

**KUVEYT TÜRK KATILIM BANKASI  
ANONİM ŞİRKETİ**

**INDEPENDENT ACCOUNTANT'S  
LIMITED REVIEW REPORT,  
CONSOLIDATED FINANCIAL  
STATEMENTS AND NOTES  
FOR THE PERIOD ENDED  
MARCH 31, 2012**

*Translated into English  
from the Original Turkish Report*

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

## **KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**

### **INDEPENDENT ACCOUNTANT’S LIMITED REVIEW REPORT FOR THE INTERIM PERIOD JANUARY 1 – MARCH 31, 2012**

We have reviewed the accompanying consolidated balance sheet of Kuveyt Türk Katılım Bankası A.Ş. (“The Bank”) and its financial subsidiaries (the “Group”) as of March 31, 2012 and the related consolidated statements of income, cash flows and changes in equity for the period then ended. These financial statements are the responsibility of the Bank’s management. As independent accountants our responsibility is to issue a report based on the review performed on these financial statements.

We conducted our review in accordance with the accounting rules and policies, and the accounting and auditing standards, set out as per the Banking Act No: 5411. Those standards require that we plan and perform the review to obtain limited assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to reviewing financial statements by applying analytical procedures, inquiring as to the integrity of the financial statements and making inquiries of management to obtain information, it is substantially less in scope than an audit and therefore provides a lesser assurance. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements are not presented fairly, in all material respects, the financial position, the results of its operations and its cash flows, of the Group for the period ended March 31, 2012 in accordance with the prevailing accounting principles and standards set out as per the Article No: 37 and No: 38 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency (“BRSA”).

#### **Other matters**

The financial statements of the Group for the year ended 31 December 2011 have been audited by other auditors whose report, dated 13 April 2012, expressed unqualified opinion. The financial statements of the Group for the period ended 31 March 2011 have been reviewed by other auditors. The auditors stated at their review report dated 7 June 2011 that nothing had come to their attention that caused them to believe that the consolidated financial statements were not presented fairly the financial position and the results of the Group’s operations as of 31 March 2011.

**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 consolidated financial statements differ materially from IFRS. Accordingly, the accompanying consolidated financial statements are not intended to present the Group'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.

Istanbul, May 25, 2012

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

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Şehsuvaroğlu

Partner

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**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

Address of the Bank Headquarters : Büyükdere Cad. No: 129/1 34394 Esentepe / İSTANBUL  
Bank's Phone and Facsimile Numbers : 0212 354 11 11  
Bank's Website : www.kuveytturk.com.tr  
Electronic Mail Contact Info : kuveytturk@kuveytturk.com.tr

The consolidated financial report designed in line with the Banking Regulation and Supervision Agency's (The "BRSA") 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 Parent Bank
- Consolidated Interim Financial Statements of the Parent Bank
- Explanations on the Accounting Policies
- Information on Financial Structure of the Group which is under consolidation
- Footnotes and Explanations on Consolidated Financial Statements
- Limited Review Report

The subsidiaries, associates and jointly controlled entities, financial statements of which are consolidated within the framework of reporting package are as follows:

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Jointly Controlled Entities</b>
1.	Kuveyt Türk Katılım Bankası Dubai LTD.	-	-
2.	KT Sukuk Varlık Kiralama A.Ş.	-	-

KT Turkey Sukuk Ltd., which is not Subsidiary of the Bank but over which the Bank has 100% controlling power, has been included in the consolidation due to the reason that this company is "Special Purpose Entity".

The consolidated financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in thousands of Turkish Lira, in accordance with the Communique on Banks' Accounting Practise and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and, related communique and the Banks' records, have been reviewed and presented as attached.

Mohammad S.A.I. Alomar Chairman of the Board of Directors	Adnan Ertem Chairman of the Audit Committee	Shaheen H. A. ALGHANEEM Member of the Audit Committee	Ufuk Uyan General Manager	Ahmet Karaca Assistant General Manager In Charge of Financial Reporting
<hr/>				
İsmail Hakkı Yeşilyurt External Reporting Manager				

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

**Name-Surname/Position:** İsmail Hakkı Yeşilyurt / External Reporting Manager  
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**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 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.

**II. Shareholding Structure, Shareholders Jointly or Individually Having Direct or Indirect, Control over the Management and Supervision of the Parent 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 March 31, 2012 and December 31, 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 Parent Bank:**

<b>Name</b>	<b>Title</b>	<b>Date of the assignment</b>	<b>Educational degree</b>	<b>Ownership percentage %</b>
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%
Azfar Hussain QARNI	Member of BOD	23/05/2003	Master	-
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%
Shaheen H.A. AL GHANEM	Member of BOD	18/12/2006	Bachelor	-
Ufuk UYAN	Member of BOD, General Manager	10/05/1999	Master	0.0556%
Ahmet KARACA	Assistant General Manager	12/07/2006	Master	0.0189%
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	0.0083%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Banking Service Group	05/05/2005	Doctorate	0.0061%
Murat ÇETİNKAYA	Assistant General Manager, Treasury, International and Investment Banking	02/01/2008	Bachelor	-
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010	Bachelor	-
Asım ÖZGÖZÜKARA	Auditor	22/11/1988	Bachelor	-
Güven OBALI	Auditor	11/12/2007	Bachelor	-
Miktad YETİM	Auditor	15/04/2010	Associate Degree	-

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 (December 31, 2011 – 0.19%).

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

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

**IV. Information on qualified shareholders:**

<b>Name / Commercial Name</b>	<b>Share amount (Nominal)</b>	<b>Shareholding percentage</b>	<b>Paid shares (Nominal)</b>	<b>Unpaid shares</b>
Kuwait Finance House	591,292	62.24%	591,292	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	177,833	18.72%	177,833	-
<b>Total</b>	<b>769,125</b>	<b>80.96%</b>	<b>769,125</b>	<b>-</b>

**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 March 31, 2012, the Parent Bank is operating through 183 domestic branches (31 December 2011: 180) with 3,502 employees (December 31, 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 travelers' 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 installments, 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 Committee and authorized by relevant legal authorities after which 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 are included to the Article of Association.

## **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



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

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

	Note	Reviewed			Audited		
		Current period (31.03.2012)			Prior period (31.12.2011)		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(I-a)	<b>422,859</b>	<b>2,543,433</b>	<b>2,966,292</b>	<b>455,541</b>	<b>2,384,401</b>	<b>2,839,942</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	(I-b)	<b>40,041</b>	<b>20,674</b>	<b>60,715</b>	<b>73,338</b>	<b>13,882</b>	<b>87,220</b>
2.1 Trading financial assets		40,041	20,674	60,715	73,338	13,882	87,220
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		34,513	20,674	55,187	60,983	13,882	74,865
2.1.4 Other marketable securities		5,528	-	5,528	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 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	(I-c)	<b>114,582</b>	<b>779,406</b>	<b>893,988</b>	<b>51,169</b>	<b>781,240</b>	<b>832,409</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(I-d)	<b>7,074</b>	-	<b>7,074</b>	<b>6,542</b>	-	<b>6,542</b>
5.1 Equity securities		7,074	-	7,074	6,542	-	6,542
5.2 Public sector debt securities		-	-	-	-	-	-
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	(I-e)	<b>9,286,836</b>	<b>953,046</b>	<b>10,239,882</b>	<b>9,354,466</b>	<b>926,231</b>	<b>10,280,697</b>
6.1 Loans and receivables		9,246,710	953,046	10,199,756	9,323,752	926,231	10,249,983
6.1.1 Loans to risk group of the bank		29,493	51,994	81,487	30,289	56,483	86,772
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		9,217,217	901,052	10,118,269	9,293,463	869,748	10,163,211
6.2 Non-performing loans		238,094	-	238,094	209,428	-	209,428
6.3 Specific provisions (-)		197,968	-	197,968	178,714	-	178,714
<b>VII. HELD TO MATURITY INVESTMENTS (Net)</b>	(I-f)	-	-	-	-	-	-
<b>VIII. INVESTMENTS IN ASSOCIATES (Net)</b>	(I-g)	-	-	-	-	-	-
8.1 Accounted for under equity method		-	-	-	-	-	-
8.2 Unconsolidated associates		-	-	-	-	-	-
8.2.1 Financial associates		-	-	-	-	-	-
8.2.2 Non-financial associates		-	-	-	-	-	-
<b>IX. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(I-h)	<b>57,863</b>	-	<b>57,863</b>	<b>65,653</b>	-	<b>65,653</b>
9.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
9.2 Unconsolidated non-financial subsidiaries		57,863	-	57,863	65,653	-	65,653
<b>X. ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)</b>	(I-i)	-	-	-	-	-	-
10.1 Accounted for under equity method		-	-	-	-	-	-
10.2 Unconsolidated		-	-	-	-	-	-
10.2.1 Financial subsidiaries		-	-	-	-	-	-
10.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XI. FINANCE LEASE RECEIVABLES</b>	(I-j)	<b>131,233</b>	-	<b>131,233</b>	<b>132,872</b>	-	<b>132,872</b>
11.1 Finance lease receivables		166,462	-	166,462	169,214	-	169,214
11.2 Operating lease receivables		-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-
11.4 Unearned income (-)		35,229	-	35,229	36,342	-	36,342
<b>XII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	(I-k)	-	-	-	-	-	-
12.1 Fair value hedge		-	-	-	-	-	-
12.2 Cash flow hedge		-	-	-	-	-	-
12.3 Hedge of net investment risks in foreign operations		-	-	-	-	-	-
<b>XIII. TANGIBLE ASSETS (Net)</b>		<b>171,468</b>	<b>924</b>	<b>172,392</b>	<b>171,013</b>	<b>1,009</b>	<b>172,022</b>
<b>XIV. INTANGIBLE ASSETS (Net)</b>		<b>30,723</b>	<b>1</b>	<b>30,724</b>	<b>26,453</b>	<b>1</b>	<b>26,454</b>
14.1 Goodwill		-	-	-	-	-	-
14.2 Other		30,723	1	30,724	26,453	1	26,454
<b>XV. INVESTMENT PROPERTIES (Net)</b>		-	-	-	-	-	-
<b>XVI. TAX ASSET</b>	(I-l)	<b>13,685</b>	-	<b>13,685</b>	<b>32,827</b>	-	<b>32,827</b>
16.1 Current tax asset		-	-	-	-	-	-
16.2 Deferred tax asset		13,685	-	13,685	32,827	-	32,827
<b>XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>27,767</b>	-	<b>27,767</b>	<b>25,015</b>	-	<b>25,015</b>
17.1 Held for sale		27,767	-	27,767	25,015	-	25,015
17.2 Discontinued operations		-	-	-	-	-	-
<b>XVIII. OTHER ASSETS</b>	(I-m)	<b>188,999</b>	<b>53,298</b>	<b>242,297</b>	<b>144,214</b>	<b>68,488</b>	<b>212,702</b>
<b>TOTAL ASSETS</b>		<b>10,493,130</b>	<b>4,350,782</b>	<b>14,843,912</b>	<b>10,539,103</b>	<b>4,175,252</b>	<b>14,714,355</b>

