

# Annual Report 2011



**İŞBANK**

# Contents

## Introduction

- 2 Corporate Profile
- 4 İşbank in Figures
- 6 İşbank's Vision, Objectives and Strategy
- 8 İşbank Since 1924

## Activities

- 10 Chairman's Message
- 14 CEO's Message
- 18 2011 Economic Review
- 22 İşbank and its Activities in 2011
- 50 Subsidiaries
- 54 Corporate Social Responsibility
- 57 Annual Report Compliance Opinion

## Corporate Governance

- 58 Board of Directors and Auditors
- 60 Executive Committee
- 62 Organization Chart
- 64 Managers of Internal Systems
- 64 Information about the Meetings of the Board of Directors
- 65 İşbank Committees
- 67 Human Resources Functions at İşbank
- 68 Information on the Transactions Carried out with İşbank's Risk Group
- 68 Activities for which Support Services are Received in Accordance with the Regulation on Procurement of Support Services for Banks and Authorization of Organizations Providing Such Services
- 69 İşbank's Dividend Distribution Policy
- 70 Agenda of the Annual General Meeting
- 71 Summary Report of the Board of Directors
- 72 Auditors' Report
- 73 Dividend Distribution Proposal
- 74 Corporate Governance Principles Compliance Report

## Financial Information and Risk Management

- 84 Audit Committee's Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems, and Its Activities in the Reported Period
- 86 Financial Condition, Profitability and Solvency
- 87 Information on Risk Management Policies Applied per Risk Types
- 89 İşbank's Credit Ratings
- 90 Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011 with Independent Auditors' Report Thereon
- 166 Consolidated Financial Statements as of and for the Year Ended 31 December 2011 with Independent Auditors' Report Thereon
- 254 Financial Highlights and Key Ratios for the Five-Year Period
- 256 Information to Shareholders

A sustainable and profitable growth strategy rooted in the principle of being “The Bank Closest to Customers” made it possible for İşbank to create increasingly more value for stakeholders in the volatile market conditions of 2011. The performance that was achieved demonstrated even more clearly the validity, productivity and effectiveness of both the Bank’s corporate structure and its processes once again.

The tremendous strength represented by its name will give İşbank the energy it needs in its efforts to offer its products and services to even bigger audiences across a broad region consisting of Turkey and its near abroad in which there is unmatched medium-and long-term growth potential. Ranking in 100<sup>th</sup> place among “Top 1000 World Banks”<sup>(\*)</sup> İşbank surpasses many major European banks as measured by core capital. With its sound financial structure, competent human resources, excellent service delivery platform and advanced management competencies, İşbank will continue to be Turkey’s leading privately-owned bank in 2012 and the years that follow.

(\*) The Banker, July 2011

## Corporate Profile

### Turkey's Biggest Privately-Owned Bank

#### The leader among privately-owned banks with total assets worth TL 161.7 billion

İşbank is Turkey's biggest privately-owned bank as measured by total assets and total loans as well as by deposit base.

Constantly undertaking investments to expand its service reach, as of year-end 2011 İşbank has the hub of the biggest privately-owned branch network (1,201 locations) and ATM network (4,538 units) in the Turkish banking industry.

### A Financial Structure That is Both Strong and Sustainable

#### TL 17.9 billion in shareholders' equity

TL 17.9 billion worth of shareholders' equity represents an important competitive advantage for İşbank from the standpoints both of growing its business volumes and of ensuring the sustainability of its investments.

As of year-end 2011, İşbank's capital adequacy ratio was 14.1%, which was well above regulatory requirements.

Superior asset quality and continuing with its 100% provisioning policy in 2011 for non-performing loans were two factors that contributed significantly to the strength of the Bank's financial structure.

### A Well-Known Name in International Markets

#### İşbank is highly respected in international markets.

With an extensive correspondent network of more than 1,500 banks and other financial institutions located in 127 countries, İşbank is an important player in international trade finance.

Being highly respected among creditor institutions, İşbank's syndicated loans serve as a benchmark for other Turkish banks.

According to The Banker magazine's "Top 1000 World Banks" ranking, İşbank ranks in 100<sup>th</sup> place and is the leading bank among Turkish banking industry.

## A Broad Shareholder Base

### İşbank has a broad-based shareholder structure.

İşbank has a broad-based shareholder structure consisting of about 220,000 shareholders and institutional investors.

40.4% of İşbank's capital is held by the Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Personnel Supplementary Pension Fund), a social security and mutual assistance fund of which about 50,000 current and retired bank employees are members.

## A Trusted Brand

### İşbank is at the service of more than 15 million customers.

Having stood by Turkish citizens and businesses since the day it was founded, İşbank today has more than 15 million customers.

The total value of customer assets being managed by İşbank reached TL 141.5 billion as of year-end 2011.

Synonymous with trust in people's minds, "İşbank", as a trade mark, evokes such notions as leadership, pioneering and innovation as well as deep-rooted traditions in Turkey.

## Contributing to Social Progress

### İşbank engages in an ongoing effort to contribute to social life and progress.

In keeping with the mission of which it was founded, İşbank involves itself in a host of broadly accessible social responsibility projects which contribute to social progress while also supporting economic development.

İşbank focuses its attention on activities that will be of enduring benefit to future generations with the aim of ensuring the continuity of the projects which meet the needs of both the country and the community.

In this context, İşbank carries out projects in the areas of education, environment, culture and art that will make a lasting difference.

## İşbank in Figures

İşbank successfully grew its business volumes and continued to make investments to expand its domestic and international service network even under the volatile and difficult market conditions of 2011.

İşbank has been creating value and contributing to sustainable economic growth for 87 years.

Demonstrating its stance as a leader through high value adding products and services at every stage of business life, İşbank seeks out every opportunity to be its customers' closest service provider no matter what the state of the economy is.

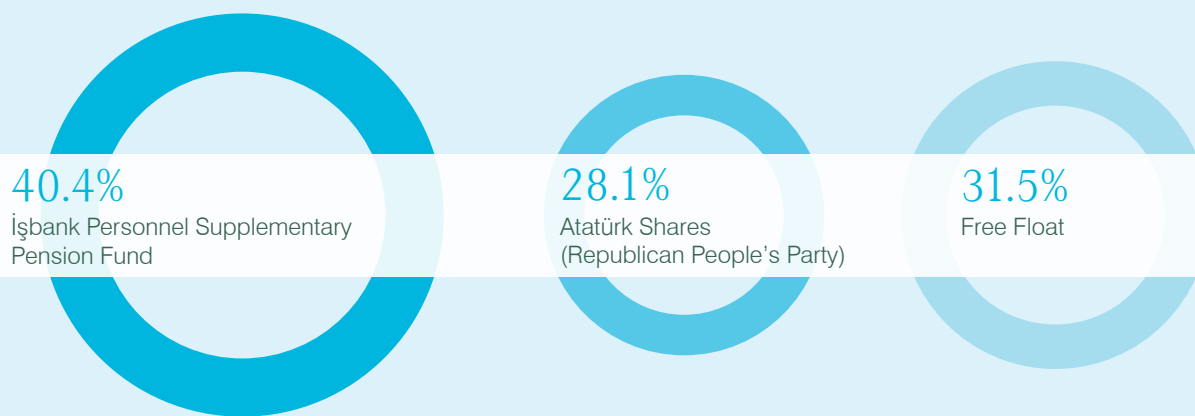
**Key Financial Highlights (TL million)**

	31.12.2010	31.12.2011	Change (%)
Total Assets	131,796	161,669	22.7
Loans	64,232	91,621	42.6
Deposits	88,260	98,313	11.4
Shareholders' Equity	17,014	17,921	5.3
Net Profit	2,982	2,667	-10.6

**Key Financial Ratios (%)**

	31.12.2010	31.12.2011
Interest Earning Assets <sup>(1)</sup> / Total Assets	91.1	92.2
Loans / Total Assets	48.7	56.7
Loans / Deposits	72.8	93.2
NPL Ratio	3.6	2.1
NPL Coverage Ratio	100.0	100.0
Demand Deposits / Total Deposits	16.4	18.9
Shareholders' Equity / Total Liabilities	12.9	11.1
Capital Adequacy Ratio	17.5	14.1

(1) Interest earning assets include TL and FX legal reserves.

**Shareholder Structure as of 31 December 2011 (%) <sup>(1)</sup>**

(1) Source: Central Registry Agency (As of 31.12.2011)

## İşbank's Vision, Objectives and Strategy

### Our Vision

To be the most preferred bank in Turkey by customers, shareholders and employees by maintaining our leading, pioneering and trusted position



## Our Objectives

### For our customers;

- To be the bank that is the most preferred service provider in all the sectors and customer groups that we target,
- To provide our customers comprehensive, reliable and high-quality service by means of our competent employees, extensive branch network and non-branch banking channels,
- To abide by our high business ethics and principles without compromise.

### For our shareholders;

- To consistently increase the value of our shares,
- To operate with effective risk management.

### For our employees;

- To be a preferred employer and offer employees programs and training opportunities that will foster their personal and professional development,
- To propagate our customer-focused approach among all our personnel,
- To support and encourage loyalty, assuming responsibility and creativity,
- To deploy an employee hiring, evaluation, appointment and advancement system that is based on competencies and performance and that is fair and trustworthy

## In Summary:

İşbank's goal is to consistently increase the value it creates for its shareholders as a bank that responds to its customers' needs quickly, effectively and with high-quality solutions and that encourages its employees to achieve a high level of performance in their jobs.

## Our Strategy

Our strategy is sustainable and profitable growth based on "the Bank Closest to Customers" philosophy in an effort to fulfill our vision and objectives.

## İşbank Since 1924

İşbank undertook important duties in Turkey's national economic development in the early years of the Republic at a time when capital accumulation in the country was weak.

Founded to accept even the smallest savings and to put them all to the business in the country's economic growth and development, İşbank has played a vital role by fostering a sense of thrift in Turkish society.

Immediately after its formation, İşbank began growing as it sought to extend its branch network so as to encompass the entire country.

In 1932, İşbank became the first Turkish bank to go abroad when it opened its first international branches: one in Hamburg (Germany) and the other in Alexandria (Egypt).

During the 1950s, İşbank focused its attention on developing a targeted portfolio of equity stakes.

İşbank supplied resources in the form of capital and financing to many different business areas, with special attention being given to manufacturing. The companies in which the Bank invested in this way became the engines of Turkey's subsequent industrialization. In the 1960s and 1970s, İşbank accelerated the pace of its branch network expansion at the national level. In the 1980s, it concentrated on developing its international reach.

The 1980s were also when İşbank started serving a much broader range of customers in line with its vision of multichannel banking.

In 1982 İşbank introduced the first ATMs to the Turkish market. Its ATM, named "Bankamatik", becomes the generic name for such machines in Turkey.

İşbank continued to lead the way forward in the development of alternative delivery channels in the Turkish banking industry. It launched the country's first telephone banking service with its "Blueline" ("Mavi Hat") product in 1991 and its first online branch in 1997.

Concurrent with such innovations, İşbank engaged intensively in R&D activities and in efforts to make use of new technologies in order to further increase the quality and diversity of the services it offered in line with customers' expectations.

Having relocated its headquarters from Ankara to İstanbul in 2000, İşbank continues to grow strongly and consistently.

In 2006 İşbank initiated its Customer-Centric Transformation ("MOD") program, the objective of which was to restructure the Bank with a customer-focused approach. Under this program, a large number of projects that resulted in truly revolutionary changes were successfully completed.

Keeping pace with the rapid changes taking place in technology in recent years, İşbank continues to develop its innovative, multichannel banking network so as to make sure that its customers can take care of all of their banking needs 24 hours a day, 7 days a week, conveniently, quickly and securely and making use of whichever delivery channel is the most appropriate.

In keeping with its objective of expanding its international presence, İşbank keeps a close watch on markets in Turkey's near abroad, particularly in the Balkans and the Middle East. In this way the Bank continues to make progress towards fulfilling its vision of being first a regional and then a global bank. In 2011 İşbank strengthened its international service network with the addition of new branches and, for the first time in its corporate history, it also acquired another bank with the purchase of a Moscow-based financial institution. This acquisition is now operating under the name of "İşbank Russia".

## Firsts and Innovations

### Highlights of İşbank's firsts and innovations in Turkish banking sector

- Introduced child's coin bank to the Turkish society in order to trigger and create mainstream propensity for saving.
- The first use of checks as a convenient way to make ordinary payments
- The launch of electronic banking in Turkey with the introduction of Turkey's first ATMs
- The first Turkish bank to open branches in Cyprus and Europe
- The first investment account service in the Turkish financial services industry
- Launched Turkey's first mutual fund.
- The first trading services of investment securities at a bank in Turkey
- Initiated the first interactive telephone banking service.
- The first online branch
- The first WAP mobile banking service
- The first Java-based mobile banking application for customers
- The first term deposit product for customers in Turkey whose yields are indexed to the TRLIBOR market, named "Floating Account"
- Turkey's first social responsibility-focused mutual fund that invests in environment-friendly company shares, named "Environmentally Responsible Fund"
- "Environmentally Friendly House Loan", a retail credit product launched to support the growth and development of environment-friendly technologies in the housing industry
- Mobile signature, which allows customers to draw down loans without having to go to a branch and to withdraw cash without using a bank or credit card
- A multi-touch featured application that allows customers to compare yields on financial products, named "Getiri Sihirbazı" ("Return Comparison Wizard")
- "İş'te Yatırım iPhone", an iPhone application that allows users to monitor İstanbul Stock Exchange information in real time
- A Video Phone Banking application that makes use of third-generation (3G) mobile telephone technology
- "Mobile Key (Cep Anahtar)", a mobile phone application which strengthens the transaction security of online branch and mobile banking channels and which also makes it possible to withdraw cash from İşbank ATMs without the need of a card
- World's first biometric-controlled POS using electronic fingerprint reading to authenticate a user's identity
- An interactive messaging system that transforms POS terminals into two-way communication channels
- "Üstü Kalsın" ("Keep the Change"), an innovative application that contributes to saving by rounding up outstanding credit card debt balances to a specified limit and uses the difference to purchase mutual fund shares
- "Kur Korumalı (Opsiyonlu) Döviz Kredisi" ("Exchange Rate Protected Foreign Currency Loan with Option"), a foreign-currency loan with a guaranteed exchange rate option that protects the borrower against excessive exchange rate rises; "Sabit Faizli Rotatif (BCH) Kredi" ("Fixed Rate Revolving Loan"), a fixed-interest-rate revolving line of credit for those who do not want to be affected by interest rate movements; Chinese Yuan credit and loans for customers who make business with China
- "Benim Bankamatik'im" ("My ATM"), an innovative application that revolutionizes ATM use in Turkey by allowing users to customize their own screens
- "Temassız Kartla Para Çekme" ("Money Withdrawal by Contactless Card"), a contactless card application that makes it possible for users to withdraw cash with a single keypress

## Chairman's Message

The global economy is being affected by two main developments: the first of these is the observed slowdown in the rates at which developed economies have been recovering since the beginning of 2011; the second is the aggravated financial uncertainty and the deterioration that has become particularly apparent in EU countries' public finances since August.



**H. Ersin Özince**  
Chairman

Esteemed shareholders,

Before presenting our report summarizing our Bank's activities in 2011 and assessing its financial results, I would like to briefly consider the year's economic developments around the world and in Turkey and consider their impact upon our sector.

### **In search of a global balance: Public debt or growth?**

The global economy is being affected by two main developments: the first of these is the observed slowdown in the rates at which developed economies have been recovering since the beginning of 2011; the second is the aggravated financial uncertainty and the deterioration that has become particularly apparent in EU countries' public finances since August. Both of these developments are worrisome and have implications which pose a serious element of risk for the global economy and need to be monitored carefully.

The effects of both the global financial crisis and its aftershocks since 2008 continue to be felt.

As the global crisis completed its third year in 2011 in parallel with ongoing megatrends, it reached a new point involving greater risks and uncertainties about the future in terms of its scope and impact. The dynamics of the crisis originate in the economies of the developed countries and plunged the global economy into the worst upheavals experienced since 1929. Neither the packages of extraordinary measures taken by the developed countries during the most recent three years nor national economies' self-dynamics have been successful in ending this crisis. There appear to be fundamental differences both in the problems being faced by the world's economic blocks and in the search for ways to deal with those problems. Among the developed countries, political actors and policy-makers tend to put off dealing with problems because of the potentially high political and social costs entailed by realistic, long-term policies that might be capable of achieving solutions. Decision-making processes and the efforts of governments to implement the resulting decisions are restricted within the national borders. Given the global and complex nature of the difficulties, this suggests that the problems are not going to be resolved any time soon.

One hallmark of 2011 was an outbreak of problems with public finances among developed countries. High levels of public sector indebtedness, especially in EU countries, emerged as the most important problem faced by the developed countries last year. The difficulties that Greece had in rolling over its high public sector debt quickly led to a loss of confidence in markets and before long the contagion spread to other parts of Europe as well.

Since the global financial crisis that broke out in 2008, Turkey has been adhering to monetary policies that are mindful of both price and financial stability. This has been a matter of crucial importance to the country's sustainable macroeconomic balance.

The worsening in the public finances of developed countries brought on by measures to deal with the crisis will both set the global economy's agenda and remain on it for some time to come. Particularly if the problems grow deeper in the Euro Zone, the consequences for the global economy could be dire indeed. At the same time, due to their potential impact on international finance and foreign trade, these developments are such as to lead to serious problems for the world economy as a whole and for the emerging countries in particular.

According to the most recent IMF projections, the emerging countries look set to outperform the developed countries in terms of growth in the period ahead as well. That said, the developed countries are the emerging countries' chief export markets and if especially the EU countries are unable to pull themselves out of recession, that could have an adverse impact on the emerging countries' economic growth performance. Nevertheless, emerging countries will continue to be more attractive for capital inflows than developed countries do primarily because of low interest rates, limited potential for investments and expectation of low growth in the developed countries.

#### **Turkey: Outperforming the developed economies**

Since the global financial crisis that broke out in 2008, Turkey has been adhering to monetary policies that are mindful of both price and financial stability. This has been a matter of crucial importance to the country's sustainable macroeconomic balance.

Having successfully ranked among the world's fastest-growing economies in 2010, the Turkish economy's strong growth performance continued in 2011 as well with a real rise in GDP that is put at something over 8% despite all of the adversities that beset the global economic climate. As was the case in previous years, the underlying dynamics of that growth were provided by robust private sector consumption and investment outlays.

Paralleling the economic growth registered in 2011, there was also a rapid expansion in the current account deficit and this became the issue at the very top of the country's economic agenda. Throughout the year Turkey's export performance was adversely affected by ongoing problems in the Euro Zone—which is our country's biggest export market—and by political developments in the Middle Eastern and North African countries that might serve as its market alternatives. On the other hand, strong domestic demand and high energy prices initially fueled a rapid growth in imports. The domestic economic activity lost some of its momentum later in the year in parallel with a significant decline in the value of the Turkish Lira and a deteriorating global economic outlook, slowing down the expansion in the foreign trade deficit.

Policies designed to bring domestic demand under control by throttling the growth in the credit supply took some of the steam out of economic activity and also contributed to the loss of momentum in imports. Another factor that made it possible for Turkey's economic performance to compare favorably with that in developed countries was a commitment to budget discipline and the maintenance of a solid public-finance balance at a time when many other countries were having problems with budget deficits and high levels of public debt.

Concurrent with this, the Central Bank of the Republic of Turkey (CBRT) took a proactive approach to monetary and exchange rate policies that were mindful of both price and financial stability. This helped insulate domestic markets from the effects of international markets volatilities by making them less severe.

If the course of the global economy remains problematic in 2012, as it is expected to do, Turkey, as an open economy will unavoidably be affected and the economic activity will lose some of its momentum. The fact that;

- the Turkish banking sector operates with lower leverage than that of the case in developed countries,
- greater advantage is being taken of the alternative market opportunities that have been developed through market diversification in Turkey during the last ten years and
- regulatory authorities are both flexible and proactive in their approach to policy

will make significant contributions towards ensuring that the expected slowdown in economic activity takes place in a controlled manner and thus towards sustaining the healthy growth performance of the Turkish economy in the period ahead.

Paralleling the vigor in economic activity, our sector continued to grow consistently in terms of assets, newly-opened branches and employment numbers.

**The Turkish banking sector: An industry that has successfully managed the first stage of the crisis**

Having strong dynamics, our sector maintained a relatively robust stance throughout the first stage of the global crisis. By firmly adhering to risk management policies, it proved to be quite successful in its management of its loans portfolio.

The stable growth demonstrated by the Turkish financial services industry has contributed greatly to the relatively mild impact which the adverse developments taking place in the global economy for the last three years have had in our country. Since the beginning of the 2000s, banking in Turkey has undergone tremendous changes and it has strengthened its foundations. Thanks to its robust capitalization, to successful risk management practices and to proactive policies, the banking sector has financed the sustainable growth of the Turkish economy without interruption.

2011 was a successful year for the Turkish banking industry. Paralleling the vigor in economic activity, the banking sector continued to grow consistently in terms of assets, newly-opened branches and employment numbers.

Towards the end of 2010 and in early 2011, CBRT increased banks' reserve requirements for the sake of maintaining financial stability. Along with this, decisions taken by the Banking Regulation and Supervision Agency (BRSA) about consumer loans in the second half of the year helped keep the sector's loan volume in line with what was needed for a sustainable economic growth.

It is estimated that the Turkish banking industry will continue to grow in 2012 in parallel with the growth that is foreseen in the Turkish economy. In keeping with the supposition that the rise in domestic demand will be more gradual in 2012 than was the case in the previous year, it is expected that the expansion in the volume of loans will also be more moderate.

It is also thought that while some Turkish banks will be keeping a close watch on growth opportunities in neighboring countries as they continue to expand in the domestic market, others may slow down their growth and even shed market share.

