Extensions for Repayment Plan of Loans and Other Receivables

	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
1 or 2 times	31,604	178,309
3,4 or 5 times	-	-
Over 5 times	-	-
Total	31,604	178,309

Extension Periods for Repayment Plan changes	No. of Extensions for Repayment Plan of Loans and Other Receivables	
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-Up
0 - 6 months	1,023	5,526
6 - 12 months	4,358	20,239
1 – 2 years	23,156	97,442
2 - 5 years	2,741	54,295
5 years and over	326	807
Total	31,604	178,309

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I. Explanations and notes related to assets (continued)

f. Information on loans and receivables: (continued)

3. Breakdown of loans and other receivables according to their maturities:

	Performing Loans and Other Receivables		Loans and other receivables under Follow-Up	
	Loans and other receivables	Loans and Receivables with Revised Contract Terms	Loans and other receivables	Loans and Receivables with Revised Contract Terms
Cash loans				
Short-term loans and other receivables	3,799,393	1,426	72,210	17,825
Loans	3,796,394	1,426	57,964	17,825
Other receivables	2,999	-	14,246	-
Medium and long-term loans and other receivables (*)	7,310,666	30,178	291,428	160,484
Loans	7,310,666	30,178	291,428	160,484
Other receivables	-	-	-	-
Total	11,110,059	31,604	363,638	178,309

(*) Loans with have original maturities longer than a year are classified as "Medium and Long Term Loans".

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I. Explanations and notes related to assets (continued)

f. Information on loans and receivables: (continued)

4. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

	Short term	Medium and long term	Total
Consumer Loans-TL	4,698	1,877,906	1,882,604
Housing Loans	1,357	1,746,412	1,747,769
Vehicle Loans	2,212	123,235	125,447
Consumer Loans	1,014	6,555	7,569
Other	115	1,704	1,819
Consumer Loans-FC Indexed	-	28,355	28,355
Housing Loans	-	27,938	27,938
Vehicle Loans	-	78	78
Consumer Loans	-	98	98
Other	-	241	241
Consumer Loans-FC	-	23,797	23,797
Housing Loans	-	23,707	23,707
Vehicle Loans	-	89	89
Consumer Loans	-	-	-
Other	-	1	1
Retail Credit Cards-TL	58,137	19,803	77,940
With Instalment	12,586	19,803	32,389
Without Instalment	45,551	-	45,551
Retail Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Personnel Loans-TL	25	1,611	1,636
Housing Loans	-	592	592
Vehicle Loans	12	598	610
Consumer Loans	8	418	426
Other	5	3	8
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	3,314	240	3,554
With Instalment	1,339	240	1,579
Without Instalment	1,975	-	1,975
Personnel Credit Cards-FC	-	-	-
Instalment based	-	-	-
Without-instalment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	66,174	1,951,712	2,017,886

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I. Explanations and notes related to assets (continued)

f. Information on loans and receivables: (continued)

5. Information on commercial instalment loans and corporate credit cards:

	Short term	Medium and long term	Total
Commercial Instalment Loans-TL	52,860	1,271,436	1,324,296
Business Loans	3,554	230,124	233,678
Vehicle Loans	23,898	596,931	620,829
Consumer Loans	-	30,260	30,260
Other	25,408	414,121	439,529
Commercial Instalment Loans-FC Indexed	8,889	677,124	686,013
Business Loans	961	136,921	137,882
Vehicle Loans	3,225	222,750	225,975
Consumer Loans	-	-	-
Other	4,703	317,453	322,156
Commercial Instalment Loans-FC	74	142,656	142,730
Business Loans	-	34,777	34,777
Vehicle Loans	74	1,245	1,319
Consumer Loans	-	-	-
Other	-	106,634	106,634
Corporate Credit Cards-TL	53,697	-	53,697
With Instalment	5,827	-	5,827
Without Instalment	47,870	-	47,870
Corporate Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	115,520	2,091,216	2,206,736

6. Allocation of loans by customers:

	Current period	Prior period
Public	64,774	29,707
Private	11,618,836	10,220,276
Total	11,683,610	10,249,983

7. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	11,502,707	10,098,047
Foreign loans	180,903	151,936
Total	11,683,610	10,249,983

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I. Explanations and notes related to assets (continued)

f. Information on loans and receivables: (continued)

8. Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates (*)	126,633	-
Loans granted indirectly to subsidiaries and associates	-	-
Total	126,633	-

(*) TL 109,973 amount of loans that the Bank has given to its subsidiaries and associates have been shown under "Banks" account.

9. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	34,838	20,538
Loans and receivables with doubtful collectability	55,484	24,279
Uncollectible loans and receivables	161,836	133,897
Total	252,158	178,714

10. Information on non-performing loans (net):

(i). Information on non-performing loans and other receivables restructured or rescheduled:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
(Gross amounts before specific provision)			
Restructured loans and other receivables	116	-	8,569
Rescheduled loans and other receivables	-	-	-
Prior period			
(Gross amounts before specific provision)			
Restructured loans and other receivables	-	2,003	13,566
Rescheduled loans and other receivables	-	-	-

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I. Explanations and notes related to assets (continued)

f. Information on loans and receivables (continued):

10. Information on non-performing loans (net) (continued):

(ii). Information on the movement of total non-performing loans:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period	28,016	29,201	152,211
Additions in the current period (+)	53,202	66,280	28,426
Transfers from other categories of non-performing loans(+)	-	1,204	35,055
Transfers to other categories of non-performing loans (-)	14,942	21,317	-
Collections in the current period (-)	2,919	3,099	20,545
Disposals in the current period (-)	10,167	4,142	2,483
Write offs (-)	-	-	28,642
Corporate and commercial loans	-	-	18,595
Retail loans	-	-	7,512
Credit Cards	-	-	2,535
Other	-	-	-
Ending balance of the current period	53,190	68,127	164,022
Specific provisions (-)	34,838	55,484	161,836
Net balance at the balance sheet	18,352	12,643	2,186

(iii). Information on non-performing loans granted as foreign currency: None (31 December 2011 – None).

(iv). Gross and net amounts of non-performing loans with respect to user groups:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	18,352	12,643	2,186
Loans granted to real persons and legal entities (Gross)	53,190	68,127	164,022
Specific provision (-)	34,838	55,484	161,836
Loans to real persons and legal entities (Net)	18,352	12,643	2,186
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (Net)	7,478	4,922	18,314
Loans to real persons and legal entities (Gross)	28,016	29,201	152,211
Specific provision (-)	20,538	24,279	133,897
Loans to real persons and legal entities (Net)	7,478	4,922	18,314
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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I. Explanations and notes related to assets (continued)

f. Information on loans and receivables (continued):

10. Information on non-performing loans (net) (continued):

The Bank holds collaterals like mortgage pledge, customer cheques and other collaterals against these financial assets.