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

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

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

	Note	Reviewed			Audited		
		Current period (31.03.2012)			Prior period (31.12.2011)		
		TL	FC	Total	TL	FC	Total
<b>I. FUND COLLECTED</b>	(II-a)	<b>5,129,100</b>	<b>4,657,368</b>	<b>9,786,468</b>	<b>5,215,357</b>	<b>4,701,462</b>	<b>9,916,819</b>
1.1 Funds from risk group of the bank		34,809	87,139	121,948	48,936	97,604	146,540
1.2 Other		5,094,291	4,570,229	9,664,520	5,166,421	4,603,858	9,770,279
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(II-b)	<b>9,238</b>	<b>11,291</b>	<b>20,529</b>	<b>8,566</b>	<b>29,699</b>	<b>38,265</b>
<b>III. FUNDS BORROWED</b>	(II-c)	-	<b>1,818,290</b>	<b>1,818,290</b>	-	<b>1,524,922</b>	<b>1,524,922</b>
<b>IV. MONEY MARKET BALANCES</b>		-	-	-	-	-	-
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	<b>813,351</b>	<b>813,351</b>	-	<b>867,927</b>	<b>867,927</b>
<b>VI. SUNDRY CREDITORS</b>	(II-d)	<b>76,669</b>	<b>66,551</b>	<b>143,220</b>	<b>73,630</b>	<b>67,335</b>	<b>140,965</b>
<b>VII. OTHER LIABILITIES</b>	(II-d)	<b>193,941</b>	<b>26,180</b>	<b>220,121</b>	<b>189,425</b>	<b>18,977</b>	<b>208,402</b>
<b>VIII. FINANCE LEASE PAYABLES</b>	(II-e)	-	-	-	-	-	-
8.1 Finance lease payables		-	-	-	-	-	-
8.2 Operating lease payables		-	-	-	-	-	-
8.3 Other		-	-	-	-	-	-
8.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
<b>IX. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	(II-f)	-	-	-	-	-	-
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	-	-	-	-	-
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>X. PROVISIONS</b>	(II-g)	<b>132,584</b>	<b>35,361</b>	<b>167,945</b>	<b>148,514</b>	<b>37,748</b>	<b>186,262</b>
10.1 General loan loss provisions		95,915	15,925	111,840	94,936	15,452	110,388
10.2 Restructuring provisions		-	-	-	-	-	-
10.3 Reserve for employee benefits		19,446	270	19,716	37,259	290	37,549
10.4 Insurance technical reserves (net)		-	-	-	-	-	-
10.5 Other provisions		17,223	19,166	36,389	16,319	22,006	38,325
<b>XI. TAX LIABILITY</b>	(II-h)	-	-	-	<b>3,683</b>	-	<b>3,683</b>
11.1 Current tax liability		-	-	-	3,683	-	3,683
11.2 Deferred tax liability		-	-	-	-	-	-
<b>XII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(II-i)	-	-	-	-	-	-
12.1 Held for sale		-	-	-	-	-	-
12.2 Discontinued operations		-	-	-	-	-	-
<b>XIII. SUBORDINATED LOANS</b>	(II-j)	-	<b>354,447</b>	<b>354,447</b>	-	<b>386,681</b>	<b>386,681</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	(II-k)	<b>1,519,816</b>	<b>(275 )</b>	<b>1,519,541</b>	<b>1,440,263</b>	<b>166</b>	<b>1,440,429</b>
14.1 Paid-in capital		950,000	-	950,000	950,000	-	950,000
14.2 Capital reserves		23,250	-	23,250	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		-	-	-	-	-	-
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		272,955	-	272,955	274,575	-	274,575
14.3.1 Legal reserves		34,923	-	34,923	34,923	-	34,923
14.3.2 Status reserves		-	-	-	-	-	-
14.3.3 Extraordinary reserves		233,253	-	233,253	233,253	-	233,253
14.3.4 Other profit reserves		4,779	-	4,779	6,399	-	6,399
14.4 Profit or loss		273,611	(275)	273,336	192,438	166	192,604
14.4.1 Prior period income/(losses)		192,438	166	192,604	-	(309)	(309)
14.4.2 Current period income/(losses)		81,173	(441)	80,732	192,438	475	192,913
14.5 Minority shares	(II-l)	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,061,348</b>	<b>7,782,564</b>	<b>14,843,912</b>	<b>7,079,438</b>	<b>7,634,917</b>	<b>14,714,355</b>

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

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

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

**II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS**

	Notes	Reviewed			Audited		
		Current period (31.03.2012)			Prior period (31.12.2011)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>16,440,602</b>	<b>8,188,711</b>	<b>24,629,313</b>	<b>15,349,627</b>	<b>6,267,200</b>	<b>21,616,827</b>
<b>I. GUARANTEES</b>	(III-a)	<b>2,791,799</b>	<b>2,596,603</b>	<b>5,388,402</b>	<b>2,636,162</b>	<b>2,405,516</b>	<b>5,041,678</b>
1.1. Letters of guarantees		2,791,799	1,816,772	4,608,571	2,636,162	1,719,813	4,355,975
1.1.1. Guarantees subject to state tender law		120,772	10,600	131,372	99,269	11,197	110,466
1.1.2. Guarantees given for foreign trade operations		93,817	1,282	95,099	71,723	1,494	73,217
1.1.3. Other letters of guarantee		2,577,210	1,804,890	4,382,100	2,465,170	1,707,122	4,172,292
1.2. Bank loans		-	66,353	66,353	-	59,492	59,492
1.2.1. Import letter of acceptances		-	66,353	66,353	-	59,492	59,492
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letter of credits		-	667,867	667,867	-	606,486	606,486
1.3.1. Documentary letter of credits		-	231,985	231,985	-	229,993	229,993
1.3.2. Other letter of credits		-	435,882	435,882	-	376,493	376,493
1.4. Prefinancing given as guarantee		-	3406	3406	-	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		-	42,205	42,205	-	18,311	18,311
1.7. Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(III-a)	<b>11,916,953</b>	<b>434,150</b>	<b>12,351,103</b>	<b>10,806,653</b>	<b>521,693</b>	<b>11,328,346</b>
2.1. Irrevocable commitments		1,323,655	434,150	1,757,805	1,107,948	521,693	1,629,641
2.1.1. Forward asset purchase commitments		140,450	434,150	574,600	235,890	521,693	757,583
2.1.2. Share capital commitment to associates and subsidiaries		1,000	-	1,000	1,000	-	1,000
2.1.3. Loan granting commitments		23,549	-	23,549	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		936,584	-	936,584	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		221,966	-	221,966	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		10,593,298	-	10,593,298	9,698,705	-	9,698,705
2.2.1. Revocable loan granting commitments		10,593,298	-	10,593,298	9,698,705	-	9,698,705
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>1,731,850</b>	<b>5,157,958</b>	<b>6,889,808</b>	<b>1,906,812</b>	<b>3,339,991</b>	<b>5,246,803</b>
3.1. Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1. Fair value hedge		-	-	-	-	-	-
3.1.2. Cash flow hedge		-	-	-	-	-	-
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		1,731,850	5,157,958	6,889,808	1,906,812	3,339,991	5,246,803
3.2.1. Forward foreign currency buy/sell transactions		1,700,411	4,332,698	6,033,109	1,906,812	3,162,218	5,069,030
3.2.1.1. Forward foreign currency transactions-buy		836,154	2,157,073	2,993,227	1,046,020	1,453,029	2,499,049
3.2.1.2. Forward foreign currency transactions-sell		864,257	2,175,625	3,039,882	860,792	1,709,189	2,569,981
3.2.2. Other forward buy/sell transactions		31,439	825,260	856,699	-	177,773	177,773
3.3. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>35,101,320</b>	<b>61,455,868</b>	<b>96,557,188</b>	<b>29,751,395</b>	<b>64,617,593</b>	<b>94,368,988</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>2,624,466</b>	<b>331,458</b>	<b>2,955,924</b>	<b>2,488,099</b>	<b>325,130</b>	<b>2,813,229</b>
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		4,291	-	4,291	4,162	-	4,162
4.3. Checks received for collection		2,250,899	257,690	2,508,589	2,135,626	256,629	2,392,255
4.4. Commercial notes received for collection		369,276	73,303	442,579	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		-	465	465	-	500	500
<b>V. PLEDGED ITEMS</b>		<b>32,467,580</b>	<b>61,104,162</b>	<b>93,571,742</b>	<b>27,255,887</b>	<b>64,271,439</b>	<b>91,527,326</b>
5.1. Marketable securities		62,529	17,274	79,803	62,529	18,588	81,117
5.2. Guarantee notes		102,293	760,968	863,261	109,905	826,960	936,865
5.3. Commodity		2,052,083	36,636	2,088,719	1,953,255	39,429	1,992,684
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		22,250,098	654,513	22,904,611	20,260,793	653,017	20,913,810
5.6. Other pledged items		8,000,577	59,634,771	67,635,348	4,869,405	62,733,445	67,602,850
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>9,274</b>	<b>20,248</b>	<b>29,522</b>	<b>7,409</b>	<b>21,024</b>	<b>28,433</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>51,541,922</b>	<b>69,644,579</b>	<b>121,186,501</b>	<b>45,101,022</b>	<b>70,884,793</b>	<b>115,985,815</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**INCOME STATEMENT FOR THE PERIOD ENDED MARCH 31, 2012**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

	Notes	Reviewed	
		Current period	Prior period
		01.01.2012-31.03.2012	01.01.2011-31.03.2011
		Total	Total
<b>I. PROFIT SHARE INCOME</b>	(IV-a)	<b>306,176</b>	<b>205,416</b>
1.1 Profit share on loans		299,516	197,938
1.2 Profit share on reserve deposits		-	-
1.3 Profit share on banks		708	3,548
1.4 Profit share on money market placements		-	-
1.5 Profit share on marketable securities portfolio		-	-
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		-	-
1.5.4 Investment-held for maturity		-	-
1.6 Finance lease income		2,486	1,618
1.7 Other profit share income		3,466	2,312
<b>II. PROFIT SHARE EXPENSE</b>	(IV-b)	<b>133,973</b>	<b>89,635</b>
2.1 Expense on profit sharing accounts		106,113	83,313
2.2 Profit share expense on funds borrowed		16,878	4,203
2.3 Profit share expense on money market borrowings		-	-
2.4 Expense on securities issued		10,892	2,119
2.5 Other profit share expense		-	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>172,203</b>	<b>115,781</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>18,976</b>	<b>16,270</b>
4.1 Fees and commissions received		31,794	22,966
4.1.1 Non-cash loans		14,657	11,429
4.1.2 Other	(IV-l)	17,137	11,537
4.2 Fees and commissions paid		12,818	6,696
4.2.1 Non-cash loans		7	8
4.2.2 Other	(IV-l)	12,811	6,688
<b>V. DIVIDEND INCOME</b>	(IV-c)	<b>-</b>	<b>-</b>
<b>VI. NET TRADING INCOME</b>	(IV-d)	<b>43,396</b>	<b>20,137</b>
6.1 Capital market transaction gains / (losses)		(262)	110
6.2 Gains/ (losses) from derivative financial instruments		24,805	2,219
6.3 Foreign exchange gains / (losses)		18,853	17,808
<b>VII. OTHER OPERATING INCOME</b>	(IV-e)	<b>26,366</b>	<b>29,534</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>260,941</b>	<b>181,722</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(IV-f)	<b>54,730</b>	<b>51,901</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(IV-g)	<b>106,337</b>	<b>82,950</b>
<b>XI. NET OPERATING PROFIT/(LOSS) (VIII-IX-X)</b>		<b>99,874</b>	<b>46,871</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. GAIN/(LOSS) ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV. GAIN/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	(IV-h)	<b>99,874</b>	<b>46,871</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	(IV-i)	<b>(19,142)</b>	<b>(9,170)</b>
16.1 Provision for current income taxes		-	(8,228)
16.2 Provision for deferred taxes		(19,142)	(942)
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>		<b>80,732</b>	<b>37,701</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
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		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
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		-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	(IV-j)	<b>-</b>	<b>-</b>
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(IV-k)	<b>80,732</b>	<b>37,701</b>
23.1 Group's income/loss		80,732	37,701
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**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER**  
**EQUITY FOR THE PERIOD ENDED MARCH 31, 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)**