**İşbank continues to consistently create value and contribute to economic growth.**

İşbank has been creating value and contributing to sustainable economic growth for 87 years. Our Bank is a leading supplier of high value adding financial products and services at every stage of economic and commercial life. İşbank takes every opportunity to demonstrate that it is a service provider that stands the closest to the customer no matter what the economic climate may be.

Confronting the volatile and fraught market conditions that prevailed in 2011, İşbank's strategic choices were formed by policies that focused on problem-free growth. This not only distinguished it from a great many of its competitors but also made possible its successful performance.

In the face of the effects of an unfavorable global economic environment, we focused primarily on protecting İşbank's profitability in parallel with fund creation strategies that concentrated on prudent asset management policies and on costs and stability. It gives me pleasure to state that İşbank made progress in both capital and profitability indicators in 2011 and that it maintained its sustainable and profitable growth through a problem-free credit risk performance.

Our cross-border banking activities that we conduct in line with our pursuit of growth in financial services, with our desire to take advantage of investment opportunities in areas where there is profit potential and with our goal of becoming a regional financial force, continued to support our growth strategy. In that respect, 2011 was witness to a milestone development in İşbank's corporate history. For the first time since its inception, our Bank acquired another bank with its purchase of a Moscow-based financial institution. This new acquisition is now operating under the name of "İşbank Russia". Just in the 8<sup>th</sup> year of its inception, İşbank demonstrated that it intended to be an international bank when it opened branches in Hamburg and Alexandria. Today İşbank's banking subsidiaries, branches and offices give it an international presence in twelve countries.

We are of the opinion that operational productivity and expenditure control are more important than ever in today's global economic climate. Productivity and effectiveness will be what fundamentally drive competition in the period ahead. We are a bank that focuses on offering its customers products and services in the most effective way possible. A number of major projects that we have recently completed, have boosted our Bank's strength to an incomparable degree. We are committed as well as ready to make certain that our potential is fully reflected in our performance under today's conditions of global competition.



Just as in the past, we will continue to raise the standards of banking in Turkey to even higher levels and to augment our contributions to our stakeholders and country within the framework of our mission.

#### **Our responsibility to our country and society**

Being aware of our responsibility, to our country and society, as well as our identity as an institution of the Republic, we continue to support education, culture, arts and environment, aiming to improve the quality of social life in Turkey.

Part of the value that we create through our economic undertakings we share with society and we do so in ways that ensure that our contributions are as broad-based and diverse as possible. Every one of our social responsibility projects is shaped by our long-term approach and is undertaken with care being given to institutionalization. Special attention is also given to making sure that our projects create value for our country and its people.

As İşbank we are committed to making an ongoing effort to add more value both to Turkey and to the lives of its people through social responsibility projects that are both broad-based and sustainable.

#### **We are determined to raise the standards of Turkish banking to even higher levels.**

Just as in the past, we will continue to raise the standards of banking in Turkey to even higher levels and to augment our contributions to our stakeholders and country within the framework of our corporate mission.

İşbank's success is an outcome of its competent human resources, management team and systematic strategy. The strength that we derive from this plain and simple fact is what gives us the energy to remain on course and to raise our sights even higher.

2011 was a year in which we demonstrated strong, consistent growth that further entrenched our position among privately-owned banks. It was also a year that marked the beginning of a process through which the momentum of our performance will be augmented under today's new conditions of global competition.

At a time when the world of banking and finance—indeed even the sovereigns—exhibited serious weaknesses regarding management and shareholder will, İşbank demonstrated that it was a beacon of international stability in terms of shareholder, management and executive will. The strength arising from that will is what enabled us to bring about important changes in our management and executive teams in 2011 without in the least way sacrificing our mission or identity. With the support of our shareholders and other stakeholders, we shall absolutely continue to provide the real economy with the banking products and services demanded by the process of economic growth in Turkey with the best possible conditions.

In closing and speaking on behalf of myself and the members of the Board of Directors, I take this opportunity to express my thanks to our shareholders as well as to our customers, business partners, correspondents and employees.

As it grows and creates value for everyone, İşbank continues to advance confidently and strongly towards its 100<sup>th</sup> year of life.

Yours sincerely,



H. Ersin Özince  
Chairman of the Board of Directors

## CEO's Message

İşbank increased the volume of its loans above the sectoral average in 2011. As of the end of the year, its total loans were up by 42.6% compared with 2010 and amounted to TL 91.6 billion in value.



**Adnan Bali**

Chief Executive Officer

İşbank's distinguished shareholders, customers, employees and business partners,

### **2011 was a successful year for İşbank.**

In 2011, the year in which we bolstered our leadership among privately-owned banks, the financial and operational results which we registered, once again demonstrated that our Bank's enduring success is the outcome of 87 years of deep-rooted tradition, stakeholder support and the trust in the İşbank name.

### **Performance highlights**

İşbank continued to further strengthen its financial structure throughout the year. As measured by total assets, İşbank was the biggest privately-owned bank in Turkey in 2011. In the twelve months to year-end, İşbank's total assets increased by 22.7% and reached TL 161.7 billion. During the same period, its shareholders' equity increased by 5.3% to TL 17.9 billion. Net profit amounted to TL 2.7 billion, which was in line with our target, while our return on average assets and return on average equity ratios were 1.8% and 15.2% respectively.

İşbank increased the volume of its own foreign and Turkish currency lending at rates that were above sector averages last year. As of end-2011, the Bank's total loans were up by 42.6% compared with 2010 and amounted to TL 91.6 billion in value. İşbank controls the biggest share in financing the real economy in Turkey. Its 14.1% market share of total lending makes it the sector's leader.

In 2011 our Bank continued to set aside 100% provisions against its non-performing loans. Healthy growth in performing loans combined with a contraction in the NPL category further narrowed the NPL ratio from 3.6% at end-2010 to 2.1% at end-2011.

İşbank's total deposits reached TL 98.3 billion at end-2011. Acting with a cost-controlled approach in fund generation, İşbank remained the leading privately-owned bank in terms of total deposits, with its 14.2% market share thanks to customer trust, its extensive branch network and alternative delivery channels.

In 2011 İşbank focused its attentions on funding instruments other than deposits as a way both to diversify its funding structure and to gain access to more suitably priced funding. The total value of these resources, which consist of bond issues, syndications, securitizations, loans through bilateral agreement and repo contracts, reached TL 34.4 billion as of the end of the year.

Our 2011 performance, whose principal financial results I have just outlined here, is not only indicative of our growth potential but is also evidence of the strength of our value-creation competencies for our shareholders.



At a time when we are devoting even more attention than ever to effective risk management, our widespread loan portfolio has a structure, which prioritizes asset quality and risk management.

#### A broad-based loan portfolio

As one of the biggest supporters of the national economy and real economy in our country for 87 years and a financial institution which acts consistently even during times of crisis, in 2011 İşbank continued to supply credit in parallel with the strong macroeconomic growth that was registered.

The growth that we achieved in our lending was not only above the sector's average but also clear evidence of İşbank's zeal for and commitment to its mission of supporting the industrial sector and contributing to the national economy.

At a time when we are devoting even more attention than ever to effective risk management, our widespread loan portfolio has a structure, which prioritizes asset quality and risk management.

#### Our strategic objectives in 2011

The strategic objectives on which we based the conduct of our activities in 2011 may be summarized as follows:

- increasing loan volumes with an approach that is mindful of risk,
- effectively managing funding costs and keeping them constantly under control,
- managing non-interest income, giving particular attention to commission income,
- effectively managing operational costs and keeping them under control,
- making greater use of technology to boost revenues and reduce costs,
- increasing productivity through effective business process management.

In addition to acquiring new customers and taking advantage of growth opportunities, another goal for İşbank in 2011 was to improve profitability and in this our Bank was successful. In order to achieve profitable and sustainable growth within the framework of its strategy of being "The Bank Closest To Customers", our Bank continued to adhere to a flexible business model which is based on the principles of productivity and effectiveness subject to the dictates of risk management and which has the ability to come up with customer-focused solutions.

In keeping with our goal of increasing number of customers, in 2011 we continued our efforts to open new branches. Branch openings are a matter that we approach with prudence and an attitude that is mindful of productivity and we therefore give priority especially to locations where there is potential to gain market share. At end-2011, the number of our Bank's domestic branches stood at 1,184, which represents a net increase of 57 during the year. Paralleling this expansion in its service infrastructure, İşbank added 2,031 people to its payroll in 2011.

Taking into account both the impact of the ongoing global financial crisis in our national market and the developments taking place in our own sector, İşbank gave importance to domestic and international bond issues along with the deposits that serve as the primary source of its funding. These issues provided a number of important advantages such as prolonging the average term of our funding, reducing our exposure to structural interest rate risk and generating resources that can be used for medium-term credit.

2011 was a year during which we also continued to concentrate our efforts in such areas as customer relationship management, loan underwriting, risk monitoring and alternative distribution channels management in order to achieve levels of effectiveness and quality capable of equipping our corporate competencies and practices with competitive advantages in line with our Bank's goals.

#### Sustainable, profitable growth in national and international markets

As İşbank, our fundamental goal is to achieve growth which demonstrates a market share and balance sheet progress in line with equity growth, while maintaining the asset quality.

Our goal is growth which is sustainable, because it is achieved through increases in customer and employee satisfaction; which is profitable, because it is the result of securing such returns as investors demand and which are consistent with the cost of capital.

Given the current economic climate, we foresee that the importance of operational productivity and cost control will become even greater in the period ahead. Productivity and managing the cost base constantly to keep it as low as possible will continue to determine our competitive edge and strength. To this end, we are proceeding at full speed with work on infrastructure in order to further develop our Bank's process management, performance management and management reporting technologies so as to make certain that our products and services are supplied to our customers in the most effective way possible.

## Under the heading of expanding our international presence, we are on the lookout in countries nearest to Turkey both in the Balkans and in the Middle East.

The market conditions that prevail at this time are such that a profitable and sustainable growth performance is only possible if we adhere to a business model which focuses on cost control and achieving consistency in creating revenue streams.

In our domestic market, our growth strategy is to be "The Bank Closest to Customers" in all aspects of banking. That growth strategy is as much rooted in the principles of productivity, profitability and sustainability in international markets as it is at home. On the basis of our cross-border strategy, there is boosting our target of growth in Turkish financial markets, our main area of activity, by maximizing our effectiveness in the international markets that are important for the Turkish economy and taking advantage of the growth opportunities presented by those markets.

Within the framework of the strategy outlined above, İşbank seeks first of all to be a "regional bank" and then to be an "international bank". Another objective in line with this is to expand our international organization by acquiring a presence in other markets where we do not have one yet but where we see both a promising future and high potential and where there are significant commercial, political and cultural relationships with Turkey.

Under the heading of expanding our international presence, we are on the lookout in countries nearest to Turkey including the Balkans and the Middle East. Whenever conditions are deemed to be appropriate, İşbank will assess opportunities in such markets and initiate such undertakings as are necessary.

Despite the worldwide economic crisis in 2011, our Bank made important progress in line with its vision of being first a regional and then a global bank.

- İşbank's Arbil branch opened in Iraq in February and its İskele branch opened in Turkish Republic of Northern Cyprus in July.
- In August, our Frankfurt-based subsidiary İşbank GmbH opened a branch in Sofia in Bulgaria.
- For the first time in its corporate history, İşbank acquired another bank with its purchase of a Moscow-based bank. Our new banking subsidiary is now operating under the name of "İşbank Russia".

In addition to these investments, consideration is being given to opportunities to engage in banking in the cities of Baghdad (Iraq), Batumi (Georgia), Prishtina (Kosovo), Karachi (Pakistan) and Baku (Azerbaijan). We are also working on a project to expand our banking activities in Egypt, which are currently being carried out at the representative office level.

In 2012 and the years that follow, we will be concentrating on expanding İşbank's regional footprint and to tap the growth potential that exists in Turkey's near abroad. To that end we also plan to become actively involved in efforts to take the initiative particularly in countries where there is already a substantial volume of trade with Turkey and/or where Turkish businessmen have a significant presence.

### **We continue to offer our customers international resources on the most favorable terms.**

In a business environment dominated by the conditions of the global financial crisis, İşbank continued to seek out suitably-priced international resources and to make them available for its customers' use.

İşbank successfully carried out two syndicated loans in 2011: the first in May and the second in September. The two loans generated combined resources amounting to EUR 1.229 billion and USD 649 million for our Bank. In addition to these syndications, İşbank continued to supply customers with funding in a variety of amounts and on a range of terms both through the strong bilateral relationships which it has developed with correspondents and through its cooperation with international development and investment agencies.

As it advances confidently towards becoming a truly international service provider, İşbank regards the confidence that it inspires and the reputation that its name enjoys at the global level as a way of significantly leveraging its growth. The Bank is therefore committed to pursuing its efforts in this direction.

We are as determined as ever to continue our efforts to take the global value of our brand to even higher levels.

**2011 was a year in which global economic risks began to proliferate once again.**

The rise in macroeconomic risks was driven especially by worries over the sustainability of the high levels of public indebtedness in a number of EU-member countries. As opinions grew stronger that the problems faced by the global economy were not going to be resolved anytime soon, it also became increasingly more difficult to manage expectations as the year progressed. In such an environment, both market and liquidity risks tended to rise everywhere in the world.

Rises in the cost of banks' funding and lower-than-expected growth rates in many developed countries also exacerbated credit risk for the global economy.

The macroeconomic data concerning the Turkish economy is, compared with that of many other countries, much more favorable in appearance. At a time when developed countries are having trouble restarting growth in their economies, Turkey successfully ranked among the world's fastest-growing economies in 2011. In Turkey the ratio of public indebtedness to GDP continues to decline, while high levels of debt and budget deficits create problems with public finances especially in Euro Zone countries. An alarming deterioration in the country's current account deficit resulting from disparities in domestic and foreign demand dynamics drew attention both to the indicators of such demand and to exchange rates. This prompted the CBRT to reshape its monetary policy in such a way as to be mindful of financial stability as well as price stability.

**Our expectation is that 2012 is not going to be an easy year for the world.**

In the current global economic climate, with its extensive organization, close customer contact and a lineup of products and services capable of meeting every need, İşbank will continue to be one of the basic supporters of the Turkish economy. Our Bank is committed to maintaining the growth of its loan portfolio in line with developments taking place in the world and Turkish economies in 2012 while never straying from its sound lending practices. As was the case in 2011, our goal is to make growth in our loan volume, the main engine of the growth in our balance sheet in 2012 as well.

Just as it has always done since its inception, İşbank in 2012 will continue to act with a risk-focused approach and to abide strictly by lending and monitoring processes that are faster as well as better from the standpoints of such matters as loan portfolio development, risk dispersion and loan category diversification.

**Leadership and pioneering**

One of the original founders of a national banking industry in the earliest years of the Turkish Republic, İşbank is still one of the sector's leaders and pioneers. Thanks to its superior human resources, a sound financial structure, extensive service network and steadily growing shareholder support, İşbank remains firmly on course. We are as determined as ever to continue our efforts to take the global value of our brand to even higher levels.

We are determined to continue supporting household and business customers to an ever increasing degree in the difficult market conditions that may be caused by the global financial crisis in 2012 and the years that follow. We have the strength and the resources needed to do this.

In closing, I extend my appreciation on behalf of İşbank to our shareholders for their enduring support, to our customers and business partners for their confidence in us and to our employees for their efforts.



Adnan Bali  
Member of the Board and Chief Executive Officer

## 2011 Economic Review

Problems in the peripheral countries of Euro Zone also began to affect central countries such as Italy and France in 2011.

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### 3.3%

The IMF expects that global economic growth, which it puts at about 3.8% in 2011, will contract to around 3.3% in 2012.

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### 5.4%

An average growth rate of 5.4% is projected for emerging countries' economies in 2012.

## The World Economy

### Developments in 2011

#### **Global economic risks have begun to increase once again.**

The expansive monetary and fiscal policies that were put into effect in the developed countries in the wake of the crisis failed to be as effective as expected in bringing about economic recovery. Meanwhile, national budget balances in the same countries worsened significantly and risk perceptions about the global economy began to increase once again. The rise in macroeconomic risks was driven especially by worries over the sustainability of the high levels of public indebtedness in Euro Zone countries.

#### **For the first time in history the US government's credit rating was lowered.**

Uncertainties experienced with increasing the national debt ceiling in the US in 2011 exacerbated concerns about the future direction of the economy and for the first time in history the credit rating of the US was lowered. In response to growing doubts about economic activity in the US which is in the face of continuing weak demand, policy-makers announced that they would be keeping interest rates at their currently low levels for quite a long time and that they would go on supporting the economy with additional measures in the period ahead.

#### **The Euro Zone is struggling with a public debt crisis.**

Spreading through the banking system, problems arising from high levels of public debt and/or budget deficits in peripheral countries of Euro Zone such as Portugal, Ireland, Greece and Spain began to affect central countries such as Italy and France as well in 2011. Paralleling the economic downturn, banks throughout the Euro Zone found themselves confronted by shortages of liquidity with which to fulfill their short-term obligations.

#### **Measures taken to counter inflationary pressures constricted growth in emerging countries.**

In the emerging countries which remained the engines of global growth, belt-tightening measures taken to counter inflationary pressures constricted economic activity in the first half of the year as compared with 2010. However, for the rest of the year, the global economy agenda was dominated by "double-dip" worries that led many emerging countries to suspend the tightening of their monetary policies and even to begin loosening them. Meanwhile, the worsened economic outlook in developed countries began to depress economic activity in the emerging countries as it spreads through foreign trade and finance channels.

## Expectations

**According to IMF projections, the global economy will grow by 3.3% in 2012.**

In view of the delays that are being experienced in dealing with the developed countries' existing problems and the likely impact that this situation will have on emerging countries, we can expect that the macroeconomic risks to which the global economy is exposed will persist. The IMF expects that global economic growth, which it puts at about 3.8% in 2011, will contract to around 3.3% in 2012. What is particularly noteworthy is the downward revisions in Euro Zone country growth rate projections.

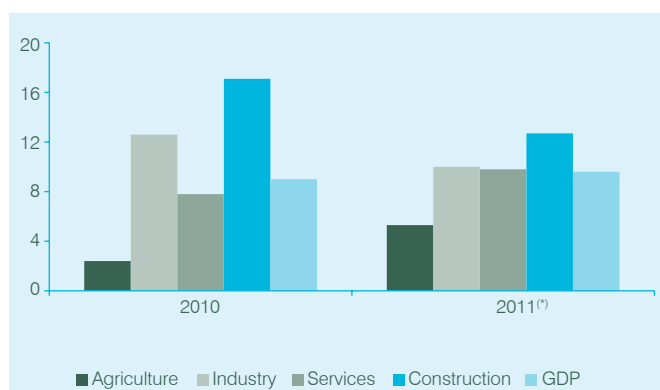
It is estimated that weak demand and high unemployment will cause inflation to remain flat in the short and medium term throughout the world. Concordantly, we may expect that monetary policy will remain loose and consequently, interest rates will remain low for quite a long time in the leading developed countries. As a matter of fact, the Fed has already announced that it will not be changing its currently low policy rate any time before late 2014.

**The Euro Zone's problems will remain on the world's agenda.**

The slowdown in global economy can be expected to continue in parallel with what is taking place in Euro Zone economies. Markets' worries will be kept fresh both by persistent Euro Zone structural difficulties and by the problems that may crop up when the decisions made are applied. Owing to the delays involved in public authorities' decision taking that are needed to deal with problems, it is likely that it will take some time before Euro Zone economic activity returns to pre-crisis levels.

It is also estimated that uncertainties will persist over the high levels of refinancing that will be required to cope with public debt in developed economies. This situation and the possibility of having to undergo some sort of restructuring process may increase the tendency to expand banking system capitalization or to reduce overall indebtedness in developed countries. It is likely that as the effects of the worsened economic outlook in developed countries spread through foreign trade and finance channels, economic activity in the emerging countries will slow down as well. In line with this, it is expected that the average 6.2% rate of growth estimated to have been achieved in the emerging economies in 2011 will lose momentum and slip to around 5.4% or so in 2012.

### GDP – Sectoral Growth Rates (%)



(\*) January-September 2011.

## The Turkish Economy

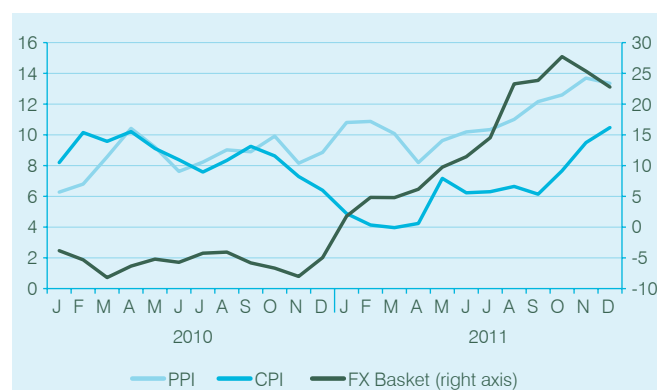
### Developments in Real Economy in 2011

**The Turkish economy is thought to have grown by 8.3%.**

Having grown by 9% in 2010, the Turkish economy continued to perform strongly in the first three quarters of 2011, growing by 9.6% compared with the same period of the previous year. The biggest contributor to that nine-month growth was services followed in turn by manufacturing, construction and agriculture. Overall growth in 2011 is estimated to have been on the order of 8.3%.