(v). Aging analysis of past due but not impaired financial assets per classes of financial instruments is as follows:

Current period – 31 December 2012	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	196,321	92,350	46,804	-	335,475
Retail loans	243,146	93,335	52,192	-	388,673
Credit cards	6,399	5,982	1,161	-	13,542
Total	445,866	191,667	100,157	-	737,690

Prior period – 31 December 2011	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate loans	121,546	97,645	31,689	-	250,880
Retail loans	148,415	41,741	17,132	-	207,288
Credit cards	3	780	252	-	1,035
Total	269,964	140,166	49,073	-	459,203

11. Main guidelines for liquidation process of uncollectible loans and other receivables:

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written-off per the decision of the Bank top management. Within 2012, non-performing loans amounting to TL 28,642 have been written-off (31 December 2011 – TL 45,833).

12. Information on the write-off policy:

The Bank ‘s write-off policy is to write-off the loan receivables that have been already transferred to legal follow-up and fully provided for and for which there is no possibility of collection through legal process and for which there is no collateral. Such loans are written off as per the decision of top management.

g. Information on held-to-maturity investments (Net):

None (31 December 2011 – None).

h. Information on investment in associates (Net):

1. The 1.67% ownership of Kredi Garanti Fonu A.Ş. of TL 4,211 (31 December 2011 – TL 3,000), 8.99% ownership of Islamic International Rating Agency of TL 714 (31 December 2011 – TL 714), and 6.99% ownership of Neova Sigorta A.Ş. of TL 3,332 (31 December 2011 – TL 2,800) and TL 181 amount of swift shares (31 December 2011 – TL 28) are classified as financial assets available for sale since the Bank’s ownership in these institutions is less than 10% and the Bank does not have a significant influence on these institutions.

2. Information about investments in unconsolidated associates: None (31 December 2011 – None).

3. Information related to consolidated associates: None (31 December 2011 – None).

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I. Explanations and notes related to assets (continued)

i. Information on subsidiaries (Net):

1. Although the Bank has control power over the management and capital of its non-financial subsidiaries, these subsidiaries do not confirm to the definition of financial subsidiary in accordance with “Regulation related to the Preparation of Consolidated Financial Statements by Banks” published in the Official Gazette No. 26340 dated 8 November 2006; hence “Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. and Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş.” has not been consolidated. The Bank has reflected its subsidiaries at restated cost less any provision for impairment in its financial statements until 31 December 2004.

2. Information on subsidiaries:

Title	Address (City/ Country)	Bank’s share percentage, if different-voting percentage (%)	Bank’s risk group share percentage (%)
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (*)	Istanbul/Turkey	99.9%	99.9%
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. (*) (**)	Istanbul/Turkey	99.9%	99.9%

Information on subsidiaries in the order presented in the above table:

Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period income/loss	Prior period income/loss	Fair Value
22,207	22,152	3,682	659	-	(151)	244	-
80,040	49,389	59,826	574	-	(1,651)	1,035	-

(*) These figures are shown per Turkish Trade Law financial statements as of 31 December 2012.

(**) The previous name of the company is Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Anonim Şirketi. On 29 December 2011 the company completed its conversion to real estate investment trust company and registered as Körfez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi.

Movement for subsidiaries:

	Current period	Prior period
Balance at the beginning of the year	65,653	39,253
Movements during the year		
Purchases (*) (**)	-	15,361
Transfers from subsidiaries	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales (*)	-	(15,361)
Revaluation increase	-	-
Impairment (*)	(7,790)	(7,200)
Capital commitment payments	-	33,600
Balance at the end of the year	57,863	65,653
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) The Parent Bank disposed 99.99% of equity shares of Körfez Gayrimenkul, to Kuwait based Hayat Investment Company for USD 10,613,100 (TL 15,729) and TL 2,450 on 23 November 2009. However, the Bank has bought back 99.99% of Körfez Gayrimenkul A.S. from Hayat Investment Company under the same conditions; (USD 10,572,000 (TL 16,840) and TL 2,450) on 10 June 2010. Consecutively, Körfez Gayrimenkul has been classified back to “Subsidiaries” account and additional TL 9,978 impairment has been booked.

There has been an impairment provision for Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. in 2012 for an amount of TL 7,790 (2011: TL 7,200).

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I. Explanations and notes related to assets (continued)

i. Information on subsidiaries (Net) (continued):

(**) The Parent Bank purchased 25% share of the joint venture, called Körfez İnşaat İş Ortaklığı, which was established by one of its non-financial subsidiary Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. and a third party company who have 75% and 25% stakes, respectively. The Bank bought the 25% stake of the third party company in Körfez İnşaat İş Ortaklığı for a total consideration of TL 22,589 in exchange of releasing the debt of the third party company to the bank amounting to TL 15,888 and taking over the debt of the third party company to Körfez İnşaat İş Ortaklığı amounting to TL 6,701. The purchase price was determined based on the expected discounted future cash flows of Körfez İnşaat İş Ortaklığı. Afterwards the Bank transferred 8% of the joint venture shares, amounting to TL 7,229, to Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. in exchange of release of its debt to Körfez İnşaat İş Ortaklığı amounting to TL 6,701 and for a cash consideration amounting to TL 528. The Bank transferred the remaining 17% equity stake in Körfez İnşaat İş Ortaklığı to Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. on 23 September 2011 for an amount of TL 15,361. Additionally, the Bank established Sukuk Varlık Kiralama A.Ş. as a subsidiary on 23 September 2011 and paid its capital commitment amounting TL 50.

3. Information on consolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
Kuwait Turkish Participation Bank Dubai Ltd (*)	Dubai/UAE	100%	100%
KT Sukuk Varlık Kiralama A.Ş. (**)	Istanbul/Turkey	100%	100%

Total Assets	Shareholders' Equity	Total Fixed Assets	Profit Share Income	Income from marketable securities	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
23,579	23,243	312	4,925	-	1,751	542	-
630,092	62	-	3	-	13	-	-

(*) Financial figures as of 31 December 2012 for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) The special purpose entity, Kuveyt Turk Sukuk Limited was established at 24 August 2010 which is not a subsidiary of the Bank. Since the Bank has 100% control power on the subsidiary it is included in the scope of consolidation.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	17,917	17,917
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	50	50

Subsidiaries that are quoted on the stock exchange: None (31 December 2011 – None).

4. Information on capital adequacies of major subsidiaries:

The Bank does not have any major subsidiary.

5. Accounting method of the reasonable justification of unconsolidated in subsidiaries that booked on the unconsolidated financial statements:

Subsidiaries are carried by cost value after deduction of impairments since necessary requirements for consolidation is not met.

j. Information on joint ventures (business partnerships) (Net): None (31 December 2011– None).

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I. Explanations and notes related to assets (continued)

k. Information on finance lease receivables (Net)

1. Presentation of remaining maturities of net finance leases:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	92,278	74,930	56,397	43,177
1 to 4 years	123,213	100,109	108,287	85,897
More than 4 years	10,167	8,702	4,530	3,798
Total	225,658	183,741	169,214	132,872

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	225,658	169,214
Unearned finance lease income (-)	(41,917)	(36,342)
Cancelled amounts (-)	-	-
Net receivable from finance leases	183,741	132,872

3. Information on finance lease contracts:

The Group determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfil its obligations, the Bank sends a notice to the customer and informs them that if the obligations are not fulfilled within 60 days the financial lease agreement will be terminated. If the customer does not fulfil its obligations in 60 days, the Bank takes legal action against the customer. Non performing finance lease receivables amounting to TL 2,597 are included in the non-performing loans (31 December 2011– TL 5,242).