	Reviewed	Reviewed
	Current period	Prior period
Statement of income and expenses accounted under equity	(01.01-31.03.2012)	(01.01-31.03.2011)
<b>I. Additions to marketable securities revaluation differences from available for sale financial assets</b>	-	-
<b>II. Tangible assets revaluation differences</b>	-	-
<b>III. Intangible assets revaluation differences</b>	-	-
<b>IV. Currency translation differences for foreign currency transactions</b>	(1,620)	29
<b>V. Profit/loss from derivative financial instruments for cash flow hedge purposes (effective portion of fair value differences)</b>	-	-
<b>VI. Profit/loss from derivative financial instruments for hedge of net investment in foreign operations (effective portion of fair value differences)</b>	-	-
<b>VII. The effect of corrections of errors and changes in accounting policies</b>	-	-
<b>VIII. Other profit loss items accounted under equity as per Turkish accounting standards</b>	-	-
<b>IX. Deferred tax on valuation differences</b>	-	-
<b>X. Total net profit/loss accounted under equity (I+II+...+IX)</b>	(1,620)	29
<b>XI. Profit/loss</b>	-	-
XI.1 Change in fair value of marketable securities (transfer to profit/loss)	-	-
Reclassification of derivatives accounted for cash flow hedge purposes	-	-
XI.2 to income statement	-	-
XI.3 Reclassification of hedge of net investments in foreign operations to income statement	-	-
XI.4 Other	-	-
<b>XII. Total profit/loss accounted for the period (X±XI)</b>	(1,620)	29

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDER' EQUITY FOR THE PERIOD ENDED MARCH 31, 2012**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	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
<b>Current period (01.01-31.03.2012)</b>																			
<b>I.</b>	<b>Beginning balance</b>	<b>950,000</b>	<b>-</b>	<b>23,250</b>	<b>-</b>	<b>34,923</b>	<b>-</b>	<b>233,253</b>	<b>6,399</b>	<b>192,913</b>	<b>(309)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,440,429</b>	<b>-</b>	<b>1,440,429</b>
	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II.</b>	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV.</b>	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V.</b>	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI.</b>	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	Foreign exchange differences	-	-	-	-	-	-	-	(1,620)	-	-	-	-	-	-	-	(1,620)	-	(1,620)
<b>IX.</b>	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII.</b>	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII.</b>	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV.</b>	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV.</b>	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI.</b>	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII.</b>	Net income/(loss) for the period	-	-	-	-	-	-	-	80,732	-	-	-	-	-	-	-	80,732	-	80,732
<b>XVIII.</b>	Profit distribution	-	-	-	-	-	-	-	(192,913)	192,913	-	-	-	-	-	-	-	-	-
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	(192,913)	192,913	-	-	-	-	-	-	-	-	-
<b>Closing balance</b>																			
<b>(I+II+III+...+XVI+XVII+XVIII)</b>		<b>950,000</b>	<b>-</b>	<b>23,250</b>	<b>-</b>	<b>34,923</b>	<b>-</b>	<b>233,253</b>	<b>4,779</b>	<b>80,732</b>	<b>192,604</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,519,541</b>	<b>-</b>	<b>1,519,541</b>

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDER' EQUITY FOR THE PERIOD ENDED MARCH 31, 2011**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Note	Paid-in capital	Effect of inflation 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
<b>Previous period (01.01-31.03.2011)</b>																			
<b>I.</b>	<b>Beginning balance</b>	850,000	-	23,250	-	25,565	-	196,712	2,106	150,545	(206)	-	-	-	-	-	1,256,972	-	1,256,972
	Changes in period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II.</b>	Increase/decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	Marketable securities revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV.</b>	Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V.</b>	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI.</b>	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	Bonus shares obtained from associates, subsidiaries and jointly controlled operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	Foreign exchange differences	-	-	-	-	-	-	-	29	-	-	-	-	-	-	-	29	-	29
<b>IX.</b>	Changes related to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	Changes related to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII.</b>	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII.</b>	Share issue premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV.</b>	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV.</b>	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI.</b>	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII.</b>	Net income/(loss) for the period	-	-	-	-	-	-	-	-	37,101	-	-	-	-	-	-	37,701	-	37,701
<b>XVIII.</b>	Profit distribution	-	-	-	-	-	-	-	-	(159,545)	(159,545)	-	-	-	-	-	-	-	-
18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves	-	-	-	-	-	-	-	-	(159,545)	(159,545)	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing balance (I+II+III+...+XVI+XVII+XVIII)</b>		850,000	-	23,250	-	25,565	-	196,712	2,135	37,701	(159,339)	-	-	-	-	-	1,294,702	-	1,294,702

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**CONSOLIDATED CASH FLOWS STATEMENT FOR THE PERIOD ENDED MARCH 31, 2012**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**VI. CONSOLIDATED CASH FLOWS STATEMENT**

	Note	Reviewed	Reviewed
		Current period 01.01.2012 – 31.03.2012	Prior period 01.01.2011 – 31.03.2011
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating profit (loss) before changes in operating assets and liabilities</b>	<b>104,661</b>	<b>53,502</b>
1.1.1	Profit share income received	309,721	198,369
1.1.2	Profit share expense paid	(130,588)	(89,974)
1.1.3	Dividend received	-	-
1.1.4	Fees and commissions received	31,501	23,898
1.1.5	Other income	9,875	8,808
1.1.6	Collections from previously written off loans	(I-e) 14,260	28,438
1.1.7	Payments to personnel and service suppliers	(99,666)	(68,113)
1.1.8	Taxes paid	(7,940)	(5,902)
1.1.9	Others	(22,502)	(42,022)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>	<b>(10,458)</b>	<b>(335,993)</b>
1.2.1	Net (increase) decrease trading financial assets	6,827	1,892
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	(102,872)	(39,041)
1.2.4	Net (increase) decrease in loans	(7,727)	(814,723)
1.2.5	Net (increase) decrease in other assets	8,103	(13,219)
1.2.6	Net increase (decrease) in bank deposits	(15,646)	133,159
1.2.7	Net increase (decrease) in other deposits	(117,025)	453,649
1.2.8	Net increase (decrease) in funds borrowed	237,727	4,799
1.2.9	Net increase (decrease) in due payables	-	-
1.2.10	Net increase (decrease) in other liabilities	(19,845)	(64,325)
<b>I.</b>	<b>Net cash provided from (used in) banking operations</b>	<b>94,203</b>	<b>(282,491)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net cash provided from (used in) investing activities</b>	<b>(15,751)</b>	<b>(14,752)</b>
2.1	Cash paid for purchase jointly controlled operations, associates and subsidiaries	(I-h) -	(7,600)
2.2	Cash obtained from sale of jointly controlled operations, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(12,519)	(9,211)
2.4	Fixed assets sales	3,022	6,978
2.5	Cash paid for purchase of financial assets available for sale	(532)	(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	(5,722)	(3,925)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net cash provided from (used in) financing activities</b>	<b>-</b>	<b>106,536</b>
3.1	Cash obtained from funds borrowed and securities issued	-	228,004
3.2	Cash used for repayment of funds borrowed and securities issued	-	(121,468)
3.3	Capital increase	-	-
3.4	Dividends paid	-	-
3.5	Payments for finance leases	-	-
3.6	Other	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>5,876</b>	<b>7,589</b>
<b>V.</b>	<b>Net increase (decrease) in cash and cash equivalents (I + II + III + IV)</b>	<b>84,328</b>	<b>(183,118)</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,355,187</b>	<b>1,349,774</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>1,439,515</b>	<b>1,166,656</b>

The accompanying explanations 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 MARCH 31, 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. 26430, dated February 10, 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.

**b. Classifications**

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

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

Accounting policies and valuation methods used in the preparation of consolidated financial statements have been applied as specified in the related communiqués, pronouncements and regulations of TAS and BRSA. The accounting policies adopted in the preparation of the year-end financial statements are consistent with those adopted in the preparation of the financial statements as of December 31, 2011.

“Communiqué related to Changes in Communiqué on Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks” published in the Official Gazette dated January 23, 2011 and numbered 27824 has set out the financial statement formats for the banks which selected to early adopt TFRS 9 “Financial Instruments” before January 1, 2013. This standard will primarily have an effect on the classification and measurement of the Group’s financial assets. The Bank has not early adopted this standard and is currently assessing the impact of adopting it. However, as the impact of adoption depends on the financial asset management models applied and the financial assets held by the Bank at the date of adoption, it is not practical or possible to quantify the effect at this stage. As of the date of these financial statements, the other TAS/TFRS standards announced but not yet effective are not expected to have significant impact on the Bank’s accounting policies, financial position and performance.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 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 unconsolidated financial statements (continued)**

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.

**c. Preparation of the consolidated financial statements in the current purchasing power of money:**

Until December 31, 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 April 21, 2005 and its circular dated April 28, 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied beginning from January 1, 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. Valuation differences of foreign currencies have been recognized in the income statement under the ‘Net foreign exchange income/expense’ account.

The foreign currency net investment in consolidated foreign subsidiaries is translated into Turkish Lira using the exchange rate prevailing at the balance sheet date for their assets and liabilities and average exchange rate for their income statement items. The currency translation gain arising from the consolidated subsidiaries’ foreign currency differences has been recorded in “Other Profit Reserves” under shareholders’ equity.

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 Parent Bank and its 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:

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

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 evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

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. Minority interests are presented in the consolidated balance sheet, in the shareholder’s equity.

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 August 24, 2010 which is not a subsidiary of the Bank. Since the Bank has 100% control power on the special purpose entity it is included in the scope of consolidation. The Parent Bank together with its consolidated subsidiaries is referred to as the “Group” in these consolidated financial statements.

**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 “Held for Hedging” and “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 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 Deferred Revenues account under Other Liabilities on the balance sheet.

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

(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 Parent 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.

**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 assets 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.

**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.

**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.)

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

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 November 1, 2006 in the official Gazette numbered 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 January 23, 2009 in the official Gazette numbered 27119. For the loans with poor financial position and/or payment capability, the 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 income” in the income statement.

In the case where there is evidence for the possibility of uncollectibility 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 November 1, 2006, published on the Official Gazette No: 26333 and revised with the Communiqué dated March 6, 2010, published on the Official Gazette No: 27513 and the Communiqué dated January 23, 2009, published on the Official Gazette No: 2719 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”. In addition, in the current period, the Group aligned general provision calculation with the regulation within the context of regulations published in the Official Gazette No: 27968 dated June 18, 2011, Official Gazette No: 27947 dated May, 28 2011 and Official Gazette No: 28158 dated December 30, 2011.