Exports increased by 19% in 2011 while the rise in imports was 30%. Because imports grew so much faster than did exports, the foreign trade deficit expanded rapidly. Throughout the year, our country's export performance was adversely affected by ongoing problems in the Euro Zone—which is its biggest export market—and by political developments in the Middle Eastern and North African countries that might serve as its alternative markets. Strong domestic demand and high energy prices brought about rapid growth in imports. In the post-crisis recovery process, the current account deficit continued to expand, in parallel with an appreciating Turkish Lira, strong domestic demand and a growing foreign trade deficit. This trend continued in 2011. The contributions which foreign direct investment was able to make to finance the current account deficit remained limited and the demand for external resources was met largely by means of short-term capital movements. The result was the increase in fragility of the economy. The current account deficit amounted to about USD 77.1 billion in 2011.

### Inflation and FX Basket (Monthly Annualized Changes) (%)



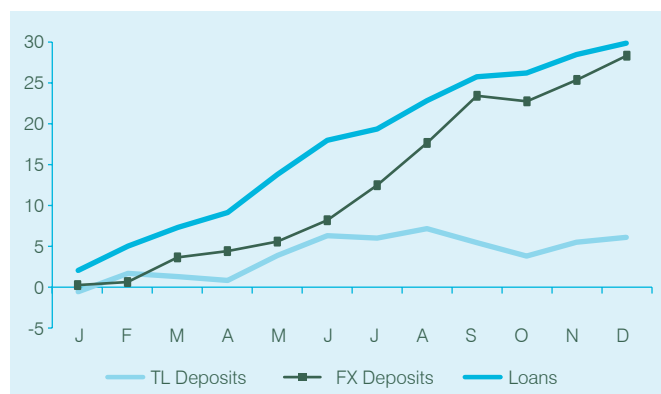
While the Turkish banking industry's growing need for financing was met largely by means of deposits, bond issues and borrowing from abroad, the proceeds from the sale of securities portfolio assets as well as repo income also made a contribution.

# 12.7%

Deposits (excluding interbank deposits), which are the banking sector's most important source of funding, increased by 12.7% in 2011.

## Deposits and Loans in 2011 (\*)

(Change compared to year-end 2010) (%)



Source: BRSA Monthly Bulletin Data

(\*) Including participation banks.

Central budget performance, which was strong in 2010, remained strong in 2011 thanks to ongoing fiscal discipline and improvements in tax collections resulting from strong domestic demand.

Movements in exchange rates and commodity prices spurred a rise in CPI that became particularly evident in the last quarter of the year. The result was that the twelve-month rise in the CPI was realized as 10.45%, nearly double CBRT's 5.5% target. Similarly, the rise in producer prices was 13.33%

## Having focused on policies aimed at financial stability for most of the year, CBRT began tightening its monetary policy stance.

In August CBRT loosened its tight monetary policy in order to minimize the adverse impact that unfavorable developments in international markets might have on the Turkish economy. In the last quarter of the year, rapid depreciation of the Turkish Lira against the US dollar spurred a rise in inflation. Seeking to limit the secondary affects that this increase in inflation might have, CBRT had recourse to a new multi-vehicle policy mix that focused on price stability.

## 2011 Developments in the Turkish Banking Industry

### The Turkish banking industry's assets grew by 21% in 2011.

In parallel with the rise in economic activity in 2011, the banking industry continued to grow in terms of assets, number of new branches and number of people employed. In 2011, the sector's total assets increased by 21% compared to 2010 and reached TL 1,218 billion.

Despite increases that CBRT made in banks' reserve requirements in late 2010 and early 2011 in its efforts to buttress financial stability, the rapid expansion in the volume of credit continued in the first half of the year. Economic growth and the fact that loan interest rates did not exactly reflect rising costs also contributed to this. In the second half of the year, BRSA measures that made use of general and specific loan provisions and capital adequacy credit risk weightings did cause the acceleration in credit (particularly consumer credit) growth to slow down and this had the desired effect of dampening the overall growth in credit.

Deposits (excluding interbank deposits), which are the banking sector's most important source of funding, increased by 12.7% in 2011. As it's considered that the sector's total liabilities also increased by 21% during the same period, it is apparent that the sector must have been having recourse to alternative sources as well. CBRT's decision to link reserve requirement rates to deposit maturities caused a modest prolongation in average deposit term. In 2011, Turkish banking industry's growing need for financing was met largely by means of deposits, bond issues and borrowing from abroad, right along with the proceeds from the sale of securities portfolio assets and funds from repo transactions.



The banking sector is expected to continue growing in 2012.

## Expectations

**Developments in Turkey's main export markets will play a role in any slowdown in Turkey's economic activity that takes place in 2012.**

It is estimated that developments in Turkey's main export markets, particularly in the EU, will shape the course of the country's economic activity. In line with this, Turkey's economic growth can also be expected to lose momentum in the new year. Furthermore any contraction in Turkey's capital inflows will likewise constrict growth more.

Along with such a slowdown in the economy, it is anticipated that domestic demand will not exert any upward pressure on inflation. Paralleling to the high rate of inflation registered in the last quarter of 2011 having been reined in by means of other monetary policy tools, it seems likely that CBRT will be shaping its monetary policy in such a way as to support growth. Thus while no rises in policy interest rates are expected in 2012, it is thought that other policy tools will continue to be employed actively in parallel with developments that take place in international markets.

The drop in domestic demand in 2012 could cause budget revenues to lose some momentum. However the percentage of domestic debt that the Treasury must roll over is expected to continue falling and by reducing potential pressure on the borrowing costs that means it will be easier to keep budget expenditures under control. The likely outcome of all this is that budget discipline will be maintained.

It is also to be expected the Turkish banking industry as a whole will continue growing in 2012 by exploiting capital inflow opportunities arising from expectations of economic growth. It will likely achieve this by taking advantage of opportunities to create resources through different channels such as bond issues and capital inflows along with any rises in deposits that will be supported by the policies which CBRT is currently following. Another expectation is that CBRT will continue, this year just as it did last year, to make use of reserve requirement rates as an active policy tool in parallel with developments taking place in international markets. Besides, in keeping with the expectation that domestic demand will tend to rise only gradually in 2012, the growth in the volume of loans will probably be more moderate than it was in 2011.

## İşbank and its Activities in 2011

### İşbank continued to create value for its stakeholders in 2011.

**At year-end 2011, İşbank's total assets reached TL 161.7 billion.**

İşbank has internalized an approach which is mindful of customer satisfaction, vigilantly manages risks and attentive to its financial structure.

İşbank constantly reviews its corporate structure, strategy and goals along these same lines to ensure that market realities are properly reflected both in business processes and in products and services.

İşbank performed strongly in terms of both financial and operational results in 2011 while also successfully maintaining the growth in business volumes.

At the end of 2011, İşbank was Turkey's biggest privately-owned bank as measured by assets, loans, deposits and shareholders' equity.

In 2011 İşbank increased the number of its domestic branches with the addition of 65 new ones, reaching a total of 1,184. The Bank also continued to expand its international service network by opening two new branches one in Turkish Republic of Northern Cyprus and one in Iraq and by acquiring a bank in Russia.

A leading player in Turkey's capital market transactions, İşbank controlled a mutual fund portfolio totaling TL 6.4 billion in value and a 21.6% share of the same market at 2011 end.

In 2011 İşbank continued to keep its customers supplied with innovative and high added-value products and services.

#### Asset Composition (%)

	2010	2011
Cash and Banks	8.9	9.9
Securities	34.5	26.5
Loans	48.7	56.7
Associates & Subsidiaries	4.8	3.9
Other Assets	3.1	3.0
<b>Total</b>	<b>100</b>	<b>100</b>

In the year to end-2011, İşbank increased its total assets by 22.7% to TL 161.7 billion, thereby defending its standing as Turkey's biggest privately-owned bank as measured by assets.

At end of 2011, İşbank's total loans amounted to TL 91.6 billion. This corresponded to 56.7% of the Bank's total assets and represents an eight-point rise in that percentage as compared with the previous year.

#### Liability Composition (%)

	2010	2011
Deposits	67.0	60.8
Funds Borrowed and Money Market Funds <sup>(*)</sup>	13.8	21.3
Other Liabilities	6.3	6.8
Shareholders' Equity	12.9	11.1
<b>Total</b>	<b>100</b>	<b>100</b>

As of 2011 end İşbank's total deposits were up by 11.4% as compared with the previous year and stood at TL 98.3 billion.

In 2011 İşbank also focused attention on non-deposit funding as a way both of diversifying its funding structure and increasing its cost-effectiveness. The total value of such funds, consisting of bonds, syndications, securitizations, repo contracts and the like reached TL 34.4 billion as of year-end.

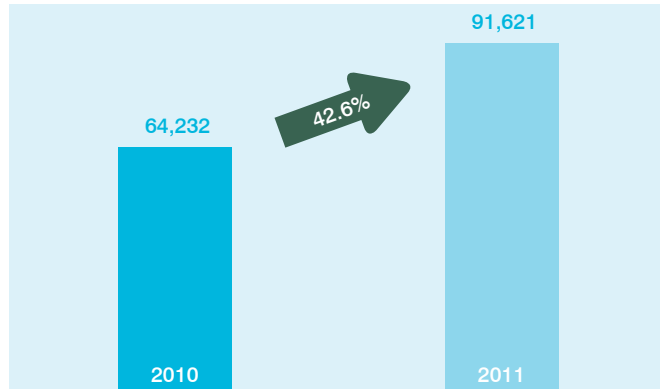
The search for alternative sources of funding resulted in greater attention being given to private sector bond and bill issues in 2011. In order to diversify its existing funding structure and create long-term funding for itself, last year İşbank sold debt instruments with a total nominal value of TL 4.8 billion to the domestic market and it also sold debt instruments worth USD 500 million to international markets.

One result of these developments in the Bank's funding was to diversify liabilities while also extending overall maturities. A second was to reduce the share of deposits in total liabilities to 60.8% and bring that of funds borrowed and money market funds<sup>(\*)</sup> to 21.3%.

Shareholders' equity increased by 5.3% year-on and reached TL 17.9 billion in 2011.

(\*) Including TL and Foreign Exchange debt instrument issues

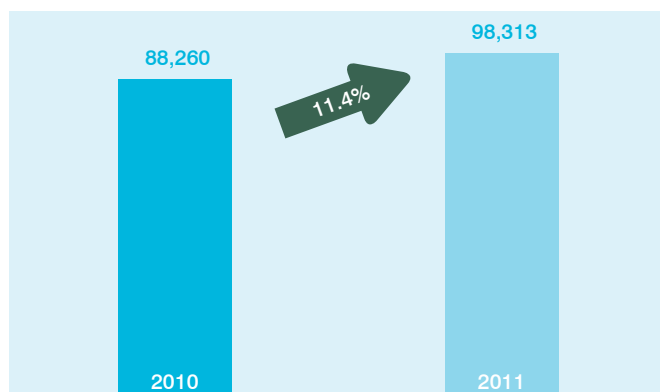


**Total Loans**  
(TL million)

İşbank's total loans increased by 42.6% and reached TL 91.6 billion in 2011.

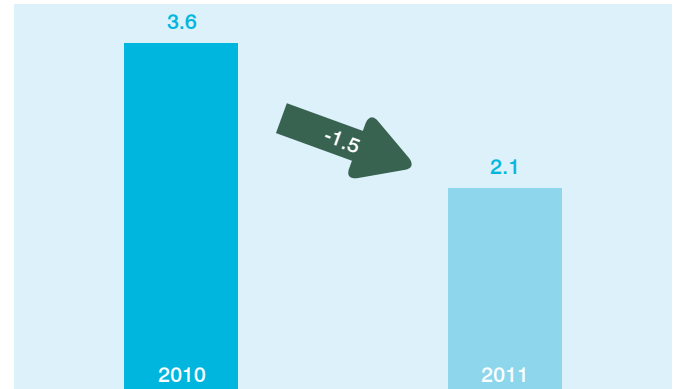
At the end of 2011, İşbank ranked in first place among privately-owned banks in terms of total loans, Turkish Lira loans and consumer loans.

İşbank continues to maintain a diversified loan portfolio that gives attention to the retail segment. While 72.2% of its portfolio consisted of loans to corporate and commercial customers at 2011 end, retail loans (including credit cards) accounted for the remaining 27.8%.

**Total Deposits**  
(TL million)

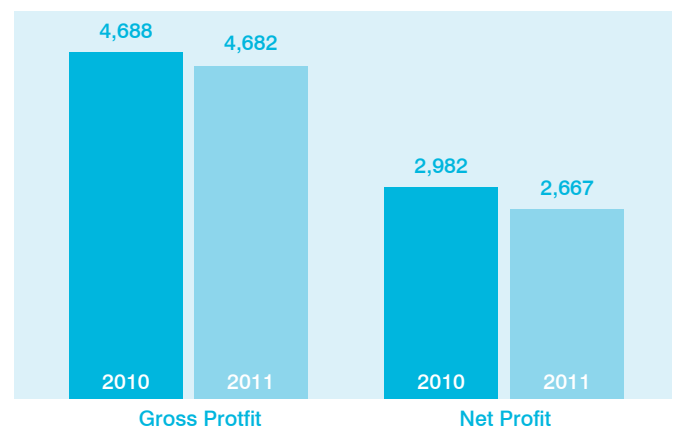
İşbank's deposits increased by 11.4% at the end of 2011 and reached TL 98.3 billion.

İşbank takes a cost-control approach when generating funds. Thanks to the trust which customers have in the Bank as well as to broad-based branch and ATM networks, İşbank remains a leader among privately-owned banks in terms of total deposit, Turkish Lira deposit, foreign currency deposit and demand deposit market shares. In 2011 İşbank once again was the bank that was most preferred by savers. At the end of the year, the total value of savings deposits held by the Bank amounted to TL 40.7 billion.

**NPL Ratio**  
(%)

There were improvements in the quality of İşbank's assets attributable partly to effective NPL collection policies and partly to a more favorable economic climate. Healthy growth in performing loans combined with a contraction in the NPL category reduced the NPL ratio from 3.6% at end-2010 to 2.1% at end-2011.

In 2011 İşbank continued with its 100% provisioning policy.

**Gross and Net Profit**  
(TL million)

İşbank booked a net profit worth TL 2.7 billion in 2011.

İşbank showed a return on average equity of 15.2% and a return on average assets of 1.8%

**Strongly positioned throughout its domestic market, in 2011 İşbank expanded the international reach of its service network as well.**

During 2011 İşbank opened two new branches, one in the Turkish Republic of Northern Cyprus and one in Iraq. As of year-end, the Bank had 17 branches outside Turkey as well as one representative office each in China and Egypt.

İşbank Russia, which was acquired in 2011, is a wholly-owned subsidiary of İşbank.

İşbank GmbH, a wholly-owned subsidiary of İşbank, is based in Germany. In 2011 it opened a new branch in Sofia that added Bulgaria to its international service network, which already included France, the Netherlands and Switzerland and brought the total number of branches to 16.

İşbank is considering opportunities to engage in banking in Iraq, Georgia, Kosovo, Pakistan and Azerbaijan. It is also working on a project to promote the status of its banking activities in Egypt, which are currently being carried out at the representative office level.



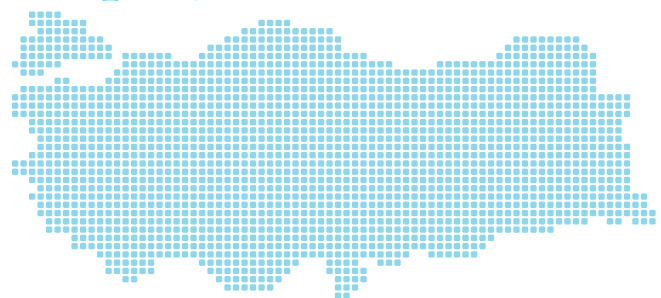
**In line with its goal of being “The Bank Closest to Customers”, in 2011 İşbank increased the number of its domestic branches to 1,184. The Bank continues to invest in its branch network as one way of maintaining its leading position among privately-owned banks.**

4,538 Bankamatiks also make İşbank the hub of the biggest ATM network in Turkey.

In 2011 İşbank once again continued to consistently develop both the product and service diversity and the transaction volumes of its alternative delivery channels. The percentage of the Bank’s transactions conducted through its interactive channels, call centers and ATM network rose to 74.8% last year.

As of 2011 end, İşbank was serving customers with 24,887 employees at 1,184 branches in Turkey and 17 branches in other countries.

65 new branches,  
401 new Bankamatiks,  
2,031 new İşbank  
employees



Aware of our responsibilities, we advance on our way...

İşbank is very much aware of the value that the tremendous wealth under its management represents for the Turkish economy as well as of the enormous responsibilities that it incurs as a result. İşbank will therefore continue to set its sights on what is best for shareholders, customers, employees and all its other stakeholders as well as for the country as a whole and to achieve results that are not just strong but exceptional.

A rich array of products and services, unmatched knowledge and experience, human resources and a rock-solid financial structure are the enduring sources of the strength that İşbank needs to support its steady growth.



Its financial strength, know-how and deep-rooted experience continue to make İşbank the solution partner that customers most prefer in corporate banking activities.

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48.5%

The total amount of İşbank's corporate and commercial loans increased by 48.5% in 2011.

## Corporate Banking

Delivering services in line with its mission, İşbank continues to support the real economy without interruption no matter what the economic climate may be. The Bank helps its corporate and commercial customers maximize their competitive strength in both national and international markets.

İşbank seeks to satisfy its customers' needs and expectations in the most effective way possible by making use of the most advanced means made available by technology. The functional products and financial solutions which it carefully designs for its customers and their businesses once again helped to make İşbank the financial institution that corporate banking customers preferred to work with and further strengthened its commanding position in the sector in 2011.

### İşbank provides corporate banking services through nine corporate branches.

İşbank supplies corporate banking products and services through nine corporate banking branches that are staffed by teams of experts and are equipped with advanced technology. The Bank conducts its corporate banking activities with the aim of maximizing the satisfaction of a clientele made up of Turkey's biggest national and multinational firms.

### Another innovation from İşbank: Branches for foreign-capitalized companies

In 2011 İşbank began working on a project to open a new type of specialized branch, one that works only with companies in which there is a foreign-capital presence. This unique branch concept, which is itself a part of İşbank's vision of being a multinational bank, is rooted in the idea of providing such firms with all of the service and information they may need from one point and of standing by them with specifically-crafted solutions at every stage from initial formation onwards.

### A problem-free, consistently-growing loan portfolio

In keeping with its strategy of pursuing problem-free and consistent growth, in 2011 İşbank continued to channel its resources according to its customers' activities and needs and to add value to the national economy by working with them.

In this period, the effectiveness of the Bank among corporate customers was further enhanced by strategies designed to manage the loan portfolio more efficiently and by timely, specific and proactive intervention and management aimed at dealing accordingly with market developments.

İşbank's total loans in corporate and commercial segments increased by 48.5% and reached TL 66.2 billion in 2011.

Particular attention was given in 2011 to financing power plant projects that generate electricity from renewable sources. Last year the Bank supplied USD 2.1 billion in new financing to firms in the energy sector.

### European Power Deal of the Year, 2011, Euromoney

USD 175 million long-term loan provided through a consortium of banks in 2011 for the Gebze Natural Gas Combined Cycle Power Plant.

### European Transport Privatization Deal of the Year, 2011, Euromoney

USD 200 million in long-term financing provided by İşbank through a consortium of banks for the privatization of the İstanbul Deniz Otobüsleri (Seabus) A.Ş.

#### **İşbank supplies resources for investments and projects and supports sustainable economic growth.**

İşbank supports sustainable economic growth by transferring resources to macroeconomic cycles through the cash and non-cash loans that it supplies to finance projects that include privatizations as well as new investments in sectors such as energy, transportation and manufacturing that serve as the engines of our country's economy.

İşbank maintained its strong position in this area in 2011 as well.

Particular attention was paid in 2011 on financing power plant projects that generate renewable energy. Last year the Bank supplied USD 2.1 billion in new financing to firms in the energy sector.

In 2012, İşbank will maintain its position as a trailblazing leader in the financing of projects in areas that are vital to the development of our national economy through the resources that it transfers to the real economy and through the customized financial solutions that it is capable of offering based on its experience supported with project finance, technical and financial analysis.

#### **Successful performance that is confirmed by international awards and recognitions**

İşbank's superior performance in investment and project finance is confirmed via awards given to it by Euromoney, one of the world's most highly respected financial journals.

A USD 175 million long-term loan provided by İşbank through a consortium of banks to finance the Gebze Natural Gas Combined Cycle Power Plant, an investment worth a total of USD 1 billion, received Euromoney's "European Power Deal of the Year" award in 2011.

A USD 200 million long-term loan provided by İşbank through a consortium of banks to finance the privatization of İstanbul Deniz Otobüsleri A.Ş., a municipality owned company running sea buses in İstanbul, received Euromoney's "European Transport Privatization Deal of the Year" award in 2011.

## In 2011 İşbank continued to support the real economy by supplying investment finance in collaboration with a number of international agencies and organizations.

### Cooperating with international organizations in investment financing

İşbank continues to work with international agencies and organizations such as the World Bank, the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and Proparco (a subsidiary of the French Development Agency) to supply funding in support of:

- export-oriented investments,
- renewable energy, energy efficiency and environment-related investments that contribute to the sustainable development of the Turkish economy which are also mindful of their environmental impact.

In 2011, İşbank signed new credit agreements with Japan Bank for International Cooperation (JBIC) to provide long-term financing for ships that are to be imported from Japan by firms that are residents of Turkey. Last year, the Bank also entered into a new credit agreement with Korea Eximbank to provide medium- and long-term financing for goods that Turkish firms import from the Republic of Korea.

In 2011 İşbank signed a credit agreement covered by the "Turkey Sustainable Energy Financing Facility" to finance activities and investments that are undertaken as part of EBRD's programs in Turkey to improve energy efficiency and effectiveness and to make use of renewable energy resources.