Impairment provision amounting to TL 2,095 (31 December 2011– TL 4,994) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

l. Information on derivative financial assets for hedging purposes:

None (31 December 2011 – None).

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I. Explanations and notes related to assets (continued)

m. Explanations on Tangible Assets (Net):

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets(*)	Total
At End of Prior Period: 31 December 2011					
Cost	5,697	71,354	923	172,840	250,814
Accumulated Depreciation (-)	1,796	9,240	653	67,103	78,792
Net Book Value	3,901	62,114	270	105,737	172,022
At End of Current Period: 31 December 2012					
Net book value at beginning of period	3,901	62,114	270	105,737	172,022
Additions	55,519	295	149	50,099	106,061
Disposals (-)	-	9	11	19,769	19,789
Transfers to assets held for sale (-)	-	-	-	8,935	8,935
Transfer from assets held for sale	-	-	-	13,151	13,151
Impairment/Reversal of Impairment Losses	-	-	-	(461)	(461)
Depreciation Expense (-)	152	874	122	23,094	24,242
Currency Translation Differences on Foreign Operations (-)	-	-	-	-	-
Reversal of the provision for decrease in value	-	-	-	-	-
Cost at period end	61,216	71,640	1,061	207,847	341,764
Accumulated depreciation end of period (-)	1,948	10,114	775	90,197	103,034
Closing net book value	59,268	61,526	286	117,650	238,730
At End of Prior Period: 31 December 2010					
Cost	50,983	10,924	779	151,106	213,792
Accumulated Depreciation (-)	5,654	8,927	458	49,740	64,779
Net Book Value	45,329	1,997	321	101,366	149,013
At End of Prior Period: 31 December 2011					
Net book value at beginning of period	45,329	1,997	321	101,366	149,013
Additions	3,711	62,045	144	40,755	106,655
Disposals (-)	45,038	221	-	14,008	59,267
Transfers to assets held for sale (-)	-	-	-	18,865	18,865
Transfers from assets held for sale	-	-	-	15,641	15,641
Impairment/Reversal of Impairment Losses	-	-	-	(565)	(565)
Depreciation Expense (-)	101	1,707	195	19,717	21,720
Currency Translation Differences on Foreign Operations (-)	-	-	-	-	-
Reversal of the provision for decrease in value	-	-	-	-	-
Cost end of period	5,697	71,354	923	172,840	250,814
Accumulated depreciation end of period (-)	1,796	9,240	653	67,103	78,792
Closing net book value	3,901	62,114	270	105,737	172,022

(*) TL 33,228 (31 December 2011-TL 34,255) includes the amount of real estates to be disposed of.

n. Explanations on Intangible Assets:

1. Cost and Accumulated Amortization Balances at beginning and end of period:

	End of Period	Beginning of Period
Cost	58,421	38,461
Accumulated Amortization	(14,769)	(12,007)
Total (net)	43,652	26,454

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I. Explanations and notes related to assets (continued)

n. Explanations on Intangible Assets (continued):

2. Movements of intangible assets:

	Current Period	Prior Period
Opening balance	26,454	13,053
Additions	24,872	17,829
Disposals (-), net	(12)	(175)
Depreciation amount (-)	(7,662)	(4,253)
Closing net book value	43,652	26,454

Intangible assets include computer software and program licenses which are taken for banking systems.

o. Investment property:

	Current Period	Prior Period
Opening balance	-	16,420
Additions	-	-
Disposal(-), net (*)	-	(16,420)
Depreciation amount (-)	-	-
Closing net book value	-	-

(*) Sold to KT Sukuk Varlık Kiralama A.Ş. for the purpose of issuance of rent certificates. With the sale and leaseback agreement these assets were leased back from KT Sukuk Varlık Kiralama A.Ş. and classified in assets acquired through financial leasing.

p. Information on deferred tax asset:

In accordance with the related regulations deferred tax asset calculated as of 31 December 2012 is TL 35,058 (31 December 2011 – TL 43,575) and deferred tax liability is TL 14,254 (31 December 2011 – TL 10,748).

	Current period	Prior period
Reserve for employee benefits	5,797	807
Retirement pay liability	2,342	1,839
Deferred income	18,442	16,712
Impairment provision for subsidiaries, fixed assets and assets held for sale	2,998	1,703
Precious metals valuation difference	5,243	21,610
Other	236	904
Deferred tax asset	35,058	43,575
Financial lease adjustments	(32)	(369)
Difference between carrying value and tax base of tangible assets	(3,206)	(2,117)
Accruals of derivative financial instruments held for trading(net)	(6,207)	(6,020)
Other	(4,809)	(2,242)
Deferred tax liability	(14,254)	(10,748)
Deferred tax asset, (net)	20,804	32,827

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I. Explanations and notes related to assets (continued)

p. Information on deferred tax asset (continued):

Deferred tax asset movement table:

	Current period	Prior period
As of January 1	32,827	8,471
Deferred tax expense/(income)	(8,721)	24,356
Deferred tax accounted under shareholders' equity	(3,302)	-
Deferred tax asset	20,804	32,827

r. Assets held for sale and assets of discontinued operations

Tangible assets which are obtained through receivables of the Bank and which the Bank plans to sell within one year has been published in the web site are valued with the lower of the net book value and fair value as is required by the Communiqué of "Principles and Procedures on Bank's Disposal of Precious Metals and Asset Held For Sale" published on 1 November 2006 in the Official Gazette No. 26333 in the consolidated financial statements.

	Current Period	Prior Period
Opening balance	25,015	27,068
Additions	22,028	15,394
Transfer from tangible assets	8,935	3,225
Disposals (-), net	12,855	20,640
Transfer to tangible assets	13,151	-
Depreciation amount (-)	-	-
Impairment losses provision (-)	(32)	(32)
Closing net book value	30,004	25,015

s. Information on other assets:

As of balance sheet date, the Bank's other assets amount to TL 286,128 (31 December 2011 - TL 212,702). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

II. Explanations and notes related to liabilities

a. Information on funds collected:

1. Information on maturity structure of funds collected:

i. Current period:

	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	641,852	-	-	-	-	-	-	-	641,852
II. Real persons profit sharing accounts TL	-	884,890	2,709,314	211,319	-	94,914	434,852	-	4,335,289
III. Other current accounts-TL	886,312	-	-	-	-	-	-	-	886,312
Public sector	40,229	-	-	-	-	-	-	-	40,229
Commercial sector	826,724	-	-	-	-	-	-	-	826,724
Other institutions	18,733	-	-	-	-	-	-	-	18,733
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	626	-	-	-	-	-	-	-	626
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	611	-	-	-	-	-	-	-	611
Participation banks	15	-	-	-	-	-	-	-	15
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	93,992	574,975	23,972	-	137,989	74,085	-	905,013
Public sector	-	66	6,012	2,740	-	2,173	250	-	11,241
Commercial sector	-	87,567	458,059	18,372	-	74,915	72,323	-	711,236
Other institutions	-	6,359	62,923	2,860	-	258	1,512	-	73,912
Commercial and other institutions	-	-	820	-	-	115	-	-	935
Banks and participation banks	-	-	47,161	-	-	60,528	-	-	107,689
V. Real persons current accounts-FC	412,871	-	-	-	-	-	-	-	412,871
VI. Real persons profit sharing accounts-FC	-	403,542	1,082,449	159,296	-	93,875	158,157	-	1,897,319
VII. Other current accounts-FC	631,630	-	-	-	-	-	-	-	631,630
Commercial residents in Turkey	486,891	-	-	-	-	-	-	-	486,891
Commercial residents in Abroad	21,337	-	-	-	-	-	-	-	21,337
Banks and participation banks	123,402	-	-	-	-	-	-	-	123,402
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	90,449	-	-	-	-	-	-	-	90,449
Participation banks	32,953	-	-	-	-	-	-	-	32,953
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	122,929	627,265	17,471	-	7,862	104,251	-	879,778
Public sector	-	-	43	-	-	-	-	-	43
Commercial sector	-	66,262	520,160	12,723	-	7,810	63,922	-	670,877
Other institutions	-	27,136	95,473	916	-	52	3,012	-	126,589
Commercial and other institutions	-	1,718	6,251	2,937	-	-	6,658	-	17,564
Banks and participation banks	-	27,813	5,338	895	-	-	30,659	-	64,705
IX. Precious metal funds	712,098	-	1,351,218	45,890	-	52,887	-	-	2,162,093
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	3,284,763	1,505,353	6,345,221	457,948	-	387,527	771,345	-	12,752,157

There are no 7 day notification and accumulative deposit accounts of the Bank.

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II. Explanations and notes related to liabilities (continued)

a. Information on funds collected (continued):

1. Information on maturity structure of funds collected (continued):

ii. Prior period

	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	524,181	-	-	-	-	-	-	-	524,181
II. Real persons profit sharing accounts-TL	-	927,121	1,578,060	92,563	-	100,057	669,077	-	3,366,878
III. Other current accounts-TL	769,635	-	-	-	-	-	-	-	769,635
Public sector	16,604	-	-	-	-	-	-	-	16,604
Commercial sector	729,256	-	-	-	-	-	-	-	729,256
Other institutions	13,555	-	-	-	-	-	-	-	13,555
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	10,220	-	-	-	-	-	-	-	10,220
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,159	-	-	-	-	-	-	-	10,159
Participation banks	61	-	-	-	-	-	-	-	61
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	88,170	314,971	24,261	-	33,285	93,972	-	554,659
Public sector	-	6	1,046	-	-	5,024	251	-	6,327
Commercial sector	-	82,864	276,957	23,292	-	27,986	91,450	-	502,549
Other institutions	-	5,300	35,727	969	-	166	2,271	-	44,433
Commercial and other institutions	-	-	391	-	-	109	-	-	500
Banks and participation banks	-	-	850	-	-	-	-	-	850
V. Real persons current accounts-FC	291,084	-	-	-	-	-	-	-	291,084
VI. Real persons profit sharing accounts-FC	-	455,054	604,593	64,865	-	92,625	178,362	-	1,395,499
VII. Other current accounts-FC	557,982	-	-	-	-	-	-	-	557,982
Commercial residents in Turkey	393,842	-	-	-	-	-	-	-	393,842
Commercial residents in Abroad	70,362	-	-	-	-	-	-	-	70,362
Banks and participation banks	93,778	-	-	-	-	-	-	-	93,778
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	87,849	-	-	-	-	-	-	-	87,849
Participation banks	5,929	-	-	-	-	-	-	-	5,929
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	64,768	331,796	49,239	-	5,506	73,005	-	524,314
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	44,547	321,506	10,579	-	5,427	62,784	-	444,843
Other institutions	-	16,082	2,024	37,056	-	79	-	-	55,241
Commercial and other institutions	-	4,132	1,206	1,604	-	-	10,221	-	17,163
Banks and participation banks	-	7	7,060	-	-	-	-	-	7,067
IX. Precious metal funds	727,254	-	1,121,175	26,047	-	58,111	-	-	1,932,587
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	2,870,136	1,535,113	3,950,595	256,975	-	289,584	1,014,416	-	9,916,819

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II. Explanations and notes related to liabilities (continued)

a. Information on funds collected: (continued)

2. Information's on current and profit share accounts that are in the scope of Saving Deposit/Saving Deposit Insurance Fund:

i. Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	2,406,626	1,868,101	2,547,695	2,001,560
FC accounts	1,972,913	1,625,816	2,401,604	1,864,836
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 50 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 published by the Official Gazette No. 25983, dated 1 November 2005.

ii. If the headquarters of the Bank is abroad and the deposit account in its Turkish branch is in the scope of the insurance policy in the country of the headquarter of the Bank is founded, it should be explained:

The headquarters of the Parent Bank is in Turkey.

iii. Current and Profit Share Accounts of the real persons who are not in the scope of Saving Deposits Insurance Fund:

The Parent Bank has no current or profit sharing accounts which are not under the guarantee of the Saving Deposit Insurance Fund except for the current and profit sharing accounts of shareholders, member of Board of Directors, CEO, the Vice Presidents and their first degree relatives.

	Current period	Prior period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	2,685	1,037
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	170	177

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II. Explanations and notes related to liabilities (continued)

b. Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	3,252	1,880	8,152	8,450
Swap transactions	-	2,261	414	21,249
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	3,252	4,141	8,566	29,699

c. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current period		Prior period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	9,254	-	-
From Foreign Banks, Institutions and Funds	5,440	2,333,116	-	1,524,922
Total	5,440	2,342,370	-	1,524,922

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	5,440	2,157,740	-	1,283,229
Medium and Long-Term	-	184,630	-	241,693
Total	5,440	2,342,370	-	1,524,922

The Parent Bank issued USD 100,000,000 Sukuk with a 3 year maturity and 5.25% cost on 24 August 2010.

As explained in Section Three Note XVIII, On 31 October 2011 the Bank issued 5-year rent certificate (sukuk) amounting USD 350 million with a profit share rate of 5.875%. The remaining part of the transferred KT Sukuk Varlık Kiralama A.Ş. USD 350,000,000 out of the sale and leaseback transaction amounting to USD 213,130 thousand is booked in funds borrowed.

3. Explanations Related to the Concentrations of the Bank's Major Liabilities:

All of the borrowings consist of foreign currency loans and majorly they are formed by the transactions with the off-shore financial institutions.

There is no risk concentration of the Bank's current and profit sharing accounts.

d. Information on other liabilities and miscellaneous payables:

As of 31 December 2012, other liabilities amount to TL 450,841 (31 December 2011 - TL 208,402), sundry creditors amount to TL 92,456 (31 December 2011- TL 140,965), both of them do not exceed 10% of the balance sheet total.