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 value 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.

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

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

**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 November 1, 2006 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 Bank, 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 Group 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 December 31, 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 December 31, 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 there is 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.

Provisions are recognized 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 fulfill 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)”, by using the “projection method” and based on upon factors derived using the past experience of the Bank with respect to completion of service period and eligibility to receive retirement pay and discounted by using the current market yield rate of government bonds at the balance sheet date.

The Bank’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 Parent 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 February 3, 2009, some deduction rates in 15<sup>th</sup> and 30<sup>th</sup> 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 installment 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. 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. Companies file their tax returns to their tax offices until the end of 25<sup>th</sup> of the fourth month following the accounting period. The tax authorities have the right to inspect the tax returns and their underlying accounting records in a five years period and can revise the amount of taxes if any errors have been notified during the inspection.

***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.

**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.

The Group has not issued convertible bonds.

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**XVIII. Explanations on additional disclosures on borrowings (continued)**

*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 October 31, 2011 with a profit share rate of 5.875%. The Parent Bank has performed this issue through KT Sukuk Varlık Kiralama A.Ş., 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 USD 350 million, is transferred to the Parent 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 has 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.

In accordance with BDDK's letter numbered B.02.1.BDK.0.06.00.00-045.01(3/8)-5397 and dated March13, 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. As of March 31, 2012, TL 4,661 of the aforementioned deferred income is recognized as income in the income statement.

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 at the stand alone financial statements.

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 of the stand alone balance sheet.

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

The difference between the sales price and the net carrying value before the disposal amounting to TL 186,256 (31 December 2011: TL 186,914) of the real estate property concerning rent certificate is eliminated from "Tangible Assets", deferred income amounting to TL 179,649 (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 4,661 (31 December 2011: TL 3,229) and amortization expense based on the revaluation of property amounting to TL 658 (31 December 2011: TL 625) is eliminated from "Profit and Loss".

**XIX. Explanations on share certificates issued**

The Group has no material costs for issuance of share certificates.

**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.

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**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 VI.

**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 unconsolidated financial statements. Accordingly, the accompanying unconsolidated 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 November 1, 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 and 27968 dated October 10, 2007, March 22, 2008, August 15, 2009, and June 18, 2011 respectively. For the calculation of the capital adequacy ratio, the accounting records prepared in compliance with the current legislation are used. The calculation of Capital Adequacy Ratio includes the methods used in determining the Capital Adequacy Ratio, determination of risk weighted assets and non-cash loans in line with the relevant banking regulation and measuring the market risk and operational risk ratio in line with the same regulation. Moreover, market risk value is calculated in accordance with the “The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” and factored into capital adequacy ratio. Based on the “Measurement and Assessment of Capital Adequacy of Banks”, the capital adequacy ratio of the Bank is 15.56% (December 31, 2011 – 16.28%).

**Information for capital adequacy standard ratio:**

	<b>Risk weights</b>						
	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>Consolidated</b>			
				<b>50%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>
<b>Amount subject to credit risk</b>							
Balance sheet items (Net)	<b>3,144,957</b>	-	<b>854,516</b>	<b>4,490,067</b>	<b>4,595,793</b>	<b>8,010</b>	<b>11,956</b>
Cash and cash equivalents	1,638,010	-	-	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	345,243	-	-	-	-	-	-
Domestic Banks, Foreign Banks, Foreign Head Offices and Branches	-	-	819,232	-	75,755	-	-
Money market placements	-	-	-	-	-	-	-
Receivables from reverse repo transactions	-	-	-	-	-	-	-
Reserve deposits	892,592	-	-	-	-	-	-
Loans	245,593	-	34,021	4,343,432	3,792,811	8,010	11,956
Non-performing loans (Net)	-	-	-	-	34,502	-	-
Financial lease receivables	448	-	-	20,938	108,651	-	-
Available-for-sale financial assets	-	-	-	-	7,074	-	-
Held to maturity investments	-	-	-	-	-	-	-
Receivables from installment sales of assets	-	-	-	-	23,236	-	-
Miscellaneous receivables	-	-	-	-	16,513	-	-
Accrued profit share and income accruals	7,107	-	985	125,697	109,762	-	-
Investment in associates, subsidiaries and joint ventures (Business Partnerships) (net)	-	-	-	-	75,830	-	-
Tangible assets	-	-	-	-	358,421	-	-
Other assets	15,964	-	-	-	178,193	-	-
<b>Off-balance sheet items</b>	<b>376,005</b>	<b>-</b>	<b>44,531</b>	<b>383,362</b>	<b>2,405,331</b>	<b>-</b>	<b>-</b>
Guarantees and commitments	376,005	-	-	383,362	2,365,913	-	-
Derivative financial instruments	-	-	36,582	-	39,418	-	-
Accounts without weighted risk	-	-	-	-	-	-	-
<b>Total risk weighted assets</b>	<b>-</b>	<b>-</b>	<b>179,809</b>	<b>2,436,715</b>	<b>7,001,124</b>	<b>12,015</b>	<b>23,912</b>

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**II. Explanations on consolidated capital adequacy standard ratio (cont'd)**

**Information for capital adequacy standard ratio: (cont'd)**

	Risk weights						
	Parent Bank						
	0%	10%	20%	50%	100%	150%	200%
<b>Amount subject to credit risk</b>							
Balance sheet items (Net)	<b>3,144,954</b>	-	<b>854,238</b>	<b>4,490,067</b>	<b>4,780,748</b>	<b>8,010</b>	<b>11,956</b>
Cash and cash equivalents	1,638,009	-	-	-	-	-	-
Matured marketable securities	-	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	345,243	-	-	-	-	-	-
Domestic Banks, Foreign Banks, Foreign Head Offices and Branches	-	-	819,232	-	75,755	-	-
Money market placements	-	-	-	-	-	-	-
Receivables from reverse repo transactions	-	-	-	-	-	-	-
Reserve deposits	892,592	-	-	-	-	-	-
Loans	245,591	-	34,021	4,343,432	3,792,811	8,010	11,956
Non-performing loans (Net)	-	-	-	-	34,502	-	-
Financial lease receivables	448	-	-	20,938	108,651	-	-
Available-for-sale financial assets	-	-	-	-	7,074	-	-
Held to maturity investments	-	-	-	-	-	-	-
Receivables from installment sales of assets	-	-	-	-	23,236	-	-
Miscellaneous receivables	-	-	-	-	16,513	-	-
Accrued profit share and income accruals	7,107	-	985	125,697	109,762	-	-
Investment in associates, subsidiaries and joint ventures (Business Partnerships) (net)	-	-	-	-	75,830	-	-
Tangible assets	-	-	-	-	358,421	-	-
Other assets	15,964	-	-	-	178,193	-	-
<b>Off-balance sheet items</b>	<b>373,752</b>	-	<b>44,531</b>	<b>383,362</b>	<b>2,405,331</b>	-	-
Guarantees and commitments	373,752	-	7,949	383,362	2,365,913	-	-
Derivative financial instruments	-	-	36,582	-	39,418	-	-
Accounts without weighted risk	-	-	-	-	-	-	-
<b>Total Value at risk</b>	<b>3,518,706</b>	-	<b>898,769</b>	<b>4,873,429</b>	<b>7,186,079</b>	<b>8,010</b>	<b>11,956</b>
<b>Total risk weighted assets</b>	-	-	<b>179,754</b>	<b>2,436,715</b>	<b>7,186,079</b>	<b>12,015</b>	<b>23,912</b>

**Summary of the capital adequacy standard ratio of the Group:**

	Parent Bank		Consolidated	
	Current period	Prior period	Current period	Prior period
Total Risk Weighted Assets (TRWA)	9,838,475	9,751,631	9,653,575	9,567,431
Amount Subject to Market Risk (ASMR)	226,663	213,025	229,638	235,975
Amount Subject to Operational Risk (ASOR)	1,192,286	989,285	1,192,286	989,761
Shareholders' Equity	1,726,694	1,754,966	1,723,079	1,757,416
Shareholders' Equity / (TRWA + ASMR + ASOR) *100	15.34	16.02	15.56	16.28

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**Components of shareholders' equity:**

	Current period	Prior period
<b>Core capital</b>		
Paid-in capital subordinated to all other receivables in case of liquidation of the Bank	950,000	950,000
Nominal capital	950,000	950,000
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	23,250
Share cancellations profits	-	-
<b>Legal reserves</b>	34,923	34,923
First legal reserve (Turkish Commercial Code 466/1)	28,354	28,355
Second legal reserve (Turkish Commercial Code 466/2)	6,569	6,568
Other legal reserve per special legislation	-	-
Status reserves	-	-
<b>Extraordinary reserves</b>	238,032	239,652
Reserves allocated by the General Assembly	234,763	234,763
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange difference	3,269	4,889
Inflation Adjustments to Legal Reserve, status reserves and extraordinary reserves	-	-
<b>Profit</b>	273,336	192,604
Current year profit	80,732	192,913
Prior years' profits	192,604	(309)
Provision for possible losses up to 25% of the core capital	-	1,886
Gains on sale of associates and subsidiaries and properties to be added to capital	-	-
Primary subordinated loans up to 15% of the core capital	-	-
<b>Losses that cannot be covered by reserves (-)</b>	-	-
Net current period loss	-	-
Prior years' losses	-	-
Operational Leases Improvement Costs(-)	(25,781)	(24,661)
Prepaid Expenses (-) (*)	-	-
Intangible Assets (-)	(30,724)	(26,454)
Deferred Tax Asset in excess of 10% of Core Capital (-)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-	-
<b>Total core capital</b>	1,463,036	1,391,200
<b>Supplementary capital</b>		
General provisions	73,728	76,283
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-	-
Primary subordinated loans excluded in the calculation of the core capital	-	-
Secondary subordinated loans	229,406	304,163
45 % of the marketable securities value increase fund	-	-
Associates and subsidiaries	-	-
Available for sale securities	-	-
Indexation differences for capital reserves, profit reserves and retained earnings (Except for indexation differences for legal reserves, statutory reserves and extraordinary reserves)	-	-
<b>Total supplementary capital</b>	303,134	380,446
<b>TIER III capital</b>	-	-
<b>Capital</b>	1,766,170	1,771,646
<b>Deductions from the capital</b>	43,091	14,230
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	1,861	1,974
Securitization Positions Preferred to be Deducted from Equity rather than to be subjected to 1250 % Risk Weighted Resulting from the Law numbered 45 on Principles and Procedures in Calculating the Capital Adequacy	-	-
Other	41,230	12,256
<b>Total shareholder's equity</b>	<b>1,723,079</b>	<b>1,757,416</b>

(\*) In accordance with the 'Communiqué to change the Regulation on own funds of Banks' published in the official gazette dated March 10, 2011 and numbered 27870, prepaid expenses are not any more deducted from the core capital.