Another agreement that İşbank signed in 2011 is concerned with additional funding that is to be used to provide financing, under the World Bank's Fourth Export Finance Intermediation Loan (EFIL IV), that is needed by firms which are exporters securing income from international contracting services, or which have tourism-industry foreign currency earnings.

### High added-value and effective cash management solutions

In the area of cash management, İşbank has defined its fundamental strategy as developing solutions tailored for customers that make full use of information technology and in this way providing customers with faster, better and more effective service.

Making it possible for customers to give their banking transaction instructions securely and quickly to the İşbank system, allowing them to effectively keep track of their cash flows and promoting the use of alternative channels make up the core of the cash management product development activities carried out at the Bank.

As an outcome of this approach, 2011 was a year in which there was a rapid increase in İşbank's cash management business volumes. The total year-on growth in such transactions being handled by the Bank rose by more than 30%.

Cash management activities will make use of the same strategic approach in 2012, as İşbank continues to develop and provide customers with functional and flexible solutions in this business line.

### Specially-designed risk management solutions

İşbank supports its customers with specially designed risk management solutions in the form of derivative products which seek to protect them against risks that they may face owing to uncertainties about interest rates, exchange rates or commodity prices and which are structured according to their particular needs.

In 2011, a year in which the risks arising from commodity price movements became increasingly more apparent in addition to financial risk exposures, İşbank demonstrated its ability to make a difference by means of derivative product solutions designed according to a variety of commodities.

### 2012 Priorities in Corporate Banking

In 2012 İşbank will once again put its financial strength, deep-rooted knowledge and experience to meet customers' funding requests on financing privatization, acquisition projects as well as for working capital and capacity-increase investments arising from their expanding business volumes. The Bank will continue to provide high-quality financing solutions to address such needs, giving priority to financing infrastructure investments in the energy and transportation sectors.

Under the market conditions which are anticipated for 2012, the ability to distinguish oneself in terms of product and service delivery will be of critical importance in creating customer satisfaction and competitive advantages. Correctly analyzing customers' needs on sector-by-sector basis and developing solutions that address such needs in the most effective way possible will remain important İşbank priorities.

## İşbank continued to perform successfully in the commercial banking business line in 2011.

### Commercial Banking

In 2011 İşbank maintained its consistent stance in the commercial banking business line as it continued to stand by Turkey's industrialists, tradesmen and artisans. The Bank serves its commercial banking customers through:

- 38 commercial branches,
- mixed branches located all over the country,
- 25 commercial sales regions,
- experienced field organization, customer relationship managers and customer representatives.

#### **In 2011 İşbank registered a significant growth in its commercial banking loan portfolio.**

Having performed successfully in the commercial banking business line in 2010, İşbank continued to do so in 2011 as well.

İşbank remained the unchallenged leading supplier of installment-based commercial loans in 2011, a business line in which it controlled a 19.2%<sup>(\*)</sup>,<sup>(\*\*)</sup> market share. The Bank's portfolio of such loans amounted to TL 14.7 billion as of the end of the year.

While providing small and medium sized enterprises (SME) with working capital and investment financing, İşbank continued to support SMEs' purchases of commercial vehicles and property in 2011. The Bank remained the leading provider of commercial vehicle loans, a business line in which it controlled a 27.2%<sup>(\*)</sup> market share.

#### **Deposits grow in parallel with an expanding loan portfolio**

In 2011 İşbank also increased its volume of commercial demand deposits. Paralleling the growth in its commercial loans portfolio, the volume of such deposits being held by the Bank increased by 12.7% year-on.

#### **The biggest private bank in lending in 62 cities**

As of year-end 2011, İşbank had supplied more cash commercial loans to customers than any other privately-owned bank in 62 of Turkey's 81 cities and it ranked in the second place in 15 cities. This is the clearest possible evidence of İşbank's standing not just as the biggest lender to the commercial sector but also of its policy of dispersing its lending risks as widely as possible in geographical terms.

<sup>(\*)</sup> Market shares are based upon the monthly industry data (including participation banks and development and investment banks) published by the Banking Regulation and Supervision Agency and are calculated excluding interest accruals and rediscounts.

<sup>(\*\*)</sup> Includes overdraft accounts.



## In 2011, İşbank once again focused on developing relations with SMEs and other commercial customers with an eye on addressing local needs.

### Increasing cooperation with professional and sectoral associations, as well as with public institutions

In 2011 İşbank once again focused on developing relations with SMEs and other commercial customers with an eye on addressing local needs. In line with this, the Bank continued to enter into agreements with professional chambers, associations and other organizations. Some of the highlights of the Bank's activities in this area, that are carried out through last year, are presented below.

- As in previous years, İşbank continued to collaborate with the Turkish Grain Board (TMO) in 2011. Under an arrangement with the board, the Bank extends loans against TMO receipts, to its own depositors who have surrendered their produce (wheat, barley, corn and rice) to the board.
- Three protocols were signed under the ongoing collaboration between İşbank and the Small and Medium Enterprises Development Organization (KOSGEB). One covers the provision of emergency support loans in general, while the other two cover zero-interest working capital support loans and emergency support loans in the city of Van, which suffered from a destructive earthquake in October last year. Loans are now being supplied by the Bank under these protocols.
- İşbank signed a protocol with the Agriculture and Rural Development Support Institution related to the EU's Instrument for Pre-Accession Rural Development (IPARD) program. Preparations are now being made to call for loan applications under this protocol.
- Under the agreement signed in October 2010 between İşbank and TÜRMOB, a union of professional chambers for independent accountants, financial advisors and certified public accountants in Turkey continued to cooperate on the "LUCA – Bank Account Activity Integration Project", which automatically keeps track of movements among the accounts of firms whose books are maintained by certified public accountants.
- İşbank continues to collaborate closely with the Turkish Pharmacists' Association. Under agreements with that organization, the Bank handles pharmacists' Social Security Corporation payments and it also extends loans covered by the association's mutual assistance fund.

### Summary information about funds secured from abroad and provided to SMEs

- In February 2009, EUR 20 million was obtained from the German Development Bank (KfW) under the Small Enterprises Loan Programme II (SELP II) to be used in financing the fixed capital investment and working capital requirements of small firms operating in 49 cities covered by Turkey's investment incentives regime. In September of the same year, another EUR 3.6 million loan was obtained to finance small businesses in the cities of Muş, Hakkari, Van and Bitlis. Total of these facilities were extended as loans and they are currently being extended to some of these customers within the frame of their principal repayments. On 29 December 2011, another agreement covered by SELP II was signed under which EUR 31.4 million more is to be received on four-year terms in addition to the EUR 23.6 million already received in previous years. This new facility will also be used as loans to small businesses.
- İşbank has entered into an agreement with the European Bank for Reconstruction and Development (EBRD) under which EUR 20 million worth of investment and working capital financing is being provided to micro, small and medium-sized businesses in cities other than Ankara, İstanbul and İzmir. A separate agreement with the European Investment Bank (EIB) covers EUR 250 million worth of support for investments being undertaken by SMEs particularly in the areas of energy, infrastructure, tourism, health and education. Through these two agreements, İşbank provided SMEs with opportunities of financing.
- İşbank has secured USD 40 million under EBRD's "Turkey Sustainable Energy Financing Facility" to finance activities and investments that are undertaken by qualifying SMEs in Turkey to improve energy efficiency and to make use of renewable energy resources.
- In 2011, İşbank signed credit agreements worth USD 50 million with Korean Eximbank and worth EUR 150 million with EIB. These funds are to be used to provide financing to SMEs in 2012.



### Solutions, sectoral packages and products that are customized to meet customers' needs

Based on the results of its ongoing efforts carried out in the field as well as at headquarters, İşbank identifies the needs and wishes of firms and it designs products and services accordingly.

İşbank manages a diverse array of products and services including loans and cash management products for tradesmen, artisans and industrialists. The offerings that were made in 2011 to meet the financial needs of its customers in the best way possible included:

- "Inventory Management" and "Spare Parts Inventory Management": Two newly developed cash management and commercial loan products.
- "Vadematik": A commercial credit card for purchasing goods with specialized features that allow payments to be made at a specified date or placed on installment. The outstanding balance at one billing date can be rolled over until the next billing date.
- "İşbank Agricultural Produce Card": A card that can be used to channel TMO payments to farmers under a protocol between the Bank and TMO.
- "Workplace Rent Loan": A loan that has been developed to provide financing for commercial customers' rent payments.
- "My Own Business Loan": A lending product specially designed for qualifying merchant customers.
- "Product Receipt Loan"
- "Rent Assignment Credit": A lending product under which customers assign their rent receivables to the Bank to finance their working capital needs.
- Domestic FC Bill Credit by Way of Guarantee: A lending product providing payment guarantees on foreign currency-denominated bills when all the parties are residents of Turkey.
- "Chinese Yuan FC Loan": Foreign currency loans denominated in Chinese Yuan.
- "Exchange Rate Protected Foreign Currency Loan with Option": A lending product specially designed to protect customers who have borrowed in foreign currencies against excessive increases in exchange rates.
- "Early Payment TL / FC Spot Loan": A lending product that makes it possible to completely pay off the outstanding principal and interest remaining on a loan.
- "Fixed Interest Rate Revolving Loan": A lending product for customers who prefer to avoid being affected by movements in interest rates during the lifetime of a loan.
- "FC-Indexed Spot Loan": A lending product that makes it possible for spot loans to be taken out in a foreign currency.
- "Micro-SME Quick-Guarantee Package": A lending product which is made available to tradesmen and artisans and to micro-SMEs that are active in manufacturing or services for loans provided under the "Micro-Loan Project" with Credit Guarantee Fund guarantees and which makes it possible for requests for guarantees to be finalized within a week's time.
- "Interchange Financing": A lending product that provides financing to dealerships for vehicles which they have received via interchange until the vehicles are sold.

### İşbank is a consultant and solution partner for the commercial sector in Turkey.

Maintaining a close and constant watch on changes and movements in the business scene parallel to the developments taking place in the global economy, İşbank acts as a consultant for its commercial customers and keeps them supplied with information.

As it did in 2010, in 2011 İşbank again carried out an intensive program of visits to customers through which it identified and responded to their particular needs at their own premises. The number of customer visits made by field and headquarters teams reached 250,000 last year. In addition to such customer visits, the Bank conducted its informational and advisory "İş'le Buluşmalar" meetings in Ankara, Afyonkarahisar, Mardin, Trabzon, Çorum and Malatya in 2011.

In order to provide its customers with more differentiated and focused service, İşbank has set up a "Sector-Specific Banking / Agriculture and Tourism Unit" within the Bank.

### 17 new international awards for the İŞ'TE KOBİ website in 2011

Located at [www.istikobi.com.tr](http://www.istikobi.com.tr), İşbank's İŞ'TE KOBİ website was created to provide businesses—especially SMEs—with information and to contribute to their development and education. Designed to be a loyalty and information program through which news and information about current events and issues are shared, the number of İŞ'TE KOBİ members topped 30,000 as of year-end 2011.

In 2011 İŞ'TE KOBİ received 17 new awards bringing the total number granted to the website in competitions conducted by respected international organizations to 21. Four of these awards were related to SUNUMATİK, a service offered to SMEs free of charge that allows firms to prepare meaningful and effective presentations in Turkish and English employing ready-to-use templates and tools.

İşbank regards commercial banking as one of the main arteries on the roadmap of the sector's future growth. In line with this view, the Bank will continue to focus on commercial banking by providing broad-based, high-quality, differentiated service and consistent support.

In order to sustainably increase its share of the retail banking business line and to be the first choice of the customers and insofar as is possible, the only service provider that customers prefer, İşbank deploys and manages its product, channel, price and communication mix in the most effective way.

## Retail Banking

### **The Bank closest to customers**

As required by its approach of being “The Bank Closest To Customers”, İşbank defines all of the products, services and processes involved in its retail banking activities in line with the needs and expectations of its customers.

The Bank’s actions in the retail banking business line are informed by the principle of achieving sustainable and profitable growth by increasing the value that it offers its customers. It therefore develops strategies appropriate to the particulars of different customer groups.

İşbank engages in methodical and resolute efforts to expand both its deposit and loan volumes.

In addition to its extensive service network; customer-focused approach, highly qualified human resources, innovative products, services, alternative delivery channels that allow users to perform a wide range of transactions represent one of İşbank’s most fundamental competitive advantages in the business of retail banking.

### **Customer relationship management and customer analytics competencies**

İşbank makes active use of analytical models such as “customer segmentation”, “credit card segmentation”, “lifetime value”, “customer churn” and “next best product” in order to better understand its broad customer base and to ensure that its relationships with customers are managed by allocating the most appropriate resources.

In order to sustainably increase its share of the retail banking business line and to be the first choice of the customers and insofar as is possible, the only service provider that customers prefer, İşbank deploys and manages its product, channel, price and communication mix in the most effective way.

Putting its customer analytics competencies to work, İşbank also makes integrated use of its branch, internet banking, call center, ATM, e-mail and SMS channels and conducts a large number of simultaneous campaigns in order to achieve more effective activation and sale of its retail banking products.

### **Banking relationships with customers that grow deeper**

İşbank focuses on establishing and maintaining customer relationships that are both enduring and based on mutual productivity. İşbank has implemented its “stages of the relationship” programs and practices within the context of retail banking activities in a wide range of media and channels.

## İşbank sustains the consistent growth in its deposits through efforts to procure resources through its extensive service network.

Customer-oriented “welcome” and “activation” activities are carried out at İşbank to ensure that relations with newly-acquired customers are conducted soundly. At the same time, customers are kept provided with information about İşbank products and services while a variety of reward campaigns and other activities are conducted in order to enhance customer retention and loyalty.

Based on the results of the customer churn model, which regularly quantifies the level of the Bank’s relationships with its customers, communication activities are carried out under the headings of “retention” or “recovery” as appropriate with the aim of encouraging customers to resume working more actively with the Bank by making them better aware of it.

### İşbank stands by the individuals at every stage of life through “Life Stage Banking”.

İşbank engages in activities specifically targeted at children, young people and pensioners within the framework of its “Life Stage Banking” approach.

#### Children

The close bonds that the Bank’s publishing house İş Bankası Kültür Yayınları creates between İşbank and children, are further strengthened by two unique İşbank offerings: “Çocuk Hesabı” (“Child Account”), a banking account specially designed for children and “Kumbara Fonu” (“Money Box Fund”), one of Turkey’s most prestigious mutual funds.

Money Box Fund is the biggest equity fund in Turkey, controlling an 18.3% share of the assets under management by such mutual funds in the country.

“İlk İmza Hesabı” (“The First Signature Account”) is a bank account product intended for those in the 12-18 age group. It is specially designed to teach them to manage their own accounts and to encourage saving habits among teenagers.

#### Young Adults

“İş’te Üniversiteli Credit Card” (“University Credit Card at İş”) offered with “İş’te Üniversiteli Bankacılık Hizmet Paketi” (“University Banking Package at İş”), which was developed to answer all financial and banking needs during the young adult years, is considered to be the first step in the lifelong credit card relationship.

Having established a credit card relationship with someone during their student years, İşbank devotes particular attention to maintaining it after graduation by updating limits.

#### Pensioners

Having provided its customers with a broad array of retail banking products throughout their active working lives, İşbank also stands by them during their retirement years with its “Emekli Paketi” (“Pensioner Package”), a package of high added-value retail banking services specially designed to meet people’s needs at this time of their lives as well.

### İşbank is Turkey’s leading privately-owned bank in terms of deposits.

İşbank sustains the consistent growth in its deposits through efforts to procure resources through its extensive service network. The increasingly stronger leadership of İşbank among privately-owned banks in terms of deposits is a clear indication of the confidence that the İşbank name inspires among customers.

At end-2011, İşbank’s total deposits amounted to TL 98.3 billion of which TL 40.7 billion were savings deposits. Giving İşbank deposit market shares of 15.0%<sup>(\*)</sup> for savings deposits and 14.1%<sup>(\*)</sup> for total deposits, this performance successfully maintained İşbank’s leading position among Turkey’s privately-owned banks. Indeed İşbank’s savings deposits amount to TL 10.3 billion more than those of its nearest competitor among privately-owned banks.

### Innovative practices that make life easier

İşbank offers innovative retail cash management products that make life easier for its customers. Taking a proactive approach as it keeps track of its customers’ changing demands and needs; İşbank constantly improves its lineup of products and services.

Allowing its customers to pay the bills of 412 different enterprises without having to keep track of payment-due dates, İşbank offers innovative payment and investment management services with “Sınırsız Otomatik Servis” (“Unlimited Automated Service” - SOS) and “Maksimum Hesap” (“Maximum Account”) services.

Unlimited Automated Service (SOS) allows customers’ automated payments to be made from demand deposits to which the automated payment order is linked, as well as from liquid funds and overdraft accounts within customers’ investment accounts linked to these current accounts. In 2011 the number of SOS orders given to the Bank reached 903,923, which corresponds to a year-on rise of 36.5%. The number of orders submitted for the Maximum Account, a product that automatically uses available account balances to purchase money-market fund shares, increased by 65.6% and reached 659,846 last year.

(\*) Market shares are based upon the monthly sectoral data (including participation banks and development and investment banks) published by the Banking Regulation and Supervision Agency and are calculated excluding interest accruals and rediscounts.

## İşbank's consumer loan portfolio consisting of housing, auto and general-purpose loans, increased by 31.1% and reached TL 18.6 billion.

### İşbank handles salary and pension payments for 1.4 million people.

As of end-2011, İşbank mediated monthly salary and pension payments for about 1.4 million people, 250 thousand of whom are Social Security Institution (SGK) pensioners.

A variety of products and services that are made available exclusively to those who receive their salaries and pensions through İşbank contribute significantly to the loyalty which such customers feel towards the Bank.

In addition to handling salary payments for those who are actively employed, İşbank has also entered into an agreement with the SGK under which it serves as an intermediate for payments that are made to the corporation's pensioners. "Emekli Paketi" ("Pensioner Package") is a package of İşbank products and services with advantages that are specially designed to meet the needs of such pensioners.

### The leading provider of consumer loans among privately-owned banks

İşbank's consumer loan portfolio consisting of housing, auto and general-purpose loans increased by 31.1% as of end-2011 and reached TL 18.6 billion.

### Housing loans tailored according to customer groups and preferences

In 2011, İşbank continued to strengthen its position in the housing loans market by means of products that are both innovative and pioneering.

The Bank further bolstered its position in the sector by keeping customers informed about projects under construction that had potential for home financing, expanding its relationships with realtors and offering products specially tailored according to customers' needs.

In 2011 İşbank introduced its "Emeklilikte Evim Olsun", which is a housing loan targeted at customers whose retirement age is no more than five years off, incorporates advantageous features enabling them to purchase their own homes.

"Tapusu Bizden Ev Kredisi" is another İşbank housing loan product that is primarily intended for wealthy customers but has appliances abroad. One of the features of this loan, which is the first of its kind in Turkey, is that borrowers are able to take care of their mortgaging and title transfer formalities through İşbank without having to go to a deeds registry themselves.

Having identified strong interest in housing purchases by foreign-national expatriates living in Turkey, in 2011 İşbank began offering such individuals housing loans along with other products such as credit cards, deposit and investment accounts.

One outcome of these and similar efforts was that İşbank registered year-on growth in the volume of its housing loans that was above the sector's average.

### New channels to deliver housing loans to customers

In 2011, housing loan applications filed via İşbank's websites [www.isbank.com.tr](http://www.isbank.com.tr) and [www.isteevim.com.tr](http://www.isteevim.com.tr) were made semi-automated and the pre-approved applications have started to be directed to branches.

### Campaigns in cooperation with auto brands in 2011

İşbank organizes campaigns in collaboration with major automotive brands in Turkey for customers who require motor vehicle financing.

Such campaigns contributed favorably to İşbank's performance in the motor vehicle-financing segment. At the year-end 2011, the outstanding balance of the Bank's auto loans amounted to TL 1,149 million. This corresponds to a year-on rise of 30.2% and to a market share of 15.5%.<sup>(\*)</sup>

Since the introduction of İşbank's new "Bayinet" ("Dealernet") application, customers who want to purchase a brand-new car from an authorized dealer can complete all the loan and other formalities on the spot at the dealership.

### İşbank is the leader among private banks in terms of general purpose consumer loans.

Under the heading of general-purpose loan marketing at İşbank, mass media campaigns such as "Dört Dörtlük" ("Perfect"), "Tatil" ("Vacation"), "Bayram" ("Holiday") and Yeni Yıl ("New Year") loan campaigns were organized every month. Customers who submit "Hızlı Kredi" ("Quick Loan") applications through the Bank's interactive channels have kept being automatically directed to branches by the campaign management system.

In 2011 the Bank successfully preserved its position as the leader in general-purpose loans in the retail segment with an outstanding balance of TL 9.7 billion and a market share of 11.2%<sup>(\*)</sup>. In the period of twelve months to year-end, the total volume of İşbank's general-purpose loans (including overdraft accounts) increased by 34.5%, compared to the previous year.

<sup>(\*)</sup> Market shares are based upon the monthly industry data (including participation banks and development and investment banks) published by the Banking Regulation and Supervision Agency and are calculated excluding interest accruals and rediscounts.

<sup>(\*\*)</sup> Includes overdraft accounts.

### Card payment systems with features encompassing a wide range of products

As of end-2011, with its 5,705,000 credit cards issued, TL 38.8 billion credit card turnover and with a 13.4% market share based on credit card turnover, İşbank is strongly positioned in Turkey's market for card payment system products.

İşbank markets its credit cards under the "Maximum" brand, whose system has more than 220,000 active Maximum merchants. İşbank organizes special sector and firm based campaigns for merchants periodically. The features of the campaigns include additional and/or deferred installments, extra loyalty points (called "MaxiPuan") and bonus products. Maximum campaigns, which are conducted on a seasonal, sectoral and individual firm basis, are planned so as to appeal to nearly every market segment and in many different sectors. Advantageous shopping options for cardholders and the positive impact of brand sharing cooperation make İşbank cards preferred among Maximum member merchants.