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II. Explanations and notes related to liabilities (continued)

e. Information on finance lease payables (net):

The Group bought some of the information technology equipment through financial lease and the liabilities originated from the agreements are paid in monthly instalments to the leasing firms. These agreements do not raise any further liabilities other than already committed payments by the Group.

i. Information on the changes in agreements and new obligations originating from these changes: None (31 December 2011 – None).

ii. Information on Financial Lease Obligations

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years	-	-	-	-
More than 4 years	103	102	-	-
Total	103	102	-	-

iii. Information on Operational Leases:

The leasing transactions, in which all risks and benefits of the leased asset are held by the lessor, are classified as operational leases. Such transactions consist of rent contracts of branches which may be cancelled by declaration.

There are no significant commitments regarding the changes at the operational lease agreements.

The payments related with operational leases are recognized as expense in the income statement during the period of the agreement in equal instalments.

f. Information on hedging derivative financial liabilities: None (31 December 2011 – None).

g. Information on provisions:

1. Information on general provisions:

	Current period	Prior Period
General Provisions	138,118	110,388
I.For Loans and Receivables in Group I (Total)	107,074	87,959
Profit Sharing Accounts' Share	45,477	31,699
The Bank's Share	60,065	56,260
Other	-	-
I.Additional Provision for Loans and Receivables with Extended Maturities	1,532	-
Profit Sharing Accounts' Share	1,235	-
The Bank's Share	297	-
Other	-	-
II.Loans and Receivables in Group II (Total)	10,305	7,522
Profit Sharing Accounts' Share	1,468	710
The Bank's Share	237	1,528
Other	-	-
II.Additional Provision for Loans and Receivables with Extended Maturities	8,600	5,284
Profit Sharing Accounts' Share	3,112	1,696
The Bank's Share	5,488	3,588
Other	-	-
Provisions for Non Cash Loans	14,174	10,976
Other	6,565	3,931

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II. Explanations and notes related to liabilities (continued)

g. Information on provisions (continued):

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2012, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 30,174 (31 December 2011 – TL 1,515) and TL 5,439 for leasing receivables (31 December 2011 – TL 0) is offset against loans and receivables.

3. Information on other provisions:

	Current period	Prior period
General provisions for possible risks	-	-
Provisions for non- liquidated non cash loans (*)	20,509	18,457
Provisions for cheque books (*)	6,401	5,246
Provisions from equity/profit sharing accounts	14,713	13,762
Other	334	860
Total	41,957	38,325

(*) Effective from 1 March 2011, according to temporary article 2 of “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside”, the Bank recognizes provisions for non- liquidated non-cash loans and check books of customers who have any other non-performing exposures within the Bank.

4. Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 11,806 (31 December 2011 – TL 9,192), vacation pay liability amounting to TL 435 (31 December 2011 – TL 0), performance premium amounting to TL 28,000 (31 December 2011 – TL 28,357) and retirement bonuses on payment of TL 551 (31 December 2011 – TL 0).

Under the Turkish Labour Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire.

The amount payable consists of one month’s salary limited to a maximum of TL 3,129 (31 December 2011 – TL 2,732) for each year of service. The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise’s obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	Current period	Prior period
Discount rate (%)	2.38	4.66
Inflation rate (%)	5	5.2
Interest rate (%)	7.5	9.8

Movements in the reserve for employment termination benefits during period are as follows:

	Current period	Prior period
Balance at the beginning of the period	9,193	7,080
Provisions recognized during the period	4,061	3,701
Paid during the period	(1,448)	(1,588)
Balances at the end of the period	11,806	9,193

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II. Explanations and notes related to liabilities (continued)

h. Explanations on tax liability:

1. Explanations on current tax liability:

i. Information on tax provisions: As of 31 December 2012, the Bank has current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax amounting to TL 15,694.

	Current period	Prior period
Provision for corporate income tax	50,379	74,770
Prepaid taxes	(34,685)	(71,087)
Total (*)	15,694	3,683

(*) Related amount is presented in the current tax liability line, under liabilities.

ii. Information on taxes payable (*):

	Current period	Prior period
Taxation of marketable securities	6,908	5,268
Taxation of immovable property	514	382
Banking Insurance Transaction Tax (BITT)	6,114	7,128
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	1,469	298
Income tax deducted from wages	3,218	2,457
Other	733	545
Total	18,956	16,078

iii. Information on premiums (*):

	Current period	Prior period
Social Security Premiums-Employee	1,887	1,439
Social Security Premiums-Employer	1,865	1,427
Unemployment insurance-Employee	135	103
Unemployment insurance-Employer	308	237
Total	4,195	3,206

(*) Included in sundry creditors line item on the balance sheet.

iv. Information on deferred tax liability: None (31 December 2011 - None).

i. Information on payables related to assets held for sale: None (31 December 2011 – None).

j. Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	361,661	-	386,681
From Other Foreign Institutions	-	-	-	-
Total	-	361,661	-	386,681

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II. Explanations and notes related to liabilities (continued)

j. Information on subordinated loans (continued)

The Bank obtained a subordinated loan with 10-years maturity, amounting to USD 200 million, from Kuwait Finance House on 29 June 2011. Profit share amount will be calculated as the purchase price multiplied by a profit return rate equal to the applicable margin in the Murabaha period. Classification of this subordinated loan as tier-II capital upon the receipt of the cash amounting to USD 200 million by the Bank for the purpose of supplementary capital calculation was confirmed by the BRSA by their notification dated 30 June 2011.

k. Information on shareholders' equity:

1. Presentation of paid-in capital:

	Current period	Prior period
Common stock	1,100,000	950,000
Preferred stock	-	-

2. Amount of Paid-in Capital, Disclosure on whether the Bank Applies the Registered Share Capital System, and, if so, the Ceiling Amount of the Registered Share Capital: Registered capital system is not applied in the Parent Bank.

3. Information on the share capital increases during the period and their sources; other information on increased capital shares in the current period:

Date of Increase	Amount of Increase	Cash	Profit Reserves Subject to Increase
19 April 2012	150,000	-	150,000

4. Information on share capital increases from capital reserves during the current period: None (31 December 2011 – None).

5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period: There is no capital commitment.

6. Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

Based on the evaluation made considering the Group's prior and current period indicators related to net profit share and commission income, it is observed that the Group continues its operations profitably.

7. Summary of privileges given to shares representing the capital: None.

8. Information on marketable securities value increase fund:

As of 31 December 2012, the value increase of the foreign currency amount of rent certificate i.e. USD 75,000,000 (full amount) "Government debt securities" classified under available for sale in the balance sheet is net TL 1,071, the value increase of the domestic currency amount of rent certificate i.e. TL 382,820,168 (full amount) "Government debt securities" classified under available for sale in the balance sheet is net TL 12,137 (31 December 2011 – None).

l. Information on minority shares: None (31 December 2011 – None).

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III. Explanations and notes related to off-balance sheet commitments

a. Explanations on off-balance sheet accounts:

1. Type and amount of irrevocable commitments: Commitment for credit card limits, as of 31 December 2012 is TL 269,062 (31 December 2011 – TL 193,110); payment commitments for cheque books are TL 937,408 (31 December 2011 – TL 652,891)

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 31 December 2012, the Group has guarantees and surety ships constituting of TL 5,208,668 (31 December 2011 – TL 4,355,975) letters of guarantee; TL 65,386 (31 December 2011 – TL 59,492) acceptances and TL 991,612 (31 December 2011 – TL 606,486) letters of credit.

ii. Revocable, irrevocable guarantees and other similar commitments and contingencies : There are no other than those explained in 2.i.