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**II. 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 November 1, 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 Parent 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 Parent 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”. As of March 31, 2012, the details of market risk calculated in accordance with the mentioned method are as follows:

**a. Information related to market risk:**

	<b>Amount</b>
(I) Capital Obligation against General Market Risk - Standard Method	2,897
(II) Capital Obligation against Specific Risk - Standard Method	111
(III) Capital Obligation against Currency Risk - Standard Method	7,516
(IV) Capital Obligation against Commodity Risk - Standard Method	7,847
(V) Capital Obligation against Settlement Risk - Standard Method	-
(VI) Total Capital Obligation against Market Risks of Options - Standard	-
(VII) Total Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(VIII) Total Capital Obligation against Market Risk (I+II+III+IV+V+VI)	18,731
<b>(IX) Value-At-Market Risk (12.5 x VIII)</b>	<b>229,638</b>



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**III. 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 March 31, 2012, the Group carries a net foreign currency long position of TL 63,772 (December 31, 2011 – TL 4,655 long position) comprising TL 18,601 long balance sheet position (December 31, 2011 - TL 4,655 long position) and TL 45,171 off balance sheet short position (December 31, 2011 – TL 5,118 long position).

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

	<b>26.03.2012</b>	<b>27.03.2012</b>	<b>28.03.2012</b>	<b>29.03.2012</b>	<b>30.03.2012</b>	<b>Balance sheet evaluation rate</b>
<b>USD</b>	1.7918	1.7859	1.7762	1.7738	1.7717	1.7717
<b>EUR</b>	2.3736	2.3651	2.3715	2.3685	2.3554	2.3554
<b>GBP</b>	2.8399	2.8298	2.8353	2.8233	2.8144	2.8144
<b>CHF</b>	1.9658	1.9587	1.9628	1.9604	1.951	1.951
<b>JPY</b>	2.165	2.153	2.14	2.135	2.148	2.148

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):

	<b>Monthly average FC purchase rate</b>
<b>USD</b>	1.7784
<b>EUR</b>	2.3488
<b>GBP</b>	2.8115
<b>CHF</b>	1.9438
<b>JPY</b>	2.1556

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**III. Explanations on consolidated currency risk (continued)**

**Currency risk of the Bank:**

	EURO	USD	Yen	Other FC	Total
<b>Current period</b>					
<b>Assets</b>					
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (***)	25,391	748,390	88	1,769,564	2,543,433
Banks	204,661	533,840	3,232	37,673	779,406
Financial assets at fair value through profit and loss	-	-	-	-	-
Money market placements	-	-	-	-	-
Available-for-sale financial assets (**)	-	714	-	-	714
Loans and finance lease receivables (*)	824,902	3,409,627	-	162,420	4,396,949
Subsidiaries, associates and joint ventures (**)	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-	-
Tangible assets	515	409	-	-	924
Intangible assets	-	1	-	-	1
Other assets	2,162	51,018	9	37	53,226
<b>Total assets</b>	<b>1,057,631</b>	<b>4,743,999</b>	<b>3,329</b>	<b>1,969,694</b>	<b>7,774,653</b>
<b>Liabilities</b>					
Current account and funds collected from Banks via participation accounts	2,298	9,296	-	74,523	86,117
Current and profit sharing accounts FC	834,784	1,691,541	1,725	2,043,201	4,571,251
Money market borrowings	-	-	-	-	-
Funds provided from other financial institutions	205,025	1,967,712	-	-	2,172,737
Marketable securities issued	-	813,351	-	-	813,351
Miscellaneous payables	4,398	59,102	-	3,051	66,551
Derivative financial liabilities for hedging purposes	-	-	-	-	-
Other liabilities	14,363	30,877	-	805	46,045
<b>Total liabilities</b>	<b>1,060,868</b>	<b>4,571,879</b>	<b>1,725</b>	<b>2,121,580</b>	<b>7,756,052</b>
Net balance sheet position	(3,237)	172,120	1,604	(151,886)	18,601
Net off-balance sheet position	14,590	(131,957)	(1,481)	164,019	45,171
Financial derivative assets	656,783	1,591,035	422	570,400	2,818,640
Financial derivative liabilities	642,193	1,722,992	1,903	406,381	2,773,469
Non-cash loans (***)	699,508	1,498,839	31,893	366,363	2,596,603
<b>Prior period</b>					
Total assets	1,046,960	4,653,404	21,654	1,872,866	7,594,884
Total liabilities	1,095,444	4,454,204	22,565	2,018,016	7,590,229
Net balance sheet position	(48,484)	199,200	(911)	(145,150)	4,655
Net off-balance sheet position	48,043	(189,210)	930	145,355	5,118
Financial derivative assets	493,855	1,208,237	1,523	229,786	1,933,401
Financial derivative liabilities	445,812	1,397,447	593	84,431	1,928,283
Non-cash loans (***)	585,755	1,422,316	62,825	334,620	2,405,516

(\*) Includes foreign currency indexed loans amounting to TL 3,443,903 (December 31, 2011 – TL 3,432,816) followed as TL on the balance sheet.

(\*\*) Includes TL 714 (December 31, 2011 – TL 714) of foreign currency denominated available for sale financial assets, which are followed in Turkish Lira as TL 7,074 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 20,674 (December 31, 2011 – TL 13,882)
- Prepaid expenses : TL 72 (December 31, 2011 – TL 16 )
- Derivative financial liabilities held for trading : TL 11,291 (December 31, 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 203,797 (December 31, 2011 - TL 338,718)
- Forward foreign currency sale transactions: TL 230,353 (December 31, 2011 - TL 182,975)
- Future precious metal purchase transactions: TL 457,770 (December 31, 2011 - TL 141,654)
- Future precious metal sale transactions: TL 367,491 (December 31, 2011 – TL 36,119)

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**IV. Explanations on 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 analyzed at the weekly Asset/Liability meetings with the participation of top management.

**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
<b>Current period</b>								
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	1,983,255	983,037	-	-	-	-	-	2,966,292
Banks	521,291	372,697	-	-	-	-	-	893,988
Financial assets at fair value through profit and loss	5,526	18,516	24,419	12,148	106	-	-	60,715
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	7,074	7,074
Loans	-	1,365,204	1,786,711	3,873,280	3,047,121	258,673	40,126	10,371,115
Held-to-maturity investments	-	-	-	-	-	-	-	-
Other assets (*)	9,359	208,999	1,687	725	14,347	-	309,611	544,728
<b>Total assets</b>	<b>2,519,431</b>	<b>2,948,453</b>	<b>1,812,817</b>	<b>3,886,153</b>	<b>3,061,574</b>	<b>258,673</b>	<b>356,811</b>	<b>14,843,912</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	92,055	-	4,780	-	-	-	-	96,835
Current and profit sharing accounts	2,472,697	1,985,222	3,751,830	881,921	597,963	-	-	9,689,633
Funds provided from other financial institutions	-	264,105	456,340	865,239	232,606	354,447	-	2,172,737
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	813,351	-	-	813,351
Miscellaneous payables	124,257	18,963	-	-	-	-	-	143,220
Other liabilities (*)	-	229,448	8,660	2,542	-	-	1,687,486	1,928,136
<b>Total liabilities</b>	<b>2,689,009</b>	<b>2,497,738</b>	<b>4,221,610</b>	<b>1,749,702</b>	<b>1,643,920</b>	<b>354,447</b>	<b>1,687,486</b>	<b>14,843,912</b>
<b>Net liquidity gap</b>	<b>(169,578)</b>	<b>450,715</b>	<b>(2,408,793)</b>	<b>2,136,451</b>	<b>1,417,654</b>	<b>(95,774)</b>	<b>(1,330,675)</b>	<b>-</b>
<b>Prior period</b>								
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)	-

(\*) 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.

**V. Explanations on the activities carried out on behalf and account of other persons:**

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

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**VI. 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:**

<b>Current Period March 31, 2012</b>	<b>Retail banking</b>	<b>Corporate and commercial banking</b>	<b>Treasury, investment banking and international banking</b>	<b>Unallocated</b>	<b>Bank's total operation</b>
Operating income	152,685	225,826	29,221	-	407,732
Operating expenses	(100,235)	(75,963)	(30,014)	(101,646)	(307,858)
Transfers between segments	62,185	(40,384)	(21,801)	-	-
<b>Net operating income(loss)</b>	<b>114,635</b>	<b>109,479</b>	<b>(22,594)</b>	<b>(101,646)</b>	<b>99,874</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>114,635</b>	<b>109,479</b>	<b>(22,594)</b>	<b>(101,646)</b>	<b>99,874</b>
Provision for taxation	-	-	-	(19,142)	(19,142)
<b>Net income for the period</b>	<b>114,635</b>	<b>109,479</b>	<b>(22,594)</b>	<b>(120,788)</b>	<b>80,732</b>
Segment assets	3,684,556	6,686,559	3,928,069	-	14,299,184
Associates, subsidiaries and joint ventures	-	-	-	57,863	57,863
Undistributed assets	-	-	-	486,865	486,865
<b>Total assets</b>	<b>3,684,556</b>	<b>6,686,559</b>	<b>3,928,069</b>	<b>544,728</b>	<b>14,843,912</b>
Segment liabilities	7,230,240	2,557,201	3,005,644	-	12,793,085
Undistributed liabilities	-	-	-	531,286	531,286
Shareholders' equity	-	-	-	1,519,541	1,519,541
<b>Total liabilities</b>	<b>7,230,240</b>	<b>2,557,201</b>	<b>3,005,644</b>	<b>2,050,826</b>	<b>14,843,912</b>

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<b>Prior Period</b> <b>March 31, 2011</b>	<b>Retail</b> <b>banking</b>	<b>Corporate and</b> <b>commercial</b> <b>banking</b>	<b>Treasury,</b> <b>investment</b> <b>banking</b> <b>and</b> <b>international</b> <b>banking</b>	<b>Unallocated</b>	<b>Bank's total</b> <b>operation</b>
Operating income	98,460	166,542	13,051	-	278,053
Operating expenses	(90,884)	(53,984)	(7,225)	(79,089)	(231,182)
Transfers between segments	7,279	(17,117)	9,838	-	-
<b>Net operating income/ loss</b>	<b>14,855</b>	<b>95,441</b>	<b>15,664</b>	<b>(79,089)</b>	<b>46,871</b>
Income from associates	-	-	-	-	-
<b>Income (loss) before tax</b>	<b>14,855</b>	<b>95,441</b>	<b>15,664</b>	<b>(79,089)</b>	<b>46,871</b>
Provision for taxation	-	-	-	(9,170)	(9,170)
<b>Net income for the period</b>	<b>14,855</b>	<b>95,441</b>	<b>15,664</b>	<b>(88,259)</b>	<b>37,701</b>
Segment assets					
Associates, subsidiaries and joint ventures	3,452,310	6,961,259	3,766,113	-	14,179,682
Undistributed assets	-	-	-	65,563	65,563
	-	-	-	469,020	469,020
<b>Total assets</b>	<b>3,452,310</b>	<b>6,961,259</b>	<b>3,766,113</b>	<b>534,673</b>	<b>14,714,355</b>
Segment liabilities					
Undistributed liabilities	7,076,224	2,842,103	2,816,287	-	12,734,614
Shareholders' equity	-	-	-	539,312	539,312
	-	-	-	1,440,429	1,440,429
<b>Total liabilities</b>	<b>7,076,224</b>	<b>2,842,103</b>	<b>2,816,287</b>	<b>1,979,741</b>	<b>14,714,355</b>

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**SECTION FIVE**

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS**

**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	78,993	121,236	105,855	64,977
The Central Bank of Republic of Turkey	343,811	984,469	349,686	924,366
Other(*)	55	1,437,728	-	1,395,058
<b>Total</b>	<b>422,859</b>	<b>2,543,433</b>	<b>455,541</b>	<b>2,384,401</b>

(\*) As of March 31, 2012, precious metal depot account amounting to TL 1,437,622 (December 31, 2011 - 1,394,279 TL ) and money in transit amounting to TL 161 (December 31, 2011 – TL 779 ) is reflected in this line.