Work on making improvements in existing card payment systems continued in 2011. New features were also added to İşbank's Bankamatik (ATM) cards with the aim of increasing their use by shoppers. Card visuals were renewed and new communication activities were launched.

Taking cost and effectiveness issues into account, İşbank focuses on benefiting as much as possible from newly emerging digital marketing channels (such as social media) in addition to the more traditional ones that it already uses intensively. Within this context, social media accounts have been opened for the Bank's credit card "Maximum" and "Maximiles" credit card brands and these have started to be used for special campaigns, marketing and communication activities.

Since its introduction in 2008, the "contactless payment" feature has been available on a single type of card. In response to customer demand, changes have been made in all of the Bank's cards so that this feature may be added to them as well.

In addition to its existing Maximum Card, İşbank also offers a range of payment card solutions capable of addressing customers' different needs: Maximiles, on which its travel miles program is based, Maximum TEMA Card, for environment-aware customers and "MaxiPara Card".

### Credit card campaigns

İşbank segments credit card customers based on the stages of their relationship and organizes different campaigns to customers at different stages. Conducting regular customer analyses in order to promote the prevalent use of Maximum Card; İşbank organizes customized campaigns to increase customer loyalty.

### Innovative services that also make saving possible through credit cards

Since the day it was founded, İşbank has been in the forefront of efforts to encourage thrift and to foster an awareness of saving among people in Turkey. The Bank contributes to these efforts through products and services that it creates in line with customers' needs.

In 2011, İşbank launched "Maximum Tasarruf Harekâtı" ("Maximum Savings Campaign"), whose underlying theme is that credit cards which are known for the opportunities they provide for shopping can also be used for saving as well.

Under the Maximum Savings Campaign, attention is focused on products that encourage credit card customers to save such as "Kumbara Fonu" ("Money Box Fund") and "Maximum Emeklilik" ("Maximum Private Pension") campaigns and the Bank's innovative "Üstü Kalsın" ("Keep the Change") application.

### An İşbank first: "Keep the Change"

"Keep the Change" is an innovative İşbank application that is available to all of its customers who have both credit card and investment accounts with the Bank. With "Keep the Change", the balance due shown in the account statement is rounded up according to the customer's instructions and the difference between the two amounts is added to their investment account. The advantage of "Keep the Change" is that it encourages customers to save without changing their spending habits.

At the year-end 2011, the Bank had received 103,741 "Keep the Change" orders by means of which TL 5 million worth of mutual fund shares were purchased.

### Investment products campaigns in 2011

A number of new mutual funds were launched in 2011, such as a global commodity fund and, owing to strongly increasing demand for gold as an investment vehicle, a gold-backed principal-protected fund. These products featured among the capital market product communication activities which İşbank directed towards its retail customers all year long.

İşbank bond and bill issues were marketed by means of announcements made to existing and potential customers through mass and personalized channels. İşbank also further diversified the range of investment products on offer to its customers by intermediating a number of private sector corporate bond issues.



As a result both of attractive campaigns and marketing activities, the number of private pension accounts opened by İşbank increased by 14.7% and reached 417 thousand.

#### Convenience in OGS and KGS

İşbank provides motor vehicle owners with the security, convenience and specialized features of Automatic Pass-Through (OGS) and Card Pass-Through (KGS) devices, which facilitate bridge and highway toll payments.

İşbank supplies OGS devices free of charge through a campaign whose features are designed to enhance customer loyalty. As of year-end 2011, the number of OGS devices issued by İşbank was 820,975 while the number of KGS cards was 493,489.

#### Diversified credit card sales channels

In 2010 the Bank began outsourcing services in support of its credit card sales activities in order to increase both the productivity of marketing efforts and the frequency of customer contacts. In 2011, the Bank continued to outsource the mentioned services. In the second half of 2011, the Bank began selling Credit Card Support Insurance service through the same channel.

#### Synergetic relationships with subsidiaries that are leaders in the private pension and insurance product sectors

Anadolu Sigorta (a general insurer) and Anadolu Hayat Emeklilik (a life insurer and private pension company) are each a leader of their respective sectors. Through its synergetic collaboration with these two subsidiaries, İşbank provides its customers with a broad and effective range of products and services that include everything from elementary insurance to life insurance policies and private pension products.

With the collaboration of İşbank and Anadolu Hayat Emeklilik, Credit Life/Credit Support (Unemployment) Insurance service is provided to cash, vehicle and housing loan customers and Credit Card Support Insurance service to credit card customers.

Because they provide the basis for a necessarily long-term relationship with a customer, a private pension account is a product that significantly strengthens customer loyalty. İşbank branches, acting as Anadolu Hayat Emeklilik agencies, offer many life insurance and private pension products. As a result of attractive campaigns and marketing activities in 2011, the number of private pension accounts opened by İşbank increased by 14.7% year-on and reached 417 thousand as of the end of the year.

In coordination with Anadolu Sigorta, İşbank organized campaigns to sell elementary insurance products such as motor vehicle and house insurance, health insurance and personal accident insurance as well as policy renewals.

Working together, Anadolu Sigorta and İşbank explored ways to expand and diversify the insurance customer portfolio both by selling credit and loan customers policies appropriate to their risks and by strengthening sales channels. A number of projects that were drawn up as a result of these productive efforts were put into effect in 2011.

In 2011 İşbank conducted campaigns to sell elementary insurance products such as personal accident insurance, its "İş'te Nefes" health insurance policy that provides coverage for medical emergencies, home-owner's insurance and medical malpractice compulsory professional liability insurance as well as policy renewals. These campaigns contributed to a rise in the Bank's commission earnings on insurance products.

Moreover, studies have been continued for carrying out insurance transactions via alternative distribution channels. Accordingly, "İş'te Nefes" has been launched to give services to customers via the Internet Branch in addition to the sales of personal accident insurance via ATMs and personal accident insurance, auto insurance, natural disaster insurance (DASK) and compulsory traffic insurance via the Internet Branch. Personal accident insurance has been renewed regarding its collateral features and differentiation has been made for other insurance products in line with customer needs.

## The private banking assets under İşbank's management have topped TL 30 billion.

### The Best Private Banking Service in Turkey Award, 2011, Euromoney

Private banking services for customers with assets worth USD 30 million or more

#### Private Banking

##### The İşbank difference in personalized service and relationship management

İşbank Private Banking Business Segment provides individuals with assets worth TL 250,000 or more with personalized financial products and services in line with their needs and expectations.

When serving customers, İşbank Private Banking Business Segment takes a relationship management approach which is based on the principles of mutual trust, confidentiality and transparency and whose fundamental objectives are to:

- be a bank that supplies integrated solutions that address all of a customer's financial needs
- perpetuate customer satisfaction and customer loyalty by developing more in-depth relationships
- improve market share by taking on new customers while also increasing the assets of existing customers.

##### Total amount of assets under management topped TL 30 billion.

As of year-end 2011, the total value of private banking assets under İşbank's management topped TL 30 billion.

Private banking customers, as a rule, are on the lookout for relatively high rates of return. Throughout 2010, they tended to prefer deposits over mutual funds and fixed-income securities and it was to be observed that this partiality persisted in 2011 as well. Thus and as was the case in previous years, deposits continued to account for a high proportion of private banking customers' total assets.

In the case of the relative weights of investment products other than deposits, there have been changes in customers' preferences parallel to the movements in market conditions. In order to respond to such varying financial needs, İşbank Private Banking Business Segment continued to offer its customers a broad array of alternative and structured investment products.

##### Serving customers through 27 private banking service points and İşbank branch network

In 2011, the entire İşbank branch network organization was involved in providing private banking customers with exclusive and effective service. Customer relationship managers on duty at 117 locations served the Bank's private banking customers. Of these locations, 8 were private banking branches, one of which is a specialized branch, and 19 were branches with private banking departments.

##### "Private Banking" award to İşbank from Euromoney

The private banking services that İşbank provides to customers with assets amounting to USD 30 million or more were the recipient of "The Best Private Banking Service in Turkey Award, 2011" from Euromoney, one of the world's most important economic journals.

##### Privia

İşbank's unique private banking products and services are structured and supplied to customers under the "Privia" brand name.

In 2011 İşbank introduced its Privia Credit Card for its private banking customers. The Privia Credit Card offers many outstanding features such as travel, concierge and assistance services as well as convenient access to private banking products and services.

İşbank offers its private banking customers the Privia Pension Plan and the option to purchase shares in Privia's restricted-access, high-yield mutual funds. More information about the elite world of Privia is available from its website domain at [www.privia.com.tr](http://www.privia.com.tr), the design and content of which were renovated in 2011. Private banking customers are also served via the Privia Line on (212) 473 83 83.

İşbank also introduced "Privia Retail Loans" in 2011. This is a package of flexible-term, pre-approved, simplified-formality credit products consisting of personalized housing, auto financing and cash loans that also incorporate advantageous insurance options.

##### Financial Status Report

Private banking customers have exclusive access, both online and at İşbank branches, to a private banking financial status report. In addition to providing information about their asset and credit standings whenever they wish, these visually rich reports allow them to compare financial information from different periods quickly and conveniently.

##### In 2012...

In 2012 İşbank will continue to serve its private banking customers through expert customer relationship managers who are on duty at specialized branches and who are mindful of customers' comfort and confidentiality.

İşbank continues to work on ways in which to further enrich the portfolio of products that it offers to its private banking customers. In 2012 particular attention will be given to designing and marketing derivative products that appeal especially to customers who have both an appetite for risk and a relatively high level of sensitivity to interest rates at a time when risk perceptions in international markets are also high. Examples of such products are dual currency deposits with a fully-collateralized deposit-based option and tunnel deposits.

Long the leading player in the ISE bonds, bills and repo markets, in 2011 İşbank successfully maintained its leading position with a transaction volume worth TL 1.5 trillion.

25.3%

The leading issuer of bank bills and bonds with a 25.3% market share

## Capital Markets

### **İşbank is the market leader in bank bills and bonds issues.**

Three developments turned the spotlight on private sector bills and bonds issues in 2011: recent reductions in the Treasury's borrowing requirements, the greater appeal of alternative financial instruments due to depressed interest rates and a search for other ways to create resources.

In order to create long-term resources for itself, to diversify its existing funding structure and to offset its short-term risk exposure, İşbank issued nine series of domestic bills/bonds of different types and maturities with a total nominal value of TL 4.8 billion. These issues made the Bank the sector's leader with a 25.3% share of the total.

### **The leader in gold transactions**

Widely regarded throughout the world as one of the safest of all investment options, the demand for gold-based products increased strongly in line with their high yield performance. İşbank investment and gold accounts allow its customers to buy and sell gold 24 hours a day 7 days a week. İşbank increased the number of these customer accounts to 313,803 in 2011 which was about 115,000 in 2010, while the total amount of gold held by customers reached 41 tons in 2011 which was 12.3 tons in 2010.

### **The advantage of a broad-based service network in TurkDEX brokerage services**

The TurkDEX (Turkish Derivatives Exchange) brokerage services offered at 50 İşbank branches and via the Internet Branch as at the end of 2008 continue to expand. As of year-end 2011, 339 İşbank branches provided TurkDEX services, up from 277 in the previous year. Efforts to further expand the TurkDEX brokerage services will continue in 2012.

### **İşbank ranks first in trading volume of equities and fixed income securities in Turkey.**

With a 7.3% market share in the volume of equities trading in 2011, İşbank, together with its subsidiary İş Yatırım Menkul Değerler A.Ş. (İş Investment), strengthened its leading position among the 86 brokerages active in the ISE equities market.

Long the leading player in the ISE bills, bonds and repo markets, in 2011 İşbank also successfully maintained its position with a transaction volume worth TL 1.5 trillion.

İşbank continues to steadily increase its strength and influence in mutual funds, stocks, bills, bonds, private sector debt instruments, repo and eurobond trading on capital markets thanks to:

- new products and services designed in line with market conditions, insights and customer preferences,
- a competitive pricing policy,
- delivery channels that ensure the uninterrupted supply of high-quality service.



İşbank is the sector's unchallenged leader in mutual funds with a market share that is 6.6 percentage points bigger than that of the nearest competitor.

21.6%

The Leading Mutual Funds with a 21.6% Market Share

First Bank with Asset Custody Authorization from the Capital Markets Board

İşbank maintained its leading position in custody services with a 39.8% market share in 2011.

#### Sustained leadership in mutual funds

In 2011 İşbank further expanded its lineup of mutual funds whose diversified features offer a wide range of risk and return options. The Bank successfully maintained its leadership of the market with 22 existing mutual funds along with 16 capital protected and guaranteed funds that were issued in 2011.

As of end-2011 İşbank controlled a 21.6% share of the Turkish market for mutual funds. That puts it 6.6 percentage points ahead of its nearest competitor in the sector.

İşbank's "Money Box Fund" developed specifically for children, the first of its kind in the country, constituted 80.8% of all Type A fund holders and 18.3% of the total portfolio size.

#### Strong interest in commodity funds

Under the heading of ongoing product development activities, in 2011 İşbank publicly issued 16 new capital protected and guaranteed mutual funds aimed at investors who are in search of alternative ways of generating returns. In addition to capital protected and guaranteed mutual funds based on commodities, gold, foreign currencies, ISE indexes and foreign stock exchange indexes, İşbank also offered investors Type B Gold Fund and Maximum Card Type B Short-term Bills and Bonds Fund.

In 2011 İşbank issued its Type B Global Commodity Basket Fund. This fund, which is based on commodities that are traded on international markets, gives investors a chance to invest relatively small amounts in international commodity markets. Another offering, İşbank's Private Sector Bills and Bonds Fund, allows investors to benefit from the higher yields offered by private sector bonds and bills.

#### İşbank shares its know-how and experience with the whole sector.

İşbank has long been providing valuation services for the mutual funds set up by itself or by some of its subsidiaries. For the first time in 2011, the Bank began providing such services for five mutual funds launched by a company outside its own group.

İşbank's stance as a valuation services provider is a testimony about the knowledge and experience which the Bank has built up in this business line since 1987.

#### A pioneering leader controlling a 39.8% share of the market in custody services for asset management companies

İşbank was the first bank in Turkey to be licensed by the Capital Markets Board as a custodian. In 2011 İşbank remained the leading supplier of custody services, controlling a 39.8% share of the market in assets in individual portfolios held by asset management companies.

#### İşbank is the only domestic bank offering international custody services.

İşbank has been providing custody services to non-resident investors since 1992. With its experienced personnel, İşbank offers services to non-resident investors in settlement and custody, the exercise of shareholding rights and proxy voting in annual general meetings, cash management, foreign exchange transactions and tax consultancy.

## Developments in İşbank's balance sheet composition paralleled those of the sector in 2011.

### Treasury Management

#### **A year in which the extent and effects of the global financial crisis became deeper and more pervasive**

2011 was a year in which the effects of the global financial crisis became deeper and more pervasive as worries increased about the sustainability of public debt levels in Euro Zone countries and deep-seated problems with growth and employment persisted in the US economy.

On the international front, the public sectors of many countries—particularly those in the Euro Zone—which had initially come to the support of their respective financial sectors when the latter caused the problems that triggered the global crisis in the first place, suddenly found themselves in the position of being the chief sources of risk in the second half of 2011.

High levels of public debt, mounting budget deficits and low growth performance in some Euro Zone countries such as Greece, Ireland, Spain, Italy and Portugal further exacerbated worries about the ability of those countries to go on refinancing their debt. Rising country risk and serious impairments in the value of risky countries' bills began to have an indirect impact as well on the banking industries of countries where substantial volumes of such instruments were being shown on balance sheets. Although various measures to set markets' minds at ease about the sustainability of such debts were considered by the European Union, the measures that were actually taken were insufficient to alleviate the concerns. In the developed countries, central banks sought to stave off further worsening of financial markets by providing banks that were running short of funding with resources in various ways. Thus the European Central Bank accelerated its bond purchases both to reduce problem countries' borrowing costs and to lighten banks' liquidity difficulties. In the United States, the Federal Reserve Bank cut its long-term interest rates and began buying long-rather than short-term securities in order to lower their funding costs and to boost their liquidity.

Problems in developed countries' markets and the measures being taken to deal with them had a direct impact on emerging countries and their markets. As capital outflows gained momentum, particularly during the last quarter of the year, emerging countries' currencies began to lose value.

#### **Two complementary goals in CBRT policy: Price stability and financial stability**

In Turkey, the Central Bank (CBRT) made intensive use of exchange rate auctions and monetary policy tools both to reduce the impact that the global financial crisis had on the domestic market and to support financial system stability. Throughout the year it also took particular care to keep exchange rates and interest rates stable so as not to upset domestic economic growth.

In 2011 CBRT began employing monetary policy actively and dynamically to simultaneously achieve two complementary goals: price stability and financial stability. To accomplish this it wielded three basic tools including interest rate policy, reserve requirements policy and reserve policy.

## Treasury transactions contributed towards the Bank's effective risk management in 2011.

To keep capital market activity and the availability of domestic credit in balance and within prescribed limits, CBRT employed a rather wide interest rate corridor. One outcome of this was volatility in Turkish Lira money market interest rates throughout the year. Action on the reserve requirement front also had the effect of making banks more dependent on CBRT for their funding. Significantly greater (as compared with the previous year) volatility in both domestic and international markets in line with global developments gradually pushed up mediation and resource costs in the banking sector due to measures being taken on the domestic front to deal with it. The overall impact of this was to depress the sector's profitability. Throughout the year, Turkish banks' net interest rate margins were managed in such a way as to prevent them from falling below a predetermined level insofar as it was possible to reflect them in asset-side pricing while balance sheet profitability was supported instead by increasing transaction volumes and commission income.

### Changes in the banking sector's balance sheet composition

The Turkish banking industry's total assets increased by 21.0% in the twelve months to end-2011 and reached TL 1,218 billion in value. With the measures that were taken by authorities in 2011, the growth in the loan supply was kept under control. The demand for all types of loan continued to increase although the rise lost some of its momentum as compared with 2010. Banks adhered to their strategy of concentrating on lending to support profitability. In parallel with this, changes took place on the asset side of the sector's overall balance sheet; banks' loans gained greater weight among their assets while their investment portfolios gradually accounted for less.

As at the end of 2011, in the Turkish banking system, the share of TL denominated securities in TL assets dropped to 27.6% from 32.4% compared to year end 2010 whereas, the share of FX denominated securities in FX assets decreased to 13.7% from 17.5%. At year-end 2011, share of total securities within total assets was 23.4% with a decrease of 5.2 percentage points compared to year end 2010.

During the same 12-month period, the share of total loans to total assets increased by 3.9 points and reached 56.1%.

As of December 2011, the Turkish banking sector's total deposits<sup>(\*)</sup> increased by 12.7% on TL basis. TL deposits rose by 6.1% while TL equivalent of FC deposits went up by 28.3% and USD equivalent of total FC deposits increased by 4.7% compared to end of 2010. Compared with the previous year, there was heavier use of non-deposit liability items as sources of funding throughout the sector in 2011. This can be attributed especially to a sector-wide slowdown in the rate of deposit growth as measured in real terms but it was also due to tight liquidity having made deposits more expensive. Thus the ratio of the sector's non-deposit liabilities (excluding shareholders' equity) to its balance sheet total went from 25.3% at the end of 2010 to 31.0% as of December 2011.

Developments in İşbank's balance sheet composition paralleled those of the sector as a whole in 2011.

### Effective risk management through treasury transactions

Transactions related to management of İşbank's liquidity, securities portfolio and foreign currency position are made under the responsibility of İşbank Treasury Division.

Balance sheet management is executed in line with the principles of the Bank's Asset-Liability Management Policy and within the framework of the decisions taken by the Asset-Liability Management Committee, by keeping in mind both the liquidity and structural interest rate ratios, by using effective risk management models and by taking into account momentary market developments and all kinds of risk elements.

To manage liquidity, investment portfolios and currency positions derivatives are used as well as money market and capital markets instruments within the limits of market conditions. All such management is informed by the goal of minimizing the Bank's exposure to interest rate, exchange rate and liquidity risks.

(\*) Excluding interbank deposits.

İşbank enjoys a strong, respected and leading position in the areas of foreign trade and foreign currency transfers.

## International Banking

### **İşbank responds to the needs and expectations of its customers in the area of foreign trade finance with a lineup of high-quality products and services.**

İşbank's customers active in the foreign trade sector conduct their transactions in a secure and efficient manner via its correspondent bank network of more than 1,500 banks and financial institutions in 127 countries.

### **İşbank's perfectionist approach and quality is recognized through awards at all time.**

In 2011 İşbank once again continued to deliver high-quality service in the business of international banking. The Bank's reputation for the error-free handling of transfers abroad and for Straight-Through Processing (STP) has been recognized and commended repeatedly by many international banks over the years. Having received the first such award in 1997, İşbank again became the object of such recognition in 2011 when it received STP quality citations from Citibank NA, Commerzbank AG, Deutsche Bank AG and The Bank of New York Mellon.

### **İşbank was a focal point of attention at SIBOS in Toronto.**

The SWIFT International Banking Operations Seminar (SIBOS) is conducted in a different city every year by the Society for Worldwide Interbank Financial Telecommunication (SWIFT). İşbank attended and operated a stand at this year's event when it was held in the Canadian city of Toronto between 19-23 September in 2011. Following up its three previous international communication and promotion successes on its own behalf and those of in Turkey; after Vienna, Hong Kong and Amsterdam, this was the fourth time İşbank has had a presence at SIBOS.

### **İşbank hosted international meetings at which the effects of the global crisis on foreign trade finance were discussed.**

The Trade Finance Forum conducted annually by the European Bank for Reconstruction and Development (EBRD) took place between 5-7 October 2011 at the İşbank Auditorium with İşbank playing host for the third time.