3. (i). Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	6,300,452	5,041,678
Total	6,300,452	5,041,678

(ii). Sectoral risk concentration of non-cash loans

	Current period				Prior period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	32,306	0.94	17,783	0.62	28,886	1.10	9,389	0.39
Farming and Stockbreeding	19,048	0.55	13,419	0.47	17,638	0.67	8,207	0.34
Forestry	12,236	0.36	3,964	0.14	10,577	0.40	727	0.03
Fishery	1,022	0.03	400	0.01	671	0.03	455	0.02
Manufacturing	467,200	13.59	594,213	20.76	355,356	13.48	459,775	19.11
Mining and quarrying	147,462	4.29	201,999	7.06	118,601	4.50	118,850	4.94
Production	251,979	7.33	350,607	12.25	177,576	6.74	283,249	11.77
Electricity, Gas, Water	67,759	1.97	41,607	1.45	59,179	2.24	57,676	2.40
Construction	1,483,639	43.15	990,309	34.60	1,358,186	51.52	1,253,303	52.10
Services	747,554	21.74	734,311	25.66	619,171	23.48	641,272	26.66
Wholesale and Retail Trade	369,609	10.75	298,015	10.41	282,834	10.73	329,256	13.69
Hotel, Food and Beverage Services	39,926	1.16	18,094	0.63	34,895	1.32	17,534	0.73
Transportation and Telecom.	124,730	3.63	134,892	4.71	103,102	3.91	127,191	5.29
Financial Institutions	12,858	0.37	259,529	9.07	13,733	0.52	144,117	5.99
Real Estate and Renting Services	6,375	0.19	1,641	0.06	10,436	0.40	310	0.01
“Self-Employment” Type Services	344	0.01	-	-	313	0.01	-	-
Educational Services	8,356	0.24	2,031	0.07	7,421	0.28	2,300	0.10
Health and Social Services	185,356	5.39	20,109	0.70	166,437	6.31	20,564	0.85
Other	707,574	20.58	525,563	18.36	274,563	10.42	41,777	1.74
Total	3,438,273	100.00	2,862,179	100.00	2,636,162	100.00	2,405,516	100.00

(iii). Non-cash loans classified under Group I and II:

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	3,386,069	2,849,255	52,204	12,924
Letters of Guarantee	3,385,269	1,758,294	52,204	12,901
Bills of Exchange and Bank Acceptances	-	65,386	-	-
Letters of Credit	800	990,789	-	23
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	34,786	-	-

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III. Explanations and notes related to off-balance sheet commitments (continued)

b. Financial derivative instruments:

	Derivative transactions according to aims	
	Current Period	Prior Period
Trading derivatives		
Foreign Currency Related Derivative		
Transactions (I):	4,803,738	5,069,030
Currency Forwards-Purchases, sales	2,189,777	3,639,325
Currency Swaps-Purchases, sales	2,613,961	1,429,705
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
Interest Rate Related Derivative		
Transactions (II):	-	-
Interest rates forwards-Purchase, sales	-	-
Interest rates swaps-Purchases, sales	-	-
Interest rates options-Purchases, sales	-	-
Interest rates futures-Purchases, sales	-	-
Other Trading Derivatives (III)	638,490	177,773
A.Total Trading Derivatives (I+II+III)	5,442,228	5,246,803
Hedging Derivatives		
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
B. Total Hedging Derivatives	-	-
Total Derivatives Transactions (A+B)	5,442,228	5,246,803

The Parent Bank enters into short term swap transactions based on its market expectations and cash flow. These transactions are generally short term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2012, the Bank has commitments to buy TL 309,852, USD 279,712,000, EUR 120,804,000 and GBP 2,057,000 in return of selling commitments of TL 552,182, USD 168,975,000, EUR 93,244,000 and GBP 2,164,000 (As of 31 December 2011, the Bank has commitments to buy TL 1,046,023, USD 515,944,000, EUR 184,364,000 and GBP 2,286,000 in return of selling commitments of TL 860,796, USD 670,572,000, EUR 164,456,000 and GBP 4,777,000).

c. Credit derivatives and risk exposures on credit derivatives: None.

d. Contingent liabilities and assets:

In accordance with decision of the Bank's Board of Directors numbered 1117 and dated 21 June 2011, recoverable foreign currency loan granting commitments to real and legal persons and who do not have the unconditional right to utilize these commitment has been translated into Turkish Lira and no longer followed as foreign currency commitments.

e. Explanations on custodian and intermediary services:

The Bank has no operations like money placements on behalf of real or legal persons, charitable foundations, retirement insurance funds and other institution

f. Summary Information on the Parent Bank's Rating by the International Rating Institutions:

Fitch Rating's November 2012	Ratings
Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F3
Local Currency Long Term Issuer Default Rating	BBB+
Local Currency Short Term Issuer Default Rating	F2
Support Rating	2

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IV. Explanations and disclosures related to the income statement

a. Information on profit share income:

1. Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	1,191,252	58,443	894,230	35,758
Short term loans	413,180	10,670	279,480	5,770
Medium and long term loans	774,725	47,773	607,942	29,988
Profit share on non-performing loans	3,347	-	6,808	-
Premiums received from resource utilization support fund	-	-	-	-

2. Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	7,879	4,853	16,001	2,577
Branches and head office abroad	-	-	-	-
Total	7,879	4,853	16,001	2,577

i. Information on profit share income from securities portfolio:

The Group has received TL 8,037 profit share income from rent certificates (sukuk) whose details disclosed in available for sale financial assets information. (1 January-31 December 2011: None)

ii. Information on profit share income received from associates and subsidiaries:

	Current period	Prior period
Profit share income received from associates and subsidiaries	237	101

b. Information on profit share expenses:

i. Information on profit share expense given to funds borrowed:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	40	65,258	-	26,593
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	40	65,258	-	26,593
Branches and head office abroad	-	-	-	-
Other Institutions	-	28,482	-	19,096
Total	40	93,517	-	45,689

ii. Profit share expense given to associates and subsidiaries:

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	1,937	2,546

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

b. Information on profit share expenses (continued):

iii. Profit share expense paid to securities issued: In 2012, TL 39,346 profit share expense accrued (1 January- 31 December 2011 – TL 9,570).

c. Information on dividend income: None (1 January-31 December 2011: None).

d. Distribution of profit share on funds based on maturity of funds:

Current Period		Profit Sharing Accounts						Accumulated profit sharing accounts	Total
Account name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year			
TL									
Collected funds from banks through current and profit share accounts	31	960	-	-	528	-	-	-	1,519
Real person's non-trading profit sharing Account	67,941	176,957	12,586	-	7,630	53,595	-	-	318,709
Public sector profit sharing account	3	54	178	-	654	24	-	-	913
Commercial sector profit sharing account	5,483	30,664	2,663	-	1,836	5,769	-	-	46,415
Other institutions profit sharing account	532	3,093	73	-	22	178	-	-	3,898
Total	73,990	211,728	15,500	-	10,670	59,566	-	-	371,454
FC									
Banks	60	119	4	-	-	355	-	-	538
Real person's non-trading profit sharing account	12,870	28,737	3,325	-	3,059	6,728	-	-	54,719
Public sector profit sharing account	-	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	1,245	17,354	3,557	-	151	1,581	-	-	23,888
Other institutions profit sharing account	919	1,276	407	-	2	361	-	-	2,965
Precious metal accounts	-	11,805	346	-	559	-	-	-	12,710
Total	15,094	59,291	7,639	-	3,771	9,025	-	-	94,820
Grand Total	89,084	271,019	23,139	-	14,441	68,591	-	-	466,274
Prior period									
Account name	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	Above 1 year	Accumulated profit sharing accounts	Total	
TL									
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing account	103,806	85,916	3,347	-	7,413	56,825	-	-	257,307
Public sector profit sharing account	1	33	-	-	363	14	-	-	411
Commercial sector profit sharing account	11,700	14,837	1,076	-	2,419	8,879	-	-	38,911
Other institutions profit sharing account	438	740	90	-	16	250	-	-	1,534
Total	115,945	101,526	4,513	-	10,211	65,968	-	-	298,163
FC									
Banks	24	1,273	1,303	-	3,137	2,852	-	-	8,589
Real person's non-trading profit sharing account	18,896	14,063	890	-	3,364	5,163	-	-	42,376
Public sector profit sharing account.	-	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	3,338	3,586	128	-	147	1,466	-	-	8,665
Other institutions profit sharing account	765	57	2,465	-	2	133	-	-	3,422
Precious metal accounts	-	7,762	129	-	405	-	-	-	8,296
Total	23,023	26,741	4,915	-	7,055	9,614	-	-	71,348
Grand Total	138,968	128,267	9,428	-	17,266	75,582	-	-	369,511

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

e. Information on trading income/loss (Net):

	Current period	Prior period
Income	5,912,277	7,032,184
Gain on capital market transactions	1,652	2,252
Gain on derivative financial instruments	84,478	225,205
Foreign exchange gains	5,826,147	6,804,727
Losses (-)	5,808,632	6,932,391
Losses on capital market transactions	1,936	2,197
Losses on derivative financial instruments	63,075	224,617
Foreign exchange losses	5,743,621	6,705,577

f. Information on other operating income:

The details of other operating income are presented below. There are no unusual items in the other operating income which materially affect the income of the Bank.

	Current period	Prior period
Reversal of prior period provisions	57,563	36,636
Income from sale of assets	20,926	13,734
Expertise fees	8,271	7,561
Income from EFT and money transfers	7,436	5,627
Income from checkbooks	3,873	3,627
Income from bounced check provisions	2,538	2,622
Income from check provisions	2,041	1,745
Lease income	1,494	1,324
Other Income	8,443	5,860
Total	112,585	78,736

g. Provisions for loan losses and other receivables of the Bank:

	Current period	Prior period
Specific provisions for loans and other receivables	159,532	105,350
III. group loans and receivables	37,118	23,557
IV. group loans and receivables	51,626	25,317
V. group loans and receivables	70,788	56,476
Doubtful commissions, fees and other receivables	57	-
General provision expenses	27,730	37,433
Provision expenses for possible losses	-	1,886
Impairment provision of marketable securities	28	-
Financial Assets at fair value through profit and loss	28	-
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	7,790	7,373
Associates	-	-
Subsidiaries	7,790	7,373
Joint ventures	-	-
Held to maturity investments	-	-
Other	2,941	12,616
Total	198,078	164,658

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

h. Information on other operating expenses:

	Current period	Prior period
Personnel expenses	261,541	208,036
Provision for retirement pay liability	2,613	2,058
Depreciation expenses of fixed assets	24,242	21,272
Impairment expenses of tangible assets	-	-
Depreciation expenses of intangible assets	7,662	4,253
Depreciation expenses of assets held for sale	727	945
Other operating expenses	123,124	98,326
Rent expenses	42,610	30,586
Maintenance expenses	13,778	11,889
Advertisement expenses	13,756	9,449
Communication expenses	11,304	9,702
Heating, electricity and water expenses	6,282	5,170
Cleaning expenses	1,918	2,109
Vehicle expenses	3,168	2,524
Stationery expenses	2,753	2,073
Other expenses	27,555	24,824
Losses on sales of assets	279	295
Deposit insurance fund expenses	20,859	17,713
Other	43,011	25,202
Total	484,058	378,100

i. Information on profit/loss from continued and discontinued operations before taxes:

Income before tax amounts to TL 311,033 increased by 27.83% as compared to the prior period (1 January-31 December 2011 – TL 243,327). Income before tax includes TL 701,705 (1 January-31 December 2011 – TL 542,851) net profit share income and TL 75,234 (1 January-31 December 2011 – TL 64,705) net fees and commission income. Other operating expense amount is TL 484,058 (1 January-31 December 2011 – TL 378,100).

j. Information on tax provision for continued and discontinued operations:

As of 31 December 2012, deferred tax expense of the Group is TL 8,721 (1 January-31 December 2011 – TL 24,356 deferred tax income) and current tax expense is TL 50,379 (1 January-31 December 2011 – TL 74,770).

k. Information on net income/loss from continued and discontinued operations:

There is no income or loss for discontinued operation in net operating income after tax.

l. Information on net income/loss:

- i. 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 a complete understanding of the Bank's performance for the period: As of 31 December 2012, net profit share income is TL 701,705 (1 January- 31 December 2011 – TL 542,851), net fees and commission income is TL 75,234 (1 January-31 December 2011 – TL 64,705).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (1 January-31 December 2011 – None).
- iii. Profit/Loss attributable to minority interest: None (1 January-31 December 2011 – None).

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

m. Details of sub accounts comprising at least 20% of other items in income statement, exceeding 10% of total income statement:

As of 31 December 2012, other fees and commissions received is TL 70,814 (1 January-31 December 2011 – TL 50,127), TL 12,251 of this amount is related with credit card fees and commissions (1 January-31 December 2011 – TL 8,723) and TL 22,078 of this amount is related with POS machine commissions (1 January-31 December 2011 – TL 13,099).

As of 31 December 2012, other fees and commissions given is TL 55,989 (1 January-31 December 2011 – TL 36,010), TL 25,734 (1 January-31 December 2011 – TL 15,295) of this amount is related with POS clearing commissions and installation expenses, TL 5,356 (1 January-31 December 2011 – TL 4,000) of this amount is related with fees and commissions paid for credit cards.

V. Statement of Changes in Shareholders' Equity

a) There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements.

Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.

b) In current year, in accordance with decision of the Bank's General Assembly meeting dated 18 April 2012 the Bank has realized dividend payments amounting to TL 16,000 to its shareholders and TL 1,305 TL to members of Board of Directors. In the General Assembly meeting has decided amounting to TL 11,482 transferred to legal reserves, amounting to TL 163,026 transferred to extraordinary reserve and amounting to TL 3,229 transferred to other reserves.