**2. Balances with the Central Bank of Turkey:**

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	343,811	1,432	349,686	1,531
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	983,037	-	922,835
<b>Total</b>	<b>343,811</b>	<b>984,469</b>	<b>349,686</b>	<b>924,366</b>

In accordance with the “Communiqué Regarding the Reserve Requirements No. 2005/1”, the Bank is required to maintain reserves in Central Bank of Turkey in TL liabilities and US Dollars or Euro for foreign currency liabilities. In accordance with “Amendments in Communiqué No. 2012/3 for Communiqué Regarding the Reserve Requirements dated March 28, 2012 and published in the Official Gazette No. 28247”, up to 40% of the reserve requirement amount for TL liabilities can be held as foreign currency (US Dollar or Euro). The upper limit for reserve requirement that can be held as standard gold has increased from 10% to 20% and the upper limit for foreign currency liabilities except precious metal accounts that can be held as standard gold has decreased from 10% to 0%.

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

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

1. As of March 31, 2012, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (December 31, 2011 – None).

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

**I. Explanations and notes related to assets: (continued)**

2. 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	30,474	11,512	56,119	13,573
Swap transactions	4,039	9,162	4,864	309
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>34,513</b>	<b>20,674</b>	<b>60,983</b>	<b>13,882</b>

**II. Information on Banks:**

**1. Information on Banks:**

	Current period		Prior period	
	TL	FC	TL	FC
Banks	<b>114,582</b>	<b>779,406</b>	<b>51,169</b>	<b>781,240</b>
Domestic	9,232	361,236	50,451	346,683
Foreign	105,350	418,170	718	434,557
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>114,582</b>	<b>779,406</b>	<b>51,169</b>	<b>781,240</b>

**2. Information on foreign bank accounts:**

	Current period		Prior period	
	Unrestricted Amount	Restricted Amount	Unrestricted Amount	Restricted Amount
EU Countries	356,249	-	240,490	-
USA and Canada	88,950	-	84,838	-
OECD Countries (*)	3,935	-	21,815	-
Off-shore Banking Regions	53,442	-	709	-
Other	20,944	-	87,423	-
<b>Total</b>	<b>523,520</b>	<b>-</b>	<b>435,275</b>	<b>-</b>

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

**d. Information on financial assets available-for-sale:**

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

	Current period	Prior period
Debt Securities	-	-
Quoted on stock exchange	-	-
Not quoted on stock exchange	-	-
Share certificates	7,074	6,542
Quoted on stock exchange	-	-
Not quoted on stock exchange	7,074	6,542
Impairment provision	-	-
<b>Total</b>	<b>7,074</b>	<b>6,542</b>

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**I. Explanations and notes related to assets: (continued)**

**e. 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	700	1,225	94	298
Corporate Shareholders	-	1,225	6	-
Real Person Shareholders	700	-	88	298
Indirect Loans Granted to Shareholders	80,787	2,965	86,678	2,919
Loans Granted to Employees	3,917	17	3,772	17
<b>Total</b>	<b>85,405</b>	<b>4,207</b>	<b>90,544</b>	<b>3,234</b>

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

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled	Loans and other receivables	Restructured or rescheduled
<b>Cash Loans</b>				
Loans	<b>9,682,625</b>	<b>146,143</b>	<b>200,794</b>	<b>167,338</b>
Financing of documents on goods	-	-	-	-
Export loans	74,766	504	80	-
Import loans	845,784	-	3,152	-
Business loans	5,772,737	138,981	109,802	159,892
Consumer loans	1,671,820	2,814	33,668	6,909
Credit cards	104,737	-	2,190	-
Investments on profit/loss partnership	-	-	-	-
Precious metals loans	159,155	-	1,329	-
Loans given to financial sector	18	-	-	-
Loans given abroad	164,014	962	1	-
Other	889,594	2,882	50,572	537
Other receivables	<b>878</b>	-	<b>1,978</b>	-
<b>Total</b>	<b>9,683,503</b>	<b>146,143</b>	<b>202,772</b>	<b>167,338</b>

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 May 28, 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 (last installment dates and principal amounts are taken into the account):

Number of amendments on the payment plan	0-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	More than 5 years	Total
1	-	-	1,616	12,464	17,866	-	<b>31,946</b>
2	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>1,616</b>	<b>12,464</b>	<b>17,866</b>	-	<b>31,946</b>

Number of amendments on the payment plan	0-1 month	1-3 months	3-6 months	6 months – 1 year	1 – 5 years	More than 5 years	Total
1	-	253	226	7,125	16,348	-	<b>23,952</b>
2	-	-	-	-	-	-	-
<b>Total</b>	-	<b>253</b>	<b>226</b>	<b>7,125</b>	<b>16,348</b>	-	<b>23,952</b>



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**I. Explanations and notes related to assets: (continued)**

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

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled	Loans and other receivables	Restructured or rescheduled
<b>Cash loans</b>				
<b>Short-term loans and other receivables</b>	<b>3,197,695</b>	<b>80</b>	<b>35,839</b>	<b>3,122</b>
Loans	3,196,817	80	33,861	3,122
Other receivables	878	-	1,978	-
<b>Medium and long-term loans and other receivables (*)</b>	<b>6,485,808</b>	<b>146,063</b>	<b>166,933</b>	<b>164,216</b>
Loans	6,485,808	146,063	166,933	164,216
Other receivables	-	-	-	-
<b>Total</b>	<b>9,683,503</b>	<b>146,143</b>	<b>202,772</b>	<b>167,338</b>

(\*) 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)**

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

	Short term	Medium and long term	Total
<b>Consumer Loans-TL</b>	<b>4,518</b>	<b>1,654,870</b>	<b>1,659,388</b>
Housing Loans	803	1,536,455	1,537,258
Vehicle Loans	1,348	110,082	111,430
Consumer Loans	2,299	7,936	10,235
Other	68	397	465
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>41,080</b>	<b>41,080</b>
Housing Loans	-	40,725	40,725
Vehicle Loans	-	228	228
Consumer Loans	-	118	118
Other	-	9	9
<b>Consumer Loans-FC</b>	<b>-</b>	<b>13,547</b>	<b>13,547</b>
Housing Loans	-	13,031	13,031
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	516	516
<b>Retail Credit Cards-TL</b>	<b>49,761</b>	<b>15,736</b>	<b>65,497</b>
With Installment	11,602	15,736	27,338
Without Installment	38,159	-	38,159
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>58</b>	<b>1,133</b>	<b>1,191</b>
Housing Loans	-	406	406
Vehicle Loans	25	597	622
Consumer Loans	33	130	163
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>5</b>	<b>5</b>
Housing Loans	-	-	-
Vehicle Loans	-	3	3
Consumer Loans	-	2	2
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>2,588</b>	<b>228</b>	<b>2,816</b>
With Installment	1,022	228	1,250
Without Installment	1,566	-	1,566
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without-installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>56,925</b>	<b>1,726,599</b>	<b>1,783,524</b>

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**I. Explanations and notes related to assets: (continued)**

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

	Short term	Medium and long term	Total
<b>Commercial Installment Loans-TL</b>	<b>37,249</b>	<b>1,287,364</b>	<b>1,324,613</b>
Business Loans	2,617	227,413	230,030
Vehicle Loans	22,509	578,101	600,610
Consumer Loans	-	34,772	34,772
Other	12,123	447,078	459,201
<b>Commercial Installment Loans-FC Indexed</b>	<b>16,002</b>	<b>529,043</b>	<b>545,045</b>
Business Loans	3,953	121,536	125,489
Vehicle Loans	4,411	174,116	178,527
Consumer Loans	-	-	-
Other	7,638	233,391	241,029
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>90,953</b>	<b>90,953</b>
Business Loans	-	39,843	39,843
Vehicle Loans	-	1,773	1,773
Consumer Loans	-	-	-
Other	-	49,337	49,337
<b>Corporate Credit Cards-TL</b>	<b>38,614</b>	<b>-</b>	<b>38,614</b>
With Installment	5,924	-	5,924
Without Installment	32,690	-	32,690
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>91,865</b>	<b>1,907,360</b>	<b>1,999,225</b>

6. Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	10,034,779	10,098,047
Foreign loans	164,977	151,936
<b>Total</b>	<b>10,199,756</b>	<b>10,249,983</b>

7. Loans granted to subsidiaries and associates:

None (December 31, 2011 – None).

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**I. Explanations and notes related to assets: (continued)**

8. Specific provisions for loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	41,636	20,538
Loans and receivables with doubtful collectability	26,046	24,279
Uncollectible loans and receivables	130,286	133,897
<b>Total</b>	<b>197,968</b>	<b>178,714</b>

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

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Current period</b> (Gross amounts before specific provision)			
Restructured loans and other receivables	17,759	4,021	47,830
Rescheduled loans and other receivables			
<b>Prior period</b> (Gross amounts before specific provision)			
Restructured loans and other receivables	11,440	9,540	44,268
Rescheduled loans and other receivables	-	-	-

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

	Group III Loans and receivables with limited collectability	Group IV Loans and receivables with doubtful collectability	Group V Uncollectible loans and receivables
<b>Ending balance of prior period</b>	<b>28,016</b>	<b>29,201</b>	<b>152,211</b>
Additions in the current period (+)	49,935	2,669	653
Transfers from other categories of non-performing loans (+)	-	14,170	10,952
Transfers to other categories of non-performing loans (-)	14,080	11,042	-
Collections in the current period (-)	2,614	3,851	7,795
Disposals in the current period (-)	32	41	-
Write offs (-)	-	-	10,258
Corporate and commercial loans			
Retail loans			
Credit Cards			
Other			
Ending balance of the current period	61,225	31,106	145,763
Specific provisions (-)	41,636	26,046	130,286
<b>Net balance at the balance sheet</b>	<b>19,589</b>	<b>5,060</b>	<b>15,477</b>

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**I. Explanations and notes related to assets: (continued)**

- (iii). Information on non-performing loans granted as foreign currency: None (December 31, 2011 – None).  
(iv). Gross and net amounts of non-performing loans with respect to user groups:

	<b>Group III:</b>	<b>Group IV:</b>	<b>Group V:</b>
	<b>Loans and</b>	<b>Loans and</b>	<b>Uncollectible</b>
	<b>receivables with</b>	<b>receivables with</b>	<b>loans and</b>
	<b>limited</b>	<b>doubtful</b>	<b>receivables</b>
	<b>collectability</b>	<b>collectability</b>	
<b>Current period (Net)</b>			
Loans granted to real persons and legal entities (Gross)	<b>19,589</b>	<b>5,060</b>	<b>15,477</b>
Specific provision (-)	61,225	31,106	145,763
Loans to real persons and legal entities (Net)	41,636	26,046	130,286
Banks (Gross)	<b>19,589</b>	<b>5,060</b>	<b>15,477</b>
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
<b>Prior period (Net)</b>	<b>7,478</b>	<b>4,922</b>	<b>18,314</b>
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)	<b>7,478</b>	<b>4,922</b>	<b>18,314</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

10. 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 November 01, 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 10,258 have been written-off (December 31, 2011 – TL 45,833 ).