The forum serves as a platform which brings key market players together and on which the current situation in trade finance can be discussed. The main topics at this year's gathering were the impacts which the global financial crisis was having on the economies, banking sectors and trade of countries in which EBRD is active. Particular attention was given to what sorts of approaches are being taken in these countries to cope with the crisis.

Special sessions dealing specifically with Turkey, the Russian Federation, Caucasus countries and Belarus were among the highlights of this year's forum. Forum participants included representatives from banks and financial institutions, economics and financial media organizations and real economy firms active in Turkey as well as in other countries.

### **İşbank is an example of sustainability in resource procurement.**

İşbank acts as a guide for Turkish banks' syndication deals.

İşbank signed two syndicated loan agreements in 2011. The first, which was signed on May 16<sup>th</sup>, involved 45 banks from 19 countries and was for USD 290 million and EUR 626 million. The second, which was signed on September 14<sup>th</sup>, involved 37 banks from 15 countries and was for USD 359 million and EUR 603 million. These syndications amounted to about USD 1.2 billion each.

About USD 2.4 billion worth of international financing was secured through syndicated loans in 2011.

In the "Syndicated Loans and Leveraged Finance" awards handed out by EuroWeek magazine, İşbank received its third award in succession as "Best Turkish Loan" for the syndicated loan that it obtained in September 2011.

### **İşbank issued its first eurobonds.**

On 1 February 2011, İşbank carried out its first eurobond issue. With a total nominal value of USD 500 million, the 5-year bonds had 5.30% yields and bore 5.10% coupons. The bonds, demand for which was twice the amount issued, were snapped up by a broad range of investors based in many different countries and regions. The bonds are quoted on the London Stock Exchange and bear credit ratings of Ba1 (Moody's) and BBB- (Fitch).

### **Through its diversified payment rights securitization program, İşbank generated funds amounting to USD 75 million and EUR 160 million.**

İşbank originally set up a securitization program based on its diversified payment rights in 2004. On 31 October 2011, İşbank finalized two Diversified Payment Rights securitization deals under this program, one amounting to USD 75 million and the other to EUR 160 million. The tranches of the securitization deal amounting to USD 75 million and EUR 100 million have a final maturity of 5 years and the tranche amounting to EUR 60 million has a final maturity of 7 years.

The long term and special purpose loans that İşbank obtains from international development and investment banks represent an important resource for the Turkish economy.

**İşbank and Korea Eximbank have entered into a credit agreement to finance purchases of goods, services and ship imports from South Korea.**

On 9 December 2011, İşbank and Korea Eximbank signed a credit agreement for USD 50 million, which is to be used as short and long term financing for goods, services and ship imports which are of South Korean origin or which are sold by South Korean firms to importers in Turkey. This agreement takes the long-term relationship that İşbank and Korea Eximbank have been enjoying for many years yet another step forward.

**A second agreement covering long-term funding for the shipping industry**

On 4 March 2011, İşbank and Japan Bank for International Cooperation (JBIC) signed their second credit agreement. The new facility provides for JPY 22 billion to be used in funding shipping on 12-year terms.

The first agreement, which was signed on 3 December 2009, was for JPY 10 billion and was on the same terms. It marked the first time that JBIC entered into such a cooperation with another financial institution outside Japan.

**İşbank and EBRD signed a loan agreement to provide financing for energy efficiency projects.**

On 27 October 2011 İşbank and EBRD signed a loan agreement for USD 40 million under EBRD's "Turkey Sustainable Energy Financing Facility" (TurSEFF). Of the total amount, USD 33.3 million funding is provided with maturity of 5 years from EBRD's own resources while the remaining USD 6.7 million funding with maturity of 15 years is provided by the World Bank's Clean Technology Fund (CTF).

**İşbank and EIB signed a loan agreement to provide financing to SMEs.**

On 9 December 2011, İşbank and the European Investment Bank (EIB) signed a loan agreement with a maximum 10 year maturity in the amount of EUR 150 million. The resources being provided under this facility, which represents the second time that İşbank and EIB are working together, are to be used to funding small and medium-sized enterprises (SME) that fulfill certain criteria.

**İşbank and KfW signed a supplementary loan agreement to provide financing to small enterprises.**

On 19 December 2008, İşbank and the German Development Bank (KfW) signed a framework agreement covered by the European Union's second Small Enterprises Loan Programme (SELP II). This agreement provided for a total of EUR 23.6 million in financing. On 29 December 2011, another agreement was signed with KfW under which an additional EUR 31.4 million worth of financing is to be made available on 4 years terms. This credit is to be used for funding small enterprises.

In 2011 İşbank also secured a number of long-term, special-purpose loan agreements in line with its relationships with international development and investment banks. These loans represent important resources for the Turkish economy as well as for İşbank.

## İşbank will continue to tap into and take advantage of the growth potential that exists in its nearby geography.

### Developments in the international service network

İşbank's goals in international banking are to become a regional and then a global bank, to keep track of regional and international developments and to develop sustainable relationships and seek out opportunities to cooperate with banks that are active in markets that are important for the Turkish economy.

İşbank's aims are to support its growth objectives in the Turkish financial markets that make up its core business activity and to keep its position as a domestic market leader through high-quality service which its cross-border organization supplies to its customers while also taking advantage of such opportunities as international markets may provide.

- **The Turkish bank with the most extensive branch network in TRNC**

In 2011 İşbank opened its İskele Branch in the Turkish Republic of Northern Cyprus and maintained its position as the bank with the most extensive branch network in the country with 14 branches.

- **İşbank in Arbil**

İşbank Arbil Branch in Iraq became operational in 2011.

- **International banking activities gaining momentum from London to Cairo**

London and Bahrain branches and China and Egypt representative offices support İşbank's international banking activities with increasing momentum.

### Growth potential in the nearby geography

In the period ahead, İşbank will focus on supporting its regional expansion as the Bank seeks to tap the growth potential in its nearby geography. Efforts to develop its cross-border banking activities will be continuing with projects undertaken in Iraq, Georgia, Kosovo, Pakistan, Azerbaijan and Egypt during 2012.

### İşbank's cross-border banking subsidiaries in 2011

#### İşbank GmbH

İşbank GmbH, an İşbank banking subsidiary based in Germany, provides retail, commercial and corporate banking products and services through branches located in Germany, France, the Netherlands, Switzerland and Bulgaria where there are substantial Turkish population. İşbank GmbH opened a new branch in the Bulgarian city of Sofia, bringing the total number in its network to 16.

#### İşbank Russia: A historical first for İşbank

For the first time in its corporate history, İşbank acquired another bank in 2011 by purchasing the 100% stake in Moscow-based CJSC Bank Sofia.

Following the completion of acquisition formalities, CJSC Bank Sofia's name was changed to CJSC İşbank (İşbank Russia).

With 382 employees and 15 branches, İşbank Russia offers a comprehensive lineup of banking products and services including retail deposit accounts.



İşbank distinguishes itself through its innovative and original alternative distribution channels.

## Association of Advertising Agencies Crystal Apple Award

ATM advertorials

## Bronze Lion Award at the Lions International Advertising Festival

Easy Fund Transfer  
outdoor advertising

## Association of Advertising Agencies and Advertisers Association Golden Effie Award

"Nothing Less Than the Bank Itself" advertorials

## Alternative Distribution Channels

İşbank laid the foundations of non-branch banking in Turkey back in 1982 when it introduced the country to its "Bankamatik" line of automated teller machines. Since then the Bank has continued to distinguish itself through the use of innovative technology and solutions that make life easier for its customers.

İşbank's goal is to offer the very best in service and to be the Bank closest to its customers.

All channel management activities at İşbank concentrate on:

- ensuring that the innovative and creative solutions that are developed through the effective use of technology are simple enough to make life easier for customers,
- allowing transactions to be performed conveniently through whatever channel is the most appropriate to a customer's needs.

Gradually shifting operational workloads away from the Bank's "bricks and mortar" service network and over to its alternative delivery channels is vitally important to achieving these two goals.

More than 74% of İşbank's banking transactions took place via its alternative distribution channels in 2011.

In addition to having a branch network whose reach extends to every part of the country, İşbank supplies an uninterrupted and highly diversified array of banking services via its:

- Internet Banking Branch
- Bankamatik (ATMs)
- Telephone Banking Branch
- Call Center
- İşCep (Mobile Banking application)
- İşWap (WAP Banking application)
- İşPad (iPad Banking application)

İşbank regards shifting customer transactions as much as possible to alternative distribution channels as a way of reducing the branches' operational workloads and thus allowing them to devote their time more productively to engaging in closer customer contacts and making sales. Two other outcomes of this strategy are to cut customer waiting times at branches and to reduce branches' operational costs.

In 2011 İşbank continued to develop the product and service diversity of its alternative distribution channels and to consistently expand their transaction volumes. In 2010, 69.7% of the Bank's transactions were conducted via its interactive channels, call centers and ATM network. In 2011, this percentage rose to 74.8% while over the same twelve-month period, the percentage of branch-conducted transactions fell from 30.3% to 25.2%.



The number of Bankamatiks equipped with Turkey's first ATM-based biometric authentication system (Biyokimlik) has reached 2,300.

14.0%

İşbank remains the Bank with Turkey's most extensive ATM network with a 14.0% market share.

Developments taking place in İşbank's alternative distribution channels in 2011 are summarized below.

**Bankamatik: The generic name for automated teller machines in Turkey since 1982.**

- The total number of Bankamatiks at end-2011 stood at 4,538, of which 1,295 were standard units, 2,966 were Bankamatik+ units and 277 were cash recycling units.
- İşbank remained the bank with Turkey's most extensive ATM network, a market of which it controls a 14.0% share.
- Bankamatik user interfaces were renewed.
- A pilot project testing Bankamatik units equipped with "cash recycling" features was successfully concluded. These units, which allow user-deposited and then automatically validated and sorted notes to be re-dispensed to customers making cash withdrawals, are now in service.
- Newly-introduced "Audible Bankamatik" units make it possible for the visually impaired to use the machines.
- Biometric authentication features have been installed on a total of 2,300 Bankamatiks (1,068 branches in 81 cities in Turkey and in TRNC). Biometrics serves as second-factor authentication in cardless cash withdrawals and also instead of personal identification numbers when cards are used. The number of customers applying for and making use of biometric authentication has been growing rapidly. More than 52,000 now make use of this feature.
- In line with efforts to increase transaction diversity of Bankamatiks, customers can now display and receive printouts of credit card statements, outstanding debt balances and billing-cycle activities. IBAN-based EFT, SWIFT and social security premium payment features have been added. It is now possible for customers to withdraw cash from their accounts held by Yatırım Finansmanı A.Ş. and by a number of other companies with which the Bank has entered into agreements. Bankamatiks now accept instructions outside normal EFT hours to make EFT transfers on the next available business day. "Automated Toll System", "Prepaid Card Based Toll Collection System" and "İşbank Bonds & Bills" have been added to the list of products that can be sold through Bankamatiks.
- As yet another İşbank first in the sector, contactless cards can now be used to make cash withdrawals from Bankamatiks.
- İşbank's [www.bankamatik.com.tr](http://www.bankamatik.com.tr) website has become operational. In addition to greatly simplifying and personalizing Bankamatik-related actions, this website also accepts Bankamatik card applications. Among the many innovative and convenient features available from the website is "Easy Account", which allows customers to specify accounts that they frequently transfer money to. For the first time in Turkey it is now possible to make SWIFT transfers anywhere in the world from an İşbank Bankamatik.
- Bankamatik card applications can now be accepted through Bankamatik units. 62,000 such applications were received through this channel in 2011.
- A "My Bankamatik" ("My ATM") feature has been added. This feature allows customers to personalize their Bankamatik menus.

With their elegant and plain look and with screens that can be personalized according to users' habits, the renewed İşbank retail and commercial internet branches have been designed to add speed and convenience to customers' lives.

**Internet Banking:**

**With its new look and further enriched features, it serves much more people**

The İşbank internet retail branch underwent a substantial overhaul in 2011. Changes that were made included improvements in the customer experience when transferring money and in the visual layout. The internet branch made its first appearance with its new features to users in November.

Work also continued on renovating the Bank's commercial internet branch. In July, the new branch was made accessible to a limited number of users in a trial run. As of December, about 80,000 customers of 1,004 İşbank branches were actively using the new features. The network roll-out for the commercial internet branch was completed in January 2012.

With their elegant and plain look and with screens that can be personalized according to users' habits, the renewed İşbank retail and commercial internet branches have been designed to add pace and convenience to customers' lives. Users say they particularly like the welcome screen with its customer-specific information and also the more user-friendly transaction features. An "experience evaluation" function that now appears before logging out of the branch makes it possible to collect user feedback more effectively so that future improvements can be made.

**Mobile Banking Channels:**

**Making banking available across the broadest range of platforms possible**

The number of phone brands and models supported by İşbank's İşCep mobile banking application topped 1,000 as of year-end. İşCep applications are now compatible with the Android, Bada and Phone 7 operating systems as well as with iPhone and Java. İşPad, which was originally designed to work on iPad units, was overhauled and made compatible with tablets running the Android operating system and with Blackberry Playbook devices.

İşbank is currently working on projects to further enrich the transaction diversity of its mobile banking channels with the addition of new options and modules.

**Telephone Banking Branch**

**Brand-new applications for practical and efficient banking**

İşbank renovated its Telephone Banking Branch in 2011. The branch's menu was redesigned so as to make the most frequently used transactions more conveniently accessible. Instead of the four-digit PIN that used to be required when entering with a customer ID number, customers may now use the same six-digit interactive PIN that they use elsewhere.

To support customers who need help or information about the Bank's alternative distribution channels, İşbank has launched an "ADC Support Line" that is manned by experienced customer relationship managers.

**Call Center**

**Faster and improved services**

In 2011, İşbank Call Center focused on providing customers with faster, improved services that was also more personalized. To achieve this, a new interactive voice response system was launched which allows customers to connect to the call center faster than before and which also makes it possible to provide them with faster, better service.

"Virtual Teller", an innovation that İşbank introduced to the Turkish banking sector in 2010, makes it possible for Call Center customer representatives to deal face-to-face with customers at İşbank branches via a video link. This application was extended to 15 of the Bank's branches in 2011.

**Service that complies with EU standards**

İşbank Call Center has been awarded certification of compliance with EN 15838, a new European standard on quality requirements for customer contact centers.

## İşbank will continue its efforts to lead the way forward in line with its vision of and commitment to innovative multichannel banking.

### 30% success rate in sales calls

In 2011 İşbank Call Center made approximately 170,000 outgoing calls, about 130,000 of which resulted in a contact with an İşbank customer. A 30% success rate was achieved in sales-related calls.

In 2011 a customer satisfaction survey was conducted concerning issues related to the Bank's call center and to its customer request and complaint management services. Action plans that were formulated based on the results of this survey led to improvements in customer request and complaint resolution response times. The Customer Relations Unit's callback time, which was 3.20 business days according to January 2011 figures, was down to 1 business day, as of December 31<sup>st</sup>. The overall response time throughout the Bank almost halved from 3.15 to 1.69 business days during the same period.

In line with ongoing efforts to increase the number of ways that requests and complaints can be forwarded to the Bank under the Customer Relations Program, İşbank has established a social media presence for itself as well. Requests and complaints being received through these channels are now being acted upon.

### İşbank alternative distribution channels in 2011...

- İşbank Internet Banking and Bankamatik pages have been opened on Facebook. This social media presence has not only increased the visibility of the Bank's alternative distribution channels but also made it possible to establish closer contacts with customers who actively make use of social networks.
- In April 2011 İşbank launched its "Instant Customer" program, whose aims are to minimize the operational workloads and costs involved in acquiring new customers while also ensuring that these customers automatically become alternative distribution channel users. Aimed at customers who lack either the time or the opportunity to come into a branch themselves, this innovative program is the first of its kind in Turkey. Expanded to incorporate other channels (IVR, SMS, İşWap, Facebook), the program has generated about 40,000 "Instant Customer" applications.
- During the year, both awareness-focused and interest-focused marketing campaigns were conducted to make customers more familiar with İşbank's alternative distribution channels and to increase their use.
- A new service introduced in 2011 allows customers who text a message to 4722 to receive a reply telling them where the nearest İşbank branch / ATM is. No charge is made for this service.

- As a security measure to prevent instances of fraud involving SIM card copying, mobile confirmation and reference codes are blocked and will not be sent for a specified period of time if a user's SIM card has changed or is transferred to another GSM operator. İşbank now provides customers whose cards have been blocked in this way with a "Remove mobile confirmation code blocking" option on its Bankamatik menu.
- The Bank launched its İşTV application for use on the "smart TV" models recently put on sale by Samsung and Vestel.
- "Self-Service Zones" were opened at İşbank's Bahariye and Gökürk branches in April and at its Beşiktaş branch in November last year.
- Customers are now being sent monthly electronic bulletins containing alternative distribution channels related announcements, news and innovations.
- To make people aware that biometric features were now available on İşbank automated teller machines all over the country, an intensive communication and advertising campaign was conducted via the radio, newspaper, outdoor, internet and mobile media channels.
- The bankamatik.com.tr website and "Easy Fund Transfer" campaigns were conducted and publicized via the TV, radio, newspaper, outdoor and internet channels.
- A variety of activities were carried out to publicize Bankamatiks in Turkey's tourism industry centers. Such areas were given precedence in the program of redesigning and renewing the units' housings and appearance.

### İşbank will continue its innovative efforts to lead the way forward in line with its multichannel banking vision.

Within the framework of its multichannel banking vision, in 2011 and the years that follow İşbank will go on developing the ADC services that it provides by continuously and consistently improving and expanding such channels in order to:

- provide customers with a broad range of services wherever it comes into contact with them
- address and satisfy customers' needs immediately and through the most appropriate channel.

## Information Technologies & Joint Service Center

In 2011 İşbank once again continued to invest in technology and productivity projects in order to improve every aspect of the customer experience.

### Innovations that improve the customer experience

In 2011 İşbank added many new features to its alternative distribution channels (ADC) that both enhanced their functionality and improved the customer experience. The Retail Internet Branch was renovated and Bankamatik menus with functions ("My Bankamatik" and "Easy Fund Transfer") that allow their menus to be personalized in line with customers' preferences. Recognizing the rapid growth in mobile banking numbers recently, importance was also given to expanding mobile channel diversity in order to satisfy these users' particular needs. In 2011, İşTV and İşPad were launched in addition to the existing İşCep channel.

In the area of commercial banking, comprehensive improvements were made in the performing and non-performing loan infrastructures while investments were also made to give commercial customers a richer online banking experience.

### Expanding the scope of process-based applications

Under a retail loan management project being carried out to automate retail loan allocation processes and to make use of a centralized scoring tool throughout İşbank, work has been completed on issues pertaining to cash-disbursed consumer loans. Retail loan application and allocation processes create a substantial workload at İşbank branches. It is expected that these new process-based task flows will reduce the average time it takes to deal with such matters to just 5 minutes.

### Proliferating opportunities to make sales and cross-sales

Because selling insurance products at branches is quite labor-intensive, a bancassurance project is being carried out that will simplify the sale of such products at branches while also allowing them to be sold through all other channels. Under this project, integration with the Bank's insurance subsidiaries has been achieved and a multichannel bancassurance platform has been constructed. Personal accident, traffic and automobile insurance products are now being sold via the Bank's ADC.

In the area of customer relationship management at the Bank, customer-specific offers are now being coordinated through the Internet Branch, Bankamatik and Call Center channels along with branches.

### Operational efficiencies are becoming a part of everyday life.

A new human resources program (İKON) has been introduced at İşbank and the processes of the foreign trade package (Küre) have been expanded. Improvements in the financial reporting and control infrastructure were also made in 2011 and commission pricing is now being managed centrally.

Paralleling the activities just outlined, we are also involved in a multidimensional profitability project which will be completed in 2012 and thanks to which there will be significant improvements in the areas of both management accounting and of financial management throughout İşbank.

### İşbank's communication infrastructure has been renewed.

One of the most important activities carried out in the area of information technologies at İşbank in 2011 was the renewal of the Bank's communication infrastructure.

This renewal involved a changeover to an IP-based structure, which not only makes in-house communication more efficient but also supports the development of ways in which to engage in low-cost, high-added-value communication with customers. The changeover has been completed at the Bank's headquarters units and in 728 of its branches, with all branches scheduled to be brought into the network before the end of 2012.

### The Joint Service Center continues to work.

The Joint Service Center, which has been awarded ISO 9001 quality certification, provides quality-focused services aimed at increasing the satisfaction of İşbank customers and at reducing the operational workloads of the Bank's branches.

A comprehensive operational infrastructure has been created at the Joint Service Center in order to fulfill the Bank's high productivity objectives. The center makes it possible for İşbank to provide its services through a structure which is not just productive and low-cost but which also makes the Bank a sectoral pioneer and innovator in the area of operational centralization.

The Joint Service Center is responsible for the conduct of the following operations and activities:

- EFT and transfer orders, social security premium and contractor staff salary payments,
- Improving customer information and document quality,
- TL, FC and foreign bank cheque processing,
- Promissory notes registrations and collections,
- FC transactions,
- Commercial lending and mortgaging,
- Credit card allocation and card printing,
- Lien and deposit investigations,
- Tax and accounting-related operations,
- Monitoring overdue retail loans,
- Bancassurance-related operational processes.

Such operational efficiency oriented activities are important for İşbank branches to work more efficiently.

## Subsidiaries

As of end-2011, İşbank has direct participation in 26 companies that are operating in the finance, glass, telecommunications and service sectors.