VI. Explanations and notes related to cash flow statement

a. Information regarding the balances of cash and cash equivalents at the beginning of the period:

1. Components of cash and cash equivalents and accounting policy applied in their determination:

“Cash” is defined as cash in vault and foreign currency cash, cash in transit, checks purchased, unrestricted amount in the Central Bank and demand deposits in Banks. “Cash equivalents” is defined as money market placements, investments in securities and time deposits in banks with original maturity less than three months.

(i). Cash and cash equivalents at the beginning of the period:

	Current period	Prior period
Cash	1,355,187	1,349,774
Cash in TL/foreign currency, others	170,832	121,573
Demand deposits at banks	1,184,355	1,228,201
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	1,355,187	1,349,774

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VI. Explanations and notes related to cash flow statement (continued)

a. Information regarding the balances of cash and cash equivalents at the beginning of the period: (continued)

(ii). Cash and cash equivalents at the end of the period:

	Current period	Prior period
Cash	1,831,478	1,355,187
Cash in TL/foreign currency, others	304,085	170,832
Demand deposits at banks	1,527,393	1,184,355
Cash equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalents	1,831,478	1,355,187

b. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations: None.

c. Effects of the changes in foreign currency rates on cash and cash equivalents:

“Other items” amounting to TL 11,484 (1 January-31 December 2011: TL 70,031) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 6,054 (1 January-31 December 2011: TL 11,871) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

d. Effects of the change in foreign currency rates on cash and cash equivalents:

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 10,314 as of 31 December 2012 (31 December 2011 – TL 3,041).

VII. Explanations and notes related to risk group of the Bank:

a. Information on the volume of transactions relating to the Bank’s risk group, outstanding loans and funds collected and income and expenses for the period:

1. Current period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	30	147	298	87,387	2,919
Balance at end of period	126,633	30	1,146	544	84,273	13,157
Profit share and commission income	237	-	88	-	4,154	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

Within the amounts above, the Bank has TL 126,633 in its associates, subsidiaries and joint ventures (31 December 2011: Nil), in its direct and indirect shareholders – TL (31 December 2011– TL 53), TL 640 amount of “Foreign Banks” in other real or legal persons included in the risk group (31 December 2011– TL 709).

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VII. Explanations and notes related to risk group of the Bank: (continued)

a. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses for the period: (continued)

2. Prior period:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	61	186	314	110,359	5,097
Balance at end of period	1,907	30	147	298	87,387	2,919
Profit share and commission income	101	-	10	-	5,028	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

3. (i). Information on current and profit sharing accounts of the Bank's risk group:

Risk group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	28,441	5,055	22,759	159,769	95,340	33,436
Balance at the end of period	75,445	28,426	21,047	22,759	107,600	95,340
Profit share expense	1,937	2,546	1,358	818	32,243	593

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411

(ii) Forward and option agreements and other similar agreements with the risk group of the Bank: None.

(iii) Information on loans received from the Bank's risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Loans Received						
Balance at beginning of period	-	-	953,854	282,345	242,455	-
Balance at end of period	-	-	1,919,506	953,854	89,620	242,455
Profit share expense	-	-	60,712	22,160	3,046	4,303

b. Information on remunerations provided to top management:

As of 31 December 2012, the Bank has paid TL 10,510 to top management (31 December 2011 - TL 8,092).

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VIII. Domestic, foreign and off-shore branches or equity investments, and foreign representative offices

1. Domestic and foreign branches and representative offices:

	Number of Branches	Number of Employees			
Domestic branches (*)	219	2,752			
			Country		
Foreign representative offices	1	1	Kazakhstan		
Foreign representative offices	1	1	Germany	Total Assets (TL)	Legal Capital (USD)
Off-shore branches	1	3	Bahrain	2,212,095	
Foreign branches	1	4	Germany	596	

(*) The personnel working at Headquarters, Operation Center and Region quarters are not included in the domestic branches personnel number.

2. Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure:

In 2012, 41 new domestic branches (2011-39 branches) were opened.

IX. Significant Events and Matters Arising Subsequent to Balance Sheet Date

The Parent Bank decided in present to the next Ordinary General Assembly, the capital increase to be realized in two stages as based on the decision of the Board of Directors numbered 1321 and dated 30 January 2013. According to the mentioned decision; the share capital is decided to be increased by TL 50,000 from the period profit and TL 190,000 from the reserves and TL 360,000 of cash in the first stage in 2013, thus resulting in a capital of TL 1,700,000; and then resulting in total capital of TL 2,060,000 by another cash increase of TL 360,000 to be paid in 2014.

Within the scope of "Communiqué due to the Amendment of Deposit and Funds Collected subject to Insurance from Saving Deposit Insurance Fund and Premiums that will be received by the Saving Deposit Insurance Fund" published in the Official Gazette numbered 28560 and dated 15 February 2013, the expression "the part of the participation accounts unit account values and special current accounts up to 50 thousand Turkish Liras per person are within the coverage of insurance" was changed as "the sum up to 100 thousand Turkish Liras are within the coverage of the insurance".

IX. Significant Events and Matters Arising Subsequent to Balance Sheet Date (continued)

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Within the scope of " Communiqué on Amendments to be Made on Communiqué on Required Reserves " published in the Official Gazette numbered 28565 and dated 20 February, 2013, Turkish Lira and Foreign Exchange required reserve rates are increased. The relevant rates are shown in the following table:

Turkish Lira Liabilities	Current rates	Revised rates
	(%)	(%)
Demand deposits, notice deposits and private current accounts, deposits/participation accounts with maturities of up to 1 month and 3 months (including 1 and 3 months)	11.25	11.5
Deposits/participation accounts with maturities of up to 6 months (including 6 months)	8.25	8.5
Deposits/participation accounts with maturities of up to 1 year	6.25	6.5
Deposits/participation accounts with maturities of 1 year and longer and cumulative deposits/participation accounts	5	5
Other liabilities with maturities of up to 1 year (including 1 year)	11.25	11.5
Other liabilities with maturities of up to 3 years (including 3 years)	8	8
Other liabilities with maturities of up to 3 years (including 3 years)	5	5

Foreign Currency Liabilities	Current rates	Revised rates
	(%)	(%)
FC demand deposits, notice deposits and FC private current accounts, deposits/participation accounts with maturities of up to 1 month, 3 months, 6 months (including 1, 3 and 6 months) and 1 year	12	12.5
FC deposits / participation accounts with maturities of 1 year and longer and cumulative FC deposits / participation accounts	9	9
Other FC liabilities with maturities of up to 1 year (including 1 year)	12	12.5
Other FC liabilities with maturities of up to 3 years (including 3 years)	10	10.5
Other FC liabilities with maturities longer than 3 years	6	6

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SECTION SIX

OTHER EXPLANATIONS AND DISCLOSURES

- I. Other matters which must be explained in terms of explicitly, interpretability and understandability of the balance sheet: None.**

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

- I- Explanations on the independent auditors' report:**

The consolidated financial statements of the Bank have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 4 March 2013 is presented before the accompanying consolidated financial statements.

- II- Notes and disclosures prepared by independent auditors: None.**