11. 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.

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

None (December 31, 2011 – None).

**g. Information on investment in associates (Net):**

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

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**I. Explanations and notes related to assets: (continued)**

2. Information about investments in unconsolidated associates: None (December 31, 2011 – None).
3. Information related to consolidated associates: None (December 31, 2011 – None).

**h. 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 Preparation of Consolidated Financial Statements by Banks” published in the Official Gazette No. 26340 dated November 8, 2006; hence they have not been consolidated. The Bank has reflected its subsidiaries at restated cost less any provision for impairment in its financial statements until December 31, 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
22,378	22,252	3,739	164	-	(10 )	(105 )	-
76,039	51,070	58,869	317	-	30	(112)	-

(\*) Represents the amounts in the financial statements as of 31 March 2012.

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

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**I. Explanations and notes related to assets: (continued)**

Movement for subsidiaries:

	Current period	Prior period
<b>Balance at the beginning of the year</b>	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 provision (*)	(7,790)	(7,200)
Capital commitment payments (***)	-	33,600
<b>Balance at the end of the year</b>	57,863	65,653
Capital commitments (***)	-	-
Share percentage at the end of the year (%)	-	-

(\*) The Parent Bank has sold 51% of equity shares of Körfez Gayrimenkul, to Kuwait based Hayat Investment Company for USD 10,613,000 (TL 15,729) and TL 2,450 on November 23, 2009. However, the Bank has bought back 51% 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 June 10, 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 year 2012 for an amount of TL 7,790 (2011: TL 7,200).

(\*\*) The Parent Bank has bought %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 has 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 has been determined based on the expected discounted future cash flows of Körfez İnşaat İş Ortaklığı. Afterwards the Bank has 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 has transferred the remaining 17% equity stake in Körfez İnşaat İş Ortaklığı to Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. on September 23, 2011 for an amount of TL 15,361. Additionally, the Bank established Sukuk Varlık Kiralama A.Ş. as a subsidiary on September 23, 2011 and paid its capital commitment amounting TL 50.

(\*\*\*) The Parent Bank has paid capital commitments of TL 7,600 to its subsidiary Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş. in February 2011 and TL 26,000 to its subsidiary Körfez Gayrimenkul İnşaat Taahhüt Turizm Sanayi ve Ticaret A.Ş. in April 2011.

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**I. Explanations and notes related to assets: (continued)**

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/BAE	% 100	% 100
KT Sukuk Varlık Kiralama A.Ş. (**)	İstanbul/Türkiye	% 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
28,327	20,911	353	439	-	(441)	(80)	-
673,831	49	-	-	-	-	-	-

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

(\*) Financial figures as of 31 March 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 August 24, 2010 which is not a subsidiary of the Bank. Since the Bank has 100% control power on the special purpose entity it is included in the scope of consolidation.

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

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

**j. 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	61,762	48,343	56,397	43,177
1 to 4 years	101,894	80,545	108,287	85,897
More than 4 years	2,806	2,345	4,530	3,798
<b>Total</b>	<b>166,462</b>	<b>131,233</b>	<b>169,214</b>	<b>132,872</b>



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**I. Explanations and notes related to assets: (continued)**

2. Net investments in finance leases:

	Current period	Prior period
Gross receivable from finance leases	166,462	169,214
Unearned finance lease income (-)	(35,229)	(36,342)
Cancelled amounts (-)	-	-
<b>Net receivable from finance leases</b>	<b>131,233</b>	<b>132,872</b>

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 Group gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations, the Group 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 fulfill its obligations in 60 days, the Bank takes legal action against the customer. Non performing finance lease receivables amounting to TL 3,986 are included in the non-performing loans (December 31, 2011 – TL 5,242 ).

Impairment provision amounting to TL 3,575 (December 31, 2011 – TL 4,994 ) for financial lease receivables are included under the specific provision account under loans in the balance sheet.

**k. Information on derivative financial assets for hedging purposes:**

None (December 31, 2011 – None).

**l. Information on deferred tax asset:**

In accordance with the related regulations deferred tax asset calculated as of March 31, 2012 is TL 28,945 (December 31, 2011 – TL 43,575 ) and deferred tax liability is TL 15,260 (December 31, 2011 – TL 10,748).

	Current period	Prior period
Personnel bonus accrual and vacation pay liability	1,955	807
Retirement pay liability	1,988	1,839
Deferred income	17,431	16,712
Impairment provision for subsidiaries, fixed assets and assets held for sale	2,998	1,703
Precious metals valuation difference	2,913	-
Tax losses	1,291	21,610
Other	369	904
<b>Deferred tax asset</b>	<b>28,945</b>	<b>43,575</b>
Financial lease adjustments	(196)	(369)
Difference between carrying value and tax base of tangible assets	(2,034)	(2,117)
Accruals of derivative financial instruments held for trading(net)	(11,049)	(6,020)
Other	(1,981)	(2,242)
<b>Deferred tax liability</b>	<b>(15,260)</b>	<b>(10,748)</b>
<b>Deferred tax asset, (net)</b>	<b>13,685</b>	<b>32,827</b>

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**I. Explanations and notes related to assets: (continued)**

Deferred tax asset movement table:

	<b>Current period</b>	<b>Prior period</b>
As of January 1	32,827	8,471
Deferred tax expense/(income)	19,142	942
Deferred tax accounted under shareholders' equity	-	-
<b>Deferred tax asset</b>	<b>13,685</b>	<b>7,529</b>

**m. Information on other assets:**

As of balance sheet date, the Group's other assets amount to TL 242,297 (December 31, 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
<b>I. Real persons current accounts-TL</b>	483,213	-	-	-	-	-	-	-	483,213
<b>II. Real persons profit sharing accounts-TL</b>	-	832,781	1,745,557	126,153	-	92,611	632,944	-	3,430,046
<b>III. Other current accounts-TL</b>	651,308	-	-	-	-	-	-	-	651,308
Public sector	21,243	-	-	-	-	-	-	-	21,243
Commercial sector	610,414	-	-	-	-	-	-	-	610,414
Other institutions	9,758	-	-	-	-	-	-	-	9,758
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	9,893	-	-	-	-	-	-	-	9,893
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	9,880	-	-	-	-	-	-	-	9,880
Participation banks	13	-	-	-	-	-	-	-	13
Others	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	71,598	325,172	49,673	-	37,682	80,406	-	564,531
Public sector	-	6	19	36	-	6,212	251	-	6,524
Commercial sector	-	64,936	289,716	48,506	-	31,088	77,932	-	512,178
Other institutions	-	6,656	34,092	1,131	-	273	2,223	-	44,375
Commercial and other institutions	-	-	478	-	-	109	-	-	587
Banks and participation banks	-	-	867	-	-	-	-	-	867
<b>V. Real persons current accounts-FC</b>	299,900	-	-	-	-	-	-	-	299,900
<b>VI. Real persons profit sharing accounts-FC</b>	-	380,176	705,355	79,251	-	89,155	167,715	-	1,421,652
<b>VII. Other current accounts-FC</b>	413,267	-	-	-	-	-	-	-	413,267
Commercial residents in Turkey	312,400	-	-	-	-	-	-	-	312,400
Commercial residents in Abroad	18,745	-	-	-	-	-	-	-	18,745
Banks and participation banks	82,122	-	-	-	-	-	-	-	82,122
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	3	-	-	-	-	-	-	-	3
Foreign banks	74,760	-	-	-	-	-	-	-	74,760
Participation banks	7,359	-	-	-	-	-	-	-	7,359
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	47,394	359,016	15,951	-	5,900	65,395	-	493,656
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	30,539	327,624	12,075	-	5,825	56,171	-	432,234
Other institutions	-	14,893	24,301	494	-	75	3,311	-	43,074
Commercial and other institutions	-	1,941	3,158	3,382	-	-	5,913	-	14,394
Banks and participation banks	-	21	3,933	-	-	-	-	-	3,954
<b>IX. Precious metal funds</b>	717,064	-	1,222,499	33,816	-	55,516	-	-	2,028,895
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,564,752</b>	<b>1,331,949</b>	<b>4,357,599</b>	<b>304,844</b>	<b>-</b>	<b>280,864</b>	<b>946,460</b>	<b>-</b>	<b>9,786,468</b>

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

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**III. Explanations and notes related to liabilities: (continued)**

i. 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
<b>I. Real persons current accounts-TL</b>	524,181	-	-	-	-	-	-	-	524,181
<b>II. Real persons profit sharing accounts-TL</b>	-	927,121	1,578,060	92,563	-	100,057	669,077	-	3,366,878
<b>III. Other current accounts-TL</b>	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	-	-	-	-	-	-	-	-	-
<b>IV. Profit sharing accounts-TL</b>	-	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
<b>V. Real persons current accounts-FC</b>	291,084	-	-	-	-	-	-	-	291,084
<b>VI. Real persons profit sharing accounts-FC</b>	-	455,054	604,593	64,865	-	92,625	178,362	-	1,395,499
<b>VII. Other current accounts-FC</b>	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	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts- FC</b>	-	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
<b>IX. Precious metal funds</b>	727,254	-	1,121,175	26,047	-	58,111	-	-	1,932,587
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,870,136</b>	<b>1,535,113</b>	<b>3,950,595</b>	<b>256,975</b>	<b>-</b>	<b>289,584</b>	<b>1,014,416</b>	<b>-</b>	<b>9,916,819</b>

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**II. Explanations and notes related to liabilities: (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	1,893,789	1,868,101	1,995,849	2,001,560
FC accounts	1,708,868	1,625,816	1,919,196	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 November 1, 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 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 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	3,545	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 September 26, 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	165	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	8,388	9,037	8,152	8,450
Swap transactions	850	2,254	414	21,249
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>9,238</b>	<b>11,291</b>	<b>8,566</b>	<b>29,699</b>

**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	-	626,030	-	673,781
From Foreign Banks, Institutions and Funds	-	1,192,260	-	851,142
<b>Total</b>	<b>-</b>	<b>1,818,290</b>	<b>-</b>	<b>1,524,922</b>

2. Information on maturity structure of borrowings:

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	-	1,604,313	-	1,283,229
Medium and Long-Term	-	213,977	-	241,693
<b>Total</b>	<b>-</b>	<b>1,818,290</b>	<b>-</b>	<b>1,524,922</b>

3. Information on maturity structure of marketable securities issued:

The Parent Bank has issued 100.000.000 USD Sukuk with a 3 year maturity and 5.25% cost on August 24, 2010.

On October 31, 2011 the Parent Bank has issued 5-year rent certificate (sukuk) amounting USD 350 million with a profit share rate of 5.875%.

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**II. Explanations and notes related to liabilities: (continued)**

**d. Information on other liabilities and miscellaneous payables:**

As of March 31, 2012, other liabilities amount to TL 220,121 (December 31, 2011 – TL 208,402), miscellaneous payables amount to TL 143,220 (December 31, 2011 – TL 140,965), both of them do not exceed 10% of the balance sheet total.

**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 installments 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 (December 31, 2011 – None).

ii. Information on Financial Lease Obligations None (December 31, 2011- None).

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 installments.

iv. Information on sale and leaseback transactions: None (December 31, 2011 – None).