**As of end-2011, İşbank has direct participation in 26 companies that are operating in the finance, glass, telecommunications and service sectors.**

Over the years since its inception, İşbank has taken equity stakes in a total of 291 companies and has divested itself of 265 of them over time. As of year-end 2011, the Bank has direct participations in 26 firms. Currently, İşbank has direct or indirect stakes in 106 companies.

**67.6% of participations portfolio is traded on the ISE National Market.**

Constituting 67.6% of İşbank's participations portfolio, Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB), Anadolu Hayat Emeklilik A.Ş., İş Finansal Kiralama A.Ş., İş Gayrimenkul Yatırım Ortaklığı A.Ş., İş Yatırım Menkul Değerler A.Ş. and Türkiye Şişe ve Cam Fabrikaları A.Ş. are public companies traded on the ISE National Market. The ratio of the participations portfolio to İşbank's total assets stands at 4%, at the year end 2011.

**An equity stake policy focused on productivity and profitability**

İşbank places great importance on enhancing the efficiency of its participations portfolio when making its equity investment decisions. In line with this investment strategy, it focuses on the financial services industry and keeps an eye on investment opportunities with high growth and return potential.

## Financial services

İşbank has financial services subsidiaries that are active in such business lines as banking, insurance, private pensions, capital market brokerage, portfolio management, venture capital, factoring, reinsurance, financial leasing, asset management, securities investment trust, investment banking and real estate investment trust.

Financial services subsidiaries enrich the range of products and services which the Bank offers to customers in different business lines while also creating cross and complementary product delivery and sales opportunities.

## TSKB

**Turkey's first private investment and development bank**

One of the pioneers of the Turkish banking industry, Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) has been playing a key role in Turkey's economic development ever since its inception in 1950. Its economic, environmental and social contributions to the country have earned TSKB the appreciation and support of its stakeholders.

TSKB provides project finance, investment banking and corporate finance services along with capital market brokerage services, financial leasing and portfolio management services to an extensive customer base. TSKB makes increasing contributions to the sustainable development of the Turkish economy through long-term funding of investment projects, customer-specific consultancy and brokerage services. TSKB takes into consideration the environmental impact of the loans which it extends. Making use of lines of credit obtained from supranational agencies, the Bank provides resources for renewable energy, energy efficiency, environmental and SME investments in a variety of sectors.

Having been cited in 2008, 2009 and 2010 for its contributions to sustainable banking in the Emerging Economies category in Eastern Europe under the auspices of the Sustainable Banking Awards conducted jointly by Financial Times and the International Finance Corporation (IFC), in 2011 TSKB once again brought this significant "Sustainable Bank of the Year" award home to Turkey.

On an un-consolidated basis, TSKB showed TL 1.4 billion in shareholders' equity and TL 9.5 billion in total assets at end-2011. In its November 2011 report, Fitch Ratings assigned TSKB "BB+" long-term foreign currency IDR and long-term local currency IDR ratings and an "AA+(tur)" long-term national credit rating.

[www.tskb.com.tr](http://www.tskb.com.tr)



Financial services subsidiaries enrich the range of products and services which İşbank offers while also increasing its competitive strength.

### İşbank GmbH

#### A leading financial institution in Europe with Turkish capital

Founded by İşbank in 1992 in Germany to engage in commercial banking, İşbank GmbH is today regarded as one of the leading financial institutions active in Europe with Turkish capital.

Headquartered in Frankfurt, İşbank GmbH operates through 16 branches of which twelve are located in Germany and one each in the Netherlands, France, Switzerland and Bulgaria. As of year-end 2011, İşbank GmbH showed total assets worth EUR 932 million and total shareholders' equity worth EUR 107 million. The Bank provides trade finance, corporate banking and retail banking products and services to customers both in Turkey and Europe as well as financing services for real estate properties in Turkey.

[www.isbank.de](http://www.isbank.de)

### İşbank Russia

CJSC İşbank (İşbank Russia), which operates in Russia, was purchased and added to İşbank's participations portfolio in April 2011 so as to develop and expand İşbank's international banking activities.

İşbank Russia operates with 360 employees and a total of 15 branches (6 main and 9 affiliates) located in six cities: Moscow, Balakovo, Saratov, Saint Petersburg, Samara and Novosibirsk.

As of end-2011, İşbank Russia showed total assets worth USD 164 million and shareholders' equity worth USD 25 million.

[www.isbank.com.ru](http://www.isbank.com.ru)

### Anadolu Hayat

#### Turkey's leading private pension company

Turkey's first life insurer, Anadolu Hayat Emeklilik A.Ş. (Anadolu Hayat) is the only publicly-held company operating in the country's private pension and life insurance sector.

As of end-2011, Anadolu Hayat had more private pension accounts and private pension assets under management than did any other participant in the sector. As of end-September, the company showed unconsolidated assets worth TL 5,648 million and shareholders' equity worth TL 433 million.

[www.anadoluhayat.com.tr](http://www.anadoluhayat.com.tr)

### Anadolu Sigorta

#### One of Turkey's leading non-life insurers

Operating in non-life insurance, Anadolu Anonim Türk Sigorta Şirketi (Anadolu Sigorta) is one of Turkey's leading general insurance companies. In the year-end 2011, it wrote TL 1,926 million in premiums. As of end-September, the company showed unconsolidated assets worth TL 2,089 million and shareholders' equity worth TL 728 million.

İşbank controls Anadolu Sigorta indirectly through its reinsurance subsidiary, Milli Reasürans.

[www.anadolusigorta.com.tr](http://www.anadolusigorta.com.tr)

### Milli Reasürans

#### Uninterrupted reinsurance services since 1929

One of the oldest reinsurance firms active in Turkey today, Milli Reasürans T.A.Ş. (Milli Reasürans) was founded in 1929. On its own, Milli Reasürans provides the Turkish insurance industry with about 25% of its overall reinsurance requirements.

In September 2011, A.M. Best, one of the world's most respected insurance industry rating agencies, confirmed Milli Reasürans' financial strength rating as "B++". In August, Standard & Poor's confirmed Milli Reasürans' national credit rating as "tr AA".

In line with its strategy of taking the reinsurance knowledge and experience which it has acquired in its domestic market into the global arena, Milli Reasürans has opened a branch in Singapore. As of end-September, the company showed unconsolidated assets worth TL 1,622 million and shareholders' equity worth TL 537 million.

[www.millire.com](http://www.millire.com)

İş Yatırım ranks first among all brokerages in terms of ISE stock market transaction volumes. It is also a leading market maker in the TurkDEX

### İş Leasing

#### A pioneer in the financial leasing sector

İş Finansal Kiralama A.Ş. (İş Leasing) is one of the pioneers of the leasing sector in Turkey. The company's mission is to give priority to funding SMEs, to develop and maintain a broad-based and high-quality portfolio and to satisfy customers' demands with effective, fast, high-quality solutions.

As of end-2011, İş Leasing had total consolidated assets worth TL 2,242 million and TL 520 million in shareholders' equity. Its portfolio of financial leasing contracts had an aggregate value of TL 1,398 million.

In its December 2011 report, the international credit rating agency Fitch Ratings confirmed İş Leasing's long-term foreign currency rating as "BBB-", its long-term local currency IDR as "BBB-" and its long-term national credit rating as "AAA(tur)".

[www.isleasing.com.tr](http://www.isleasing.com.tr)

### İş GYO

#### One of Turkey's biggest real estate investment trusts

İş Gayrimenkul Yatırım Ortaklığı A.Ş. (İş GYO) maintains a portfolio of real estate properties whose quality it strives constantly to enhance while also developing new projects aimed at further expanding and diversifying that portfolio.

As of end-2011, İş GYO had total assets worth TL 1,161 million and TL 1,034 million in shareholders' equity.

[www.isgyo.com](http://www.isgyo.com)

### İş Yatırım

#### A capital market pioneer and leader

İş Yatırım Menkul Değerler A.Ş. (İş Yatırım) is the first brokerage house in Turkey that is publicly traded. The company is an active provider of capital market instruments trading, investment consultancy, asset management, corporate finance products and services in national and international markets.

İş Yatırım ranks first among all brokerage houses in Turkey in terms of ISE stock market transaction volumes. It is also a leading market maker in the TurkDEX.

A pioneer and leader in Turkey's capital markets, İş Yatırım's principal business activity consists of providing customers with corporate finance, brokerage, investment consultancy and portfolio management services. The superior success of the company's capital market services was recognized for the second year in a row in 2011 when İş Yatırım received the "Turkey's Best Investment Bank" award from Euromoney, one of the world's most highly respected financial magazines as part of that publication's annual "Awards for Excellence" program.

In November 2011, İş Yatırım's "AAA" long-term national credit rating was confirmed by the international rating agency Fitch Ratings. İş Yatırım remains the only brokerage house in Turkey that has received an internationally recognized rating. As of September 2011, İş Yatırım had total assets worth TL 3.6 billion and TL 678 million in shareholders' equity.

[www.isyatirim.com.tr](http://www.isyatirim.com.tr)



Türkiye Şişe ve Cam Fabrikaları A.Ş. (Şişecam) is the holding company of the Şişecam Group, which consists of 64 companies active in the areas of flat glass, glassware, glass packaging and chemicals.

## Glass

### Şişecam

#### The founder and unrivaled leader of the Turkish glass industry

Türkiye Şişe ve Cam Fabrikaları A.Ş. (Şişecam) is the holding company of the Şişecam Group, which consists of 64 companies active in the areas of flat glass, glassware, glass packaging and chemicals.

The Şişecam Group owns 101 production facilities located in Turkey as well as in Russia, Bulgaria, Bosnia-Herzegovina, Egypt, Italy, Ukraine and Georgia. According to September 2011 figures, members of the Şişecam Group produced 35% (as measured on a tonnage basis) of their combined glass output outside Turkey while 48% of their total turnover was from international sales. Group companies continuously boost their production strengths through investments aimed at creating new capacity.

The Şişecam Group is acknowledged to be one of the world's and Europe's leading companies in the glassmaking industry. As measured by production capacity, the Group ranked among the world's top ten producers in its respective business lines while in European league tables it was in the top five.

As of September 2011, Şişecam had total consolidated assets worth TL 8.1 billion and TL 4.9 billion in shareholders' equity.  
[www.sisecam.com.tr](http://www.sisecam.com.tr)

## Telecommunication

### Avea

#### Turkey's only GSM 1800 mobile communications operator

As of September 2011, Avea İletişim Hizmetleri A.Ş. (Avea) controlled a 19.3% share of the mobile communications market in Turkey with approximately 12.5 million subscribers.

According to the company's IAS-compliant financial statements, as of September 2011 Avea had total assets worth TL 6,869 million and TL 711 million in shareholders' equity.

Offering its customers innovative, distinctive and high-added-value technology products and services, Avea constantly invests in projects to expand its network infrastructure and to further develop its information technology and R&D capabilities.  
[www.avea.com.tr](http://www.avea.com.tr)

## Others

### Nemtaş

#### A logistical services provider

Nemtaş Nemrut Liman İşletmeleri A.Ş. (Nemtaş) is a shipping line that is active in shipping management, chartering and brokering. The company owns and operates a fleet of five vessels with a total capacity of 252,959 DWT with which it provides logistical services

Nemtaş controls a 54% stake in Gempport Gemlik Liman ve Depolama İşletmeleri A.Ş. (Gempport), Turkey's first privately-owned port operations company. At end-2011, the company had total assets worth TL 354 million and TL 228 million in shareholders' equity. As of the same date, Gempport had total assets worth TL 189 million and TL 167 million in shareholders' equity. Gempport is the biggest port operating in the South Marmara region. It ranked in fifth place in terms of container handling and in second place in terms of vehicle handling in 2011.

[www.nemtas.com.tr](http://www.nemtas.com.tr)

## Corporate Social Responsibility

### İşbank engages in substantial and sustainable social responsibility projects that contribute to the wellbeing of society.

Originally established at the orders of Atatürk in the earliest years of the Turkish Republic as one of the first moves, ever since then İşbank has contributed to social progress through comprehensive projects in the areas of culture, arts, science and sports just as it led the way forward in the business of banking.

Playing an active role in industrial and commercial development in every part of the country İşbank engages in substantial and sustainable social responsibility projects that contribute to the wellbeing of society. Some of the highlights of the Bank's social responsibility activities in 2011 are presented below.

#### Education-related activities

##### Chess

Despite the existence of a dedicated circle of devotees in Turkey, chess somehow never attained much popularity or any recognition as a "mass sport". Before the 2000s, the country was almost completely lacking in representation at the international level.

In December 2005 İşbank began cooperating closely with the Turkish Chess Federation. In a joint effort to turn the game into a "mass sport" that was played throughout the country, İşbank became one of the main supporters of the game on a national scale.

Since the onset of İşbank's sponsorship of the sport:

- The number of officially licensed chess players increased from 30,000 to 185,000
- The number of students taking chess as an elective course at school increased from 100,000 to 2,500,000
- The number of medals won in international competitions reached 147.

Following activities were carried out in 2011 in line with İşbank's chess sponsorship

##### • Introduction of chess classes in primary schools

İşbank supports the introduction and conduct of chess classes in schools as a way of encouraging schoolchildren to play chess, of attracting teachers' interest to the sport and of overcoming the resource inadequacy from which many schools suffer.

Growing public awareness of İşbank's role as a sponsor of chess appears to have spurred a significant rise in demand for the introduction of chess as an elective course in schools. The number of chess classes included in school curriculums reached 5,554 in 2011.

##### • Chess license cards dispensed by İşbank branches

Since 2007, the licenses granted by the Turkish Chess Federation to its registered players have been issued in the form of Bankamatik (ATM) cards, which come in three kinds:

- Electron Bankamatik cards for players who are over 18 years old,
- Maestro "First Signature" Bankamatik cards for players in the 12 to 18 age group,
- a token plastic card for players younger than 12.

##### • satrancoyuna.com.tr

Under the heading of chess sponsorship, In 2008 İşbank entered into a comprehensive collaboration with Playchess, whose 250,000 registered users make it the world's biggest internet chess platform. As a result of this project, the content on the Playchess website was translated into Turkish and access to it was provided from the [www.satrancoyuna.com.tr](http://www.satrancoyuna.com.tr) website.

5,700 licensed chess players who connect to playchess.com from Turkey are allowed to play online chess there free of charge. By giving chess players in Turkey a chance to take part in international competitions, this project contributes towards the improvement of their playing skills.

##### • İşbank Chess Festival for Children Under 8

Conceived as a way to provide children with a chess playing environment that is fun while also supporting their parents' efforts to encourage them to play the game, since 2006 İşbank has been conducting the "İşbank Chess Festival for Children Under 8" every year in the month of June.

The 6<sup>th</sup> round of the festival, which was held in 2011 at the İşbank Employees' Association's Çamlıca Sports Complex, was attended by chess players in the 6-8 age group hailing from many different parts of Turkey. Children attending the five-day festival not only played chess but also had a chance to take part in many other enjoyable games and activities.

##### • Türkiye İş Bankası Chess League

Chess matches and tournaments are conducted by the Bank under the "Türkiye İş Bankası Chess League" name. The İSEK Aquamatch Sport Club team won the Türkiye İş Bankası Chess League's 2010-2011 season championship.

##### 81 Students From 81 Cities

In 2008 İşbank entered into an agreement with the Darüşşafaka, which owns and operates the oldest and most prestigious school for children in need in Turkey. Under this agreement, the Bank provides funding for its "81 Students From 81 Cities" project, one of the biggest and most visionary programs ever undertaken in education in Turkey.

The Darüşşafaka school was founded to provide education to fatherless children who are in financial need. Pupils are admitted to this all-expense-paid boarding school beginning with the fourth grade. The curriculum, which gives attention to both academic as well as social progress and which seeks to provide a warm and supporting environment for young people to grow up in, begins with the fourth grade and continues until graduation.

Under the "81 Students From 81 Cities" project, İşbank pays all the expenses of 81 children who successfully pass each year's entrance exam. The Bank plans to continue supporting these students when they attend university as well.

By the time that the first students admitted to the program graduate from university, in the 14<sup>th</sup> year of the project, the number of young people being supported by İşbank is projected to be more than one 1,000.

The first children who began studying under the program in 2008 entered the 7<sup>th</sup> grade at the start of the 2011-2012 academic year. As of current academic year, the number of students being supported by the İşbank 81 Students From 81 Cities Project at Darüşşafaka is 317.

## Under the “81 Students From 81 Cities” project, İşbank provides full scholarships to 81 students who are successful in the Darüşşafaka placement exams every year.

In keeping with its goal of supporting all of Darüşşafaka's educational and social objectives, İşbank provides students with much more than just financial and material aid. Through a variety of activities it also contributes to their development as useful members of society as well.

### “Show Your Report Card, Get Your Book” Campaign

As the 2007-2008 academic year was drawing to a close, İşbank launched one of the biggest book-related campaigns ever undertaken in Turkey. Dubbed “Show Your Report Card, Get Your Book”, the goals of this campaign are to acquaint more children with quality reading, to increase the number of young people who are critical readers and to contribute towards opportunity equalization among students.

Under this campaign, primary school children who show their report card to any İşbank branch in Turkey or TRNC get a free book. In 2008, one million children each received a copy of Alice in Wonderland. This title was followed by Yazarlarımızdan Masallar ve Öyküler, a selection of tales and short stories by Turkish authors in 2009; Yazarlarımızdan Öyküler, another collection of short stories in 2010; and Halime Kaptan, a novel by Rifat Ilgaz in 2011. Everyone also receives a free copy of “Küçük Mavi Gezegen” [“The Little Blue Planet”], a booklet containing simple suggestions about protecting the environment and conserving natural resources that is designed to foster environmental awareness in young people.

Over the last four years, five million children have received books under this İşbank program.

Other İşbank-supported social responsibility activities in 2011 included:

- “Firefly Mobile Education Unit” in collaboration with the Educational Volunteers Foundation of Turkey
- Annual “Golden Youth” awards
- Education grants for earthquake victim students

## Environment-related Activities

### 81 Forests in 81 Cities

İşbank regards it as a duty both to protect the environment and to increase people's environmental awareness. The “81 Forests in 81 Cities” project that it launched in late 2008 is the biggest and most comprehensive institutionally-supported forestation program ever undertaken in Turkey.

The program, which is being carried out in collaboration with the TEMA Foundation and the Ministry of Forestry and Water Resources, completed its fourth year of life in 2011 having concluded forestation projects in 65 cities. To date, 1.7 million saplings have been planted and are being cared for on a total of 1,200 hectares.

Unlike most programs of this sort in our country, “81 Forests in 81 Cities” also provides for the care and maintenance of the forested areas for a period of five years after the initial planting in order to achieve higher rates of forested area sustainability. In 2011 for example, more than 145,000 saplings which had failed to take root were replaced with new plantings.

Studies have shown that about more than 63% of the land in Turkey suffers from “serious” and “extremely serious” risk of erosion while 20% of it is exposed to “average” erosion risk. Estimates put the amount of soil that is lost through erosion at around 200-220 million tons a year. Nearly all of the erosion that depletes our land and threatens our future is due to the effects of water runoff. The oldest and also the most effective way of combating such erosion is terracing. In recognition of this fact, 936 kms of terracing has also been carried out under the “81 Forests in 81 Cities” program in order to additionally protect the soil against erosion.

## Culture and Art

### İş Bankası Kültür Yayınları

İş Bankası Kültür Yayınları is an İşbank-owned publishing house that was established in 1956 by Hasan Âli Yücel, a former Minister of Education. Since then, Kültür Yayınları has been providing Turkish readers with a steady stream of publications that are both rich in content and superior in quality.

İş Bankası Kültür Yayınları publications embrace a broad catalogue of genres and subjects ranging from histories and memoirs to books for children and young adults, from biographical interviews to art, from modern classics to outstanding examples of Turkish and world literature, from the social sciences and humanities to studies and research and from economics and business administration to personal development. Released under 13 separate headings, Kültür Yayınları publications attract widespread interest and are an indispensable source of material not just for academics and researchers but for all the educated.

In 2011 Kültür Yayınları once again gave special importance to children's books, with new releases bringing the total number of titles in the children's series to 713. Carefully crafted and beautifully produced coloring books, sticker books and handwriting books as well as books specially designed for infants appeal to youngsters.

As of end-2011, İş Bankası Kültür Yayınları had published a total of 1,725,000 books under 2,400 titles since its inception.

### İş Sanat

In the course of eleven seasons since it was originally launched in 2000, İş Sanat has hosted about 350 thousand art lovers at more than 600 events as it continues fulfilling its mission of advancing the arts in Turkey.

One of Turkey's most important art platforms, İş Sanat has become a premier calling-place for the world's leading names in the arts. But in addition to serving as a venue for stellar performances by major national and international artists, it also hosts children's theater performances and poetry readings as well.

Celebrating its 11<sup>th</sup> anniversary last season, İş Sanat held 39 concerts, 6 children's events and 5 poetry readings in 2011.

In the course of eleven seasons since it was originally launched in 2000, İş Sanat has hosted about 350,000 art lovers at more than 600 events as it continues fulfilling its mission of advancing the arts in Turkey.

İş Sanat inaugurated its 12<sup>th</sup> season on 25 October 2011 with a concert by Efe Baltacıgil, one of the young praiseworthy artists in Turkey and the Borusan İstanbul Philharmonic Orchestra, a leading symphonic group in the country. The center will continue to host artists and groups of international renowned artists as well as selected musicians in Turkey.

#### **Türkiye İş Bankası Müzesi (İşbank Museum)**

The mission of the İşbank Museum is to securely house and protect documents, banking equipment, communication devices, photographs, pictures, advertisements and promotional materials and films which bear witness both to the Bank's own history since the day it was founded and to the economic development of Turkey and to do this in such a way as to ensure that these assets are passed on to future generations.

For the initial formation of the museum's collection, a painstaking effort was made to seek out not just documents, photographs, films and objects but also the cherished recollections of those who had been involved in events. Gathered from all over the country, such materials and testimonies were documented, restored where necessary and preserved for the future.