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

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**II. Explanations and notes related to liabilities: (continued)**

**g. Information on provisions:**

1. Information on general provisions:

	Current period	Prior period
General provisions	<b>111,840</b>	<b>110,388</b>
Provisions for first group loans and receivables	<b>91,547</b>	<b>91,890</b>
Profit sharing accounts' share	35,011	31,699
The Bank's share	56,536	60,191
Other	-	-
Provisions for second group loans and receivables	<b>8,282</b>	<b>7,522</b>
Profit sharing accounts' share	3,101	2,406
The Bank's share	5,181	5,116
Other	-	-
Provisions for non-cash loans	<b>12,011</b>	<b>10,976</b>
Other	-	-

2. Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of March 31, 2012, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 51,324 (December 31, 2011 – TL 1,515) and TL for leasing receivables 3,899 (December 31, 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 (*)	21,176	18,457
Provisions for cheque books (*)	3,832	5,246
Provisions from equity/profit sharing accounts	10,858	13,762
Other	523	860
<b>Total</b>	<b>36,389</b>	<b>38,325</b>

(\*) As of March 31, 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 9,940 (December 31, 2011 – TL 9,193), vacation pay liability amounting to TL 5,795 (December 31, 2011 – TL 0), performance premium for 2012 of an amount TL 3,125 (December 31, 2011 – TL 28,356) and retirement bonuses on payment of TL 856 (December 31, 2011 – TL 0).

Under the Turkish Labor Law, the Parent 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 2,805 (December 31, 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 Group 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 (%)	9.8	9.8
Estimated increase rate of salary ceiling (%)	5.2	5.2



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**II. Explanations and notes related to liabilities: (continued)**

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	1,199	959
Paid during the period	(452)	(470)
<b>Balances at the end of the period</b>	<b>9,940</b>	<b>7,569</b>

**h. Explanations on tax liability:**

1. Explanations on current tax liability:

i. Information on tax provisions: As of March 31, 2012, the Bank has no current tax liability after deducting temporary taxes paid during the period from the provision for corporate income tax.

	Current period	Prior period
Provision for corporate income tax	-	74,770
Prepaid taxes	-	(71,087)
<b>Total (*)</b>	<b>-</b>	<b>3,683</b>

(\*) 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	5,336	5,268
Taxation of immovable property	564	382
Banking Insurance Transaction Tax (BITT)	5,912	7,128
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	261	298
Income tax deducted from wages	2,174	2,457
Other	586	545
<b>Total</b>	<b>14,833</b>	<b>16,078</b>

iii. Information on premiums (\*):

	Current period	Prior period
Social Security Premiums-Employee	1,847	1,439
Social Security Premiums-Employer	1,850	1,427
Unemployment insurance-Employee	132	103
Unemployment insurance-Employer	299	237
Other	-	-
<b>Total</b>	<b>4,128</b>	<b>3,206</b>

(\*) Included in miscellaneous payables line item on the balance sheet.

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

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**II. Explanations and notes related to liabilities: (continued)**

**i. Information on payables related to assets held for sale:** None (December 31, 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	-	354,477	-	386,681
From Other Foreign Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>354,477</b>	<b>-</b>	<b>386,681</b>

As of September 29, 2011, the Parent Bank has been provided with a subordinated loan with 10-years maturity, amounting to USD 200 million, by Kuwait Finance House. Profit share amount will be determined 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 Parent Bank for the purpose of supplementary capital calculation was confirmed by the BRSA by their notification dated September 30, 2011.

**k. Information on shareholders' equity:**

1. Presentation of paid-in capital:

	Current period	Prior period
Common stock	950,000	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: (December 31, 2011 – TL).

4. Information on share capital increases from capital reserves during the current period: None (December 31, 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 Bank continues its operations profitably.

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

8. Information on marketable securities value increase fund: None (December 31, 2011 – None).

**l. Information on minority shares:** 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 March 31, 2012 is TL 221,966 (December 31, 2011 – TL 193,110); payment commitments for cheque books are TL 936,584 (December 31, 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 March 31, 2012, the Group has guarantees and surety ships constituting of TL 4,608,571 (December 31, 2011 – TL 4,355,975) letters of guarantee; TL 66,353 (December 31, 2011 – TL 59,492) acceptances and TL 667,867 (December 31, 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:

	<b>Current period</b>	<b>Prior period</b>
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	5,388,402	5,041,678
<b>Total</b>	<b>5,388,402</b>	<b>5,041,678</b>

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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	<b>287,539</b>	<b>11,977</b>	<b>190,740</b>	<b>7,198</b>
Short term loans	97,373	2,498	52,377	1,526
Medium and long term loans	189,440	9,479	135,426	5,672
Profit share on non-performing loans	726	-	2,937	-
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	301	407	3,158	390
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>301</b>	<b>407</b>	<b>3,158</b>	<b>390</b>

**iii. Information on profit share income received from associates and subsidiaries:** None ( December 31, 2011: None).

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

**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	-	13,985	-	2,084
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	-	13,985	-	2,084
Branches and head office abroad	-	-	-	-
Other Institutions	-	2,893	-	2,119
<b>Total</b>	<b>-</b>	<b>16,878</b>	<b>-</b>	<b>4,203</b>

**ii. Profit share expense given to associates and subsidiaries:**

	Current period	Prior period
Profit share expenses given to associates and subsidiaries	511	90

**iii. Profit share expense paid to securities issued: TL 10,892 (March 31, 2011: TL 2,119).**

**c. Information on trading income/loss (Net):**

	Current period	Prior period
<b>Income</b>	<b>2,609,679</b>	<b>930,821</b>
Gain on capital market transactions	449	126
Gain on derivative financial instruments	45,355	95,401
Foreign exchange gains	2,563,875	835,294
<b>Losses (-)</b>	<b>2,566,283</b>	<b>910,684</b>
Losses on capital market transactions	711	16
Losses on derivative financial instruments	20,550	93,182
Foreign exchange losses	2,545,022	817,486

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

**d. 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 Group.

	<b>Current period</b>	<b>Prior period</b>
Reversal of prior period provisions	16,565	20,837
Income from sale of assets	2,476	2,295
Expertise fees	1,992	1,919
Income from EFT and money transfers	1,432	995
Income from checkbooks	929	792
Income from bounced check provisions	675	582
Income from check provisions	437	419
Lease income	373	237
Other Income	1,487	1,458
<b>Total</b>	<b>26,366</b>	<b>29,534</b>

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

	<b>Current period</b>	<b>Prior period</b>
Specific provisions for loans and other receivables	45,372	43,352
III. group loans and receivables	28,096	863
IV. group loans and receivables	7,577	1,738
V. group loans and receivables	9,699	40,751
Doubtful commissions, fees and other receivables	-	-
General provision expenses	1,452	7,946
Provision expenses for possible losses	-	-
Impairment provision of marketable securities	-	-
Financial Assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments	7,838	-
Associates	-	-
Subsidiaries	7,838	-
Joint ventures	-	-
Held to maturity investments	-	-
Other	68	603
<b>Total</b>	<b>54,730</b>	<b>51,901</b>

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

**g. Information on other operating expenses:**

	Current period	Prior period
Personnel expenses	61,479	46,348
Provision for retirement pay liability	768	489
Depreciation expenses of fixed assets	5,665	5,048
Depreciation expenses of intangible assets	1,350	955
Depreciation expenses of assets held for sale	178	198
Other operating expenses	20,354	17,558
Rent expenses	9,375	7,077
Maintenance expenses	3,109	2,685
Advertisement expenses	1,498	1,039
Communication expenses	2,604	2,282
Heating, electricity and water expenses	1,358	1,248
Cleaning expenses	352	1,456
Vehicle expenses	671	534
Stationery expenses	606	489
Other expenses	781	748
Losses on sales of assets	38	101
Deposit insurance fund expenses	4,691	3,861
Other	11,814	8,392
<b>Total</b>	<b>106,337</b>	<b>82,950</b>

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

Income before tax amounts to TL 99,874 increasing by 113.08% as compared to the prior period (March 31, 2011 – TL 46,871). Income before tax includes TL 172,203 (March 31, 2011 – TL 115,781 ) net profit share income and TL 18,976 (March 31, 2011 – TL 16,270 ) net fees and commission income. Other operating expense amount is TL 106,337 (March 31, 2011 – TL 82,950 ).

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

As of March 31, 2012, deferred tax expense of the Group is TL 19,142 (March 31, 2011 – TL 942) and current tax expense is TL 0 (March 31, 2011 – TL 8,228 ).

**j. 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.

**k. 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 Group's performance for the period: As of March 31, 2012, net profit share income is TL 172,203 (March 31, 2011 – TL 115,781), net fees and commission income is TL 18,976 (March 31, 2011 – TL 16,270 ).
- ii. Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods: None (March 31, 2011 – None).
- iii. Profit/Loss attributable to minority interest: None (March 31, 2011 – None).

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

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

As of March 31, 2012, other fees and commissions received is TL 17,137 (March 31, 2011 – TL 11,578 ), TL 3,068 of this amount is related with credit card fees and commissions (March 31, 2011 – TL 1,927 ) and TL 5,007 of this amount is related with POS machine commissions (March 31, 2011 – TL 2,083).

As of March 31, 2012, other fees and commissions given is TL 12,811 (March 31, 2011 – TL 6,688 ), TL 5,923 (March 31, 2011 – TL 3,149 ) of this amount is related with POS clearing commissions and installation expenses, TL 1,407 (March 31, 2011 – TL 811) of this amount is related with fees and commissions paid for credit cards.

**V. 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:**

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

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

	<b>Current period</b>	<b>Prior period</b>
<b>Cash</b>	<b>1,439,515</b>	<b>1,166,656</b>
Cash in TL/foreign currency, others	200,229	155,315
Demand deposits at banks	1,239,286	1,011,341
<b>Cash equivalents</b>	<b>-</b>	<b>-</b>
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
<b>Total cash and cash equivalents</b>	<b>1,439,515</b>	<b>1,166,656</b>

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

**d. Effects of the changes 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 5,876 as of March 31, 2012 (March 31, 2011 – TL 7,589).



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**VI. 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	-	30	700	1,225	134,367	2,965
Profit share and commission income	-		18		946	

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

1. 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	-	30	147	298	87,387	2,919
Profit share and commission income		-	10	-	5,028	-

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

2. (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	15,159	28,441	25,013	22,759	81,776	95,340
Profit share expense	511	90	249	1,523	54	210

(\*) 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. (March 31, 2011: None)

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

3. 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	-	-	1,058,255	953,854	332,715	242,455
Profit share expense	-	-	9,982	5,915	1,514	-

**c. Information on remunerations provided to top management:**

As of March 31, 2012, the Bank has paid TL 4,658 to top management (March 31, 2011 - TL 4,445).

**VII. Explanations and notes related to subsequent events**

At the ordinary meeting of the General Assembly as of April 18, 2012; from 2011 year's profit, it has been decided to pay TL 17,305 amount to the Board of Directors' members and to the shareholders in cash, TL 150,000 portion to increase capital and the remaining portion to be used for legal reserve and other reserves.

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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**

**LIMITED REVIEW REPORT REVIEW**

- I- Explanations on the limited review report:**

The consolidated financial statements as of and for the three months period then ended March 31, 2012 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated May 25, 2012 is presented preceding the financial statements.

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