Paralleling the social responsibility projects that the Bank conducts for children, in 2011 two workshops for primary school children – "My Moneybox" and "Budget, Thrift & Saving" – took place at the İşbank Museum.

More than 200,000 people had visited the museum as of December 2011.

#### **"Writing History in Glass since 1935" Exhibition**

"Writing History in Glass since 1935", an exhibition that opened at the İşbank Museum in 2011, gives viewers a panoramic view of the 76-year history of Şişecam. Having commenced operation in November 1935, Şişecam today ranks among the world's leading glassmakers. In the course of more than three quarters of a century, Şişecam along with İşbank's other subsidiaries have played key roles in the processes of Turkey's industrialization.

A rich assortment of documents, photographs and films from İşbank's and Şişecam's archives as well as examples of tools and equipment used in manufacturing draw attention to the scope of the company's activities. A variety of exhibition techniques are used to enhance the visual and informational impact of the show.

#### **Galleries**

İşbank's art collection is acknowledged to be the biggest privately-owned compilation of modern Turkish painting in the country. Having acquired its first work of art in 1940, İşbank has been serving Turkey's art lovers through its galleries since 1976.

İşbank's Kibele (İstanbul) and İzmir art galleries serve as venues for the display of paintings, sculptures and ceramics created not just by established masters but also by promising newcomers in the world of art.

In the 2010-2011 season, the Kibele gallery hosted retrospective exhibitions of works by Tankut Öktem, Nuri İyem, Mevlut Akyıldız and Kemal İskender. The gallery's shows were visited by a total of 33,424 people.

Similarly during the 2010-2011 season, the İşbank İzmir Art Gallery mounted eight exhibitions at which a large number of paintings, prints and ceramics were displayed. The gallery's shows attracted tremendous interest and were visited by 15,430 people.

The İzmir Art Gallery also conducts workshops for primary school children. Designed to create an awareness of art and artistic expression among children and to foster an appreciation for art in the younger generation, these workshops combine a host of activities such as exhibition visits and explanations of works followed by practical, hands-on experience with drawing and painting.

#### **İşbank Art Collection Conservation and Restoration**

##### **Mimar Sinan University of Fine Arts Laboratory & Studio Project Conversion of the Bank's historic Beyoğlu branch into a museum**

Work has begun on a project to set up a painting conservation and restoration laboratory at Mimar Sinan University. The first facility of its kind in Turkey, the laboratory's mission will be to protect the priceless heritage of art which our country has built up and to ensure that it is handed down to future generations. In the first stage of this project, the materials and equipment which the laboratory needs to restore paintings have been imported from abroad and turned over to the university.

Formal establishment of the laboratory will be completed in 2012 after which restoration work will begin there.

In line with this project, an undergraduate program in artwork conservation and restoration has also been set up at MSU to train the people needed for such work. The program will admit its first students in 2012.

İşbank's original branch building located in the historic district of Beyoğlu is planned to be restored and turned into an art museum.

# Annual Report Compliance Opinion



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
Kavacık Rüzgarlı Bahçe Mah.  
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Fax +90 (216) 681 90 90  
İnternet [www.kpmg.com.tr](http://www.kpmg.com.tr)

To the Shareholders of Türkiye İş Bankası Anonim Şirketi:

We have audited the accuracy and the consistency of the financial information in the annual report of Türkiye İş Bankası Anonim Şirketi ("the Bank") with the audited financial statements as of 31 December 2011. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on the annual report based on our audit.

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

In our opinion, the financial information represented in the accompanying annual report represents fairly, in all material respects, the information regarding the financial position of Türkiye İş Bankası Anonim Şirketi as of 31 December 2011 in accordance with the effective regulations described in article 40 of (Turkish) Banking Law No 5411 and includes Independent Auditors' Report issued by us and Summary of Board of Directors' Report and is consistent with the audited financial statements and explanatory notes.

İstanbul,  
6 March 2012

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Murat Alsan  
Engagement Partner

## Board of Directors and Auditors



**H. Ersin Özince**  
Chairman



**Füsün Tümsavaş**  
Vice Chairman



**Adnan Bali**  
Member of the Board and  
Chief Executive Officer



**Prof. Dr. Savaş Taşkent**  
Member of the Board



**Hasan Koçhan**  
Member of the Board



**Aynur Dülger Ataklı**  
Member of the Board



**M. Mete Başol**  
Member of the Board



**Mustafa Kıcıoğlu**  
Member of the Board



**Aysel Tacer**  
Member of the Board



**Hüseyin Yalçın**  
Member of the Board



**Murat Vulkan**  
Member of the Board



**A. Taciser Bayer**  
Auditor



**Kemal Ağanoğlu**  
Auditor



**H. Ersin Özince**  
Chairman

Born in Havran in 1953, H. Ersin Özince graduated from the Business Administration Department of the Faculty of Administrative Sciences, Middle East Technical University. He started his professional career at İşbank as an Assistant Inspector on the Board of Inspectors in 1976. After working at various managerial positions at İşbank, Ersin Özince was promoted to the post of Deputy Chief Executive in 1994 and until he became the 15<sup>th</sup> CEO of İşbank on 28 October 1998, his responsibilities encompassed the Treasury, Financial Management, Capital Markets, Loans and the Credit Information and Financial Analysis departments of the Bank. He was elected as a Board member on 31 March 2011 and as the Chairman on 1 April 2011. He has also been serving as the Chairman of the Remuneration Committee since 29 December 2011.

In April 2011, Mr. Özince resigned from his role as the Chairman of the Banks' Association of Turkey, which he had been serving since May 2002.

He is the Chairman of the Board of Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund and the Board of T. Şişe ve Cam Fabrikaları A.Ş. along with his memberships at The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats (TEMA), The Institute of International Finance (IIF), Institut Internationale d'Etudes Bancaires (IIEB), The Board of Trustees of Bilkent University and World Wildlife Fund-Turkey (WWF).

**Füsün Tümsavaş**  
Vice Chairman

Born in Ankara in 1957, Mrs. Füsün Tümsavaş graduated from the Department of Economics-Finance of the Faculty of Political Sciences at Ankara University. She started her professional career at Central Bank of the Republic of Turkey's Ankara Branch in 1979. In 1981, she started to work at İşbank's I. Loans Department as an Officer and became Assistant Section Head and Assistant Credit Specialist at the same department. She was appointed as an Assistant Manager in 1994 and as a Regional Manager in 1999 at the aforementioned department. She became the Head of Commercial Loans Department in 2004.

Mrs. Füsün Tümsavaş was elected to İşbank's Board on 28 March 2008 and 31 March 2011 and was appointed as the Vice Chairman of the Board of Directors on 30 May 2011. Furthermore, she continues her duty as a member of the Credit Committee since 2 April 2008 and as the Chairman of the Risk Committee, Audit Committee and the TRNC (Turkish Republic of Northern Cyprus) Internal Systems Committee since 30 May 2011. On 27 July 2011, she was elected as the Vice Chairman of the Board of Türkiye İş Bankası A.Ş. Members' Supplementary Pension Fund.

**Adnan Bali**  
Member of the Board and  
Chief Executive Officer

Born in İslahiye in 1962, Mr. Adnan Bali graduated from the Department of Economics of the Faculty of Administrative Sciences, Middle East Technical University. He joined İşbank as an Assistant Inspector on the Board of Inspectors in 1986. He became an Assistant Manager in 1994 and a Unit Manager in 1997 at the Treasury Department and was appointed as the Head of Treasury Department in 1998. Mr. Adnan Bali was appointed as the Manager of Şişli Branch in 2002, the Manager of Galata Branch in 2004 and Deputy Chief Executive on 30 May 2006.

Mr. Adnan Bali was appointed as the 16<sup>th</sup> Chief Executive Officer of İşbank on 1 April 2011. He has been serving as the Chairman of the Credit Committee and member of the Risk Committee; besides, he is the Chairman and the member of the Board of Directors of Industrial Development Bank of Turkey (TSKB) since 15 April 2011.

**Prof. Dr. Savaş Taşkent**  
Member of the Board

Born in Iyidere in 1943, Prof. Dr. Savaş Taşkent graduated from the Faculty of Law, İstanbul University. He started his academic career as an assistant in 1971, in the Department of Law of the Faculty of Basic Sciences, İstanbul Technical University. He received his Ph.D. degree from the Faculty of Law of İstanbul University in 1980 and became assistant professor at İstanbul Technical University, Faculty of Management Science and Engineering and associate professor in the Department of Labour and Social Security Law and professor in 1990, in the same Department. He served as the vice-dean and the vice-rector. He served as an advisor to the Ministry of Labour and Social Security and attended ILO Conferences in Geneva as the advisor to the Government.

He is currently a professor in Management Department of Faculty of Management, in İstanbul Technical University. Prof. Dr. Savaş Taşkent was appointed to İşbank's Board on 31 March 2005, on 28 March 2008 and on 31 March 2011. He is also the member of İşbank Audit Committee, of Turkish Republic of Northern Cyprus Internal Systems Committee and of Remuneration Committee of İşbank.

**Hasan Koçhan**  
Member of the Board

Born in Trabzon in 1957, Mr. Hasan Koçhan graduated from the Banking Department of the Banking Insurance Trade Institution of Higher Education of Ankara Academy of Economic and Commercial Sciences. Beginning his career at İşbank as an Officer in Maçka/Trabzon Branch in 1984, Mr. Koçhan was appointed to Bayburt Branch as an Assistant Section Head and served at the same position in Yomra/Trabzon, Bulancak/Giresun and Trabzon Branches. He served as a Sub-Manager and Assistant Manager in Trabzon Branch. He was appointed as a Branch Manager to Park/Trabzon, Ordu, Gaziantep and İzmit/Kocaeli Branches.

He was elected to İşbank's Board on 3 November 2008 and 31 March 2011. He has been serving as Alternate Member of Credit Committee since 31 March 2009 and as member of the Credit Committee since 30 May 2011.

**Aynur Dülger Ataklı**  
Member of the Board

Born in Ankara in 1958, Mrs. Aynur Dülger Ataklı graduated from the Department of Economics-Finance of the Faculty of Political Sciences of Ankara University. She began her professional career in 1979 as a research assistant in the Faculty of Political Sciences at Ankara University.

During the period of 1980-1991 she served as Assistant Specialist and Specialist at the State Planning Organization, during the period of 1991-1998 served as Specialist, Department Head and Deputy General Manager at the Undersecretariat of Treasury, General Directorate of Foreign Capital and during the period of 1998-2011 served as Counselor at the Undersecretariat of Treasury.

In 1990, Mrs. Aynur Dülger Ataklı attended "Senior Public Administration Techniques and European Union" programs at RIPA, the Royal Institute of Public Administration in London.

Mrs. Ataklı was elected to İşbank's Board on 31 March 2011 and was elected as member of the Social Responsibility Committee on 1 April 2011.

**M. Mete Başol**  
Member of the Board

Born in İstanbul in 1957, Mr. Mehmet Mete Başol graduated from the Economics Department of Arizona State University. Between 1984-1988 he worked at Interbank at various positions, between 1988-2001 he served as Deputy Chief Executive, Chief Executive Officer and Chairman of the Board at Türk Merchant Bank A.Ş., Bankers Trust A.Ş. and at Deutsche Bank A.Ş.

Between 2001-2003, he has undertaken the post of Managing Director at Public Banks Joint Board for restructuring and rehabilitation practice. He has served as a Counselor and Director at various financial institutions since 2003.

Mr. Mehmet Mete Başol was elected to İşbank's Board on 31 March 2011 and was elected as alternate member of the Credit Committee on 1 April 2011.

**Mustafa Kıcıoğlu**  
Member of the Board

Born in Silifke in 1946, Mr. Mustafa Kıcıoğlu graduated from the Faculty of Law at Ankara University and completed the "Public Administration Postgraduate Expertise Program" at Public Administration Institute for Turkey and the Middle East.

He began his career as the Judge of Silifke; then he served as Aralık and Giresun Deputy Public Prosecutor and as Judge of Baskil, Çankırı, Kocaeli and Ankara. In 2001, Mr. Kıcıoğlu was elected as Member of the Supreme Court and he became retired due to age limit when he was the Head of the 4<sup>th</sup> Civil Chamber of the Supreme Court.

Mr. Mustafa Kıcıoğlu was elected to İşbank's Board on 31 March 2011.

**Aysel Tacer**  
Member of the Board

Born in Siverek/Şanlıurfa in 1959, Ms. Aysel Tacer is a graduate of the Business Administration Department of the Faculty of Economics and Administrative Sciences of Marmara University. She began her career at İşbank as an Officer at Taksim Branch in 1980.

Ms. Aysel Tacer served as an Assistant Section Head and a Financial Analyst at the Credit Information and Financial Analysis Department between 1983-1989; became an Assistant Credit Analyst in 1989 and an Assistant Manager in 1993 at Şişli Branch. Between 1996-2011 she served as the Manager of Akatlar, Çarşı Bakırköy, Güneşli and Güneşli Corporate Branches.

Ms. Aysel Tacer was elected to İşbank's Board on 31 March 2011 when she was serving as the Manager of Güneşli Corporate Branch, on 1 April 2011 she was elected as member of the Social Responsibility Committee and on 30 May 2011 she was elected as alternate member of the Credit Committee.

**Hüseyin Yalçın**  
Member of the Board

Born in Konya in 1947, Mr. Hüseyin Yalçın graduated from the Economics Department of the Faculty of Administrative Sciences of Middle East Technical University. He began his professional life as an elementary school teacher. He served as an Officer at İşbank and Emlakbank. Between 1977 and 1990 he served as an Inspector, Assistant Manager, Branch Manager and Manager of İzmir Region Foreign Operations at Ziraat Bank. Between 1990 and 2000, Mr. Yalçın also served as Deputy Chief Executive and General Manager Consultant at Türkiye Kalkınma Bankası.

Between 2000-2002, after the transfer of banks to SDF (Savings Deposit Insurance Fund), he served as Senior Deputy Chief Executive at Yurtbank, as Deputy Chief Executive at Sümerbank and as General Manager Consultant at Toprakbank.

Mr. Yalçın was elected to İşbank's Board on 31 March 2011.

**Murat Vulkan**  
Member of the Board

Born in Ankara in 1957, Mr. Murat Vulkan is a graduate of the English Language and Literature Department of the Faculty of Social and Administrative Sciences of Hacettepe University. He started his career as an Officer at Kızılay/Ankara Branch in 1982.

He became an Assistant Section Head in 1987, a Sub-Manager in 1993 and an Assistant Manager in 1995 at Ankara Branch. He was appointed as the Manager of Ereğli/Karadeniz Branch in 1999, the Manager of Kayseri Branch in 2001, the Regional Manager of the SME Loans Underwriting Division of İstanbul Maltepe Region in 2004, the Manager of Yenışehir/Ankara Branch in 2006 and the Manager of Başkent Corporate Branch in 2007.

Mr. Vulkan was elected to İşbank's Board on 30 May 2011.

**A. Taciser Bayer**  
Auditor

Born in İstanbul in 1953, Mrs. A. Taciser Bayer graduated from the Faculty of Economics at İstanbul University. She began her career as an Officer at Arapcamii Branch in 1973.

Mrs. A. Taciser Bayer was appointed to Kadıköy Branch in 1975 and in 1976 she was promoted to the position of Assistant Section Head at the same branch. In 1977, she was appointed to Corporate Loans Department after she had worked at Necatibey/Ankara Branch. At the same department, she became a Section Head in 1979, served as a Sub-manager in 1986 and as an Assistant Manager in 1988.

Mrs. A. Taciser Bayer was appointed to the Secretariat to the Board of Directors in 1990. She became a Group Manager in 1993 and a Manager in 1996; and served until she retired on 27 February 2009.

Mrs. Bayer has been serving as İşbank's Auditor since 31 March 2009.

**Kemal Ağanoğlu**  
Auditor

Born in 1947, in Trabzon. Mr. Kemal Ağanoğlu is a graduate of the Faculty of Economics of İstanbul University. He began his career in 1973 as an Assistant Inspector on the Board of Inspectors.

Mr. Kemal Ağanoğlu served as an Assistant Manager at Foreign Operations Department in 1985 and at Şişli Branch in 1987. Mr. Kemal Ağanoğlu served as the Manager of Yıldız Posta Caddesi and Nicosia (Lefkoşa) Branches. He became the Manager of Rıhtım/Kadıköy Branch in 1996, the Manager of İstanbul Credit Information and Financial Analysis Division in 1998 and the Manager of Taksim Branch in 2005. In 2007, Mr. Kemal Ağanoğlu was posted at Türkiye Şişe ve Cam Fabrikaları A.Ş. and he retired in 2009.

Mr. Kemal Ağanoğlu was elected as İşbank's Auditor on 31 March 2011.



## Executive Committee



**Adnan Bali**  
Member of the Board and  
Chief Executive Officer



**Özcan Türkakın**  
Deputy Chief Executive



**Mahmut Magemizoğlu**  
Deputy Chief Executive



**Suat İnce**  
Deputy Chief Executive



**Serdar Gençer**  
Deputy Chief Executive



**Hakan Aran**  
Deputy Chief Executive



**Aydın Süha Önder**  
Deputy Chief Executive



**Levent Korba**  
Deputy Chief Executive



**Ertuğrul Bozgedik**  
Deputy Chief Executive



**Yalçın Sezen**  
Deputy Chief Executive



**Rıza İhsan Kutlusoy**  
Deputy Chief Executive



**A. Erdal Aral**  
Deputy Chief Executive



**Senar Akkuş**  
Deputy Chief Executive

**Adnan Bali**

Member of the Board and  
Chief Executive Officer

Born in İslahiye in 1962, Mr. Adnan Bali graduated from the Department of Economics of the Faculty of Administrative Sciences, Middle East Technical University. He joined İşbank as an Assistant Inspector on the Board of Inspectors in 1986. He became an Assistant Manager in 1994 and a Unit Manager in 1997 at the Treasury Department and was appointed as the Head of Treasury Department in 1998. Mr. Adnan Bali was appointed as the Manager of Şişli Branch in 2002, the Manager of Galata Branch in 2004 and Deputy Chief Executive on 30 May 2006.

Mr. Adnan Bali was appointed as the 16<sup>th</sup> Chief Executive Officer of İşbank on 1 April 2011. He has been serving as the chairman of the Credit Committee and member of the Risk Committee; besides, he is the Chairman and the member of the Board of Directors of Industrial Development Bank of Turkey (TSKB) since 15 April 2011.

**Özcan Türkakın**

Deputy Chief Executive

Born in Afyon in 1958, Mr. Özcan Türkakın graduated from the Economics Department of the Faculty of Administrative Sciences at Boğaziçi University and received a master's degree from the same department. He joined İşbank in 1984 as an Assistant Economics Specialist in the Department of Economic Research and Planning and served in a number of the Bank's units and İş Investment. He was appointed Deputy Chief Executive on 27 February 2002.

**Mahmut Magemizoğlu**

Deputy Chief Executive

Born in Antakya in 1959, Mr. Mahmut Magemizoğlu graduated from the Business Administration Department of the Faculty of Administrative Sciences at the Middle East Technical University. He holds a master's degree in investment analysis from the University of Stirling (UK). He began his career at İşbank in 1982 as an Assistant Inspector on the Board of Inspectors and served in various units of İşbank. He was appointed Deputy Chief Executive on 18 May 2005.

**Suat İnce**

Deputy Chief Executive

Born in Ankara in 1964, Mr. Suat İnce graduated from the Department of Economics of the Faculty of Economic and Administrative Sciences at the Middle East Technical University. He began his career at İşbank as an Assistant Inspector on the Board of Inspectors in 1987 and served in various units and branches of the Bank. He was appointed Deputy Chief Executive on 2 April 2008.

**Serdar Gençer**

Deputy Chief Executive

Born in Siverek in 1967, Mr. Serdar Gençer graduated from the Industrial Engineering Department of the Faculty of Engineering at the Middle East Technical University. He holds a master's degree in Business Administration from the University of Nottingham (UK). He began his career at İşbank as an Assistant Inspector on the Board of Inspectors in 1990 and served in various units of İşbank. He was appointed Deputy Chief Executive on 17 July 2008.

**Hakan Aran**

Deputy Chief Executive

Born in Antakya in 1968, Mr. Hakan Aran graduated from the Computer Engineering Department of the Faculty of Engineering at the Middle East Technical University. He holds a master's degree in Business Administration from the Başkent University, Institute of Social Sciences. He began his career at İşbank as a Software Specialist in the IT Department in 1990 and served in different positions in IT & Software Development Department. He was appointed Deputy Chief Executive on 17 July 2008.

**Aydın Süha Önder**

Deputy Chief Executive

Born in İskilip in 1962, Mr. Aydın Süha Önder graduated from the Political Sciences and Public Administration Department of the Middle East Technical University. He joined İşbank in 1986 as a Candidate Officer in Economic Research Department. Mr. Önder served in a number of units and branches of the Bank as well as the Board of Inspectors throughout his career. He was appointed as Deputy Chief Executive on 13 April 2011.

**Levent Korba**

Deputy Chief Executive

Born in Muğla in 1960, Mr. Levent Korba graduated from the English Language Department of Buca Faculty of Education at Dokuz Eylül University. He joined İşbank in 1986 as a Candidate Officer in İzmir Branch and served in various units and branches of İşbank. He was appointed as Deputy Chief Executive on 13 April 2011.

**Ertuğrul Bozgedik**

Deputy Chief Executive

Born in Kayseri in 1964, Mr. Ertuğrul Bozgedik graduated from the Economics Department of the Faculty of Political Sciences at Ankara University. He joined İşbank in 1986 as an Assistant Inspector on the Board of Inspectors and served in various units. He was appointed as Deputy Chief Executive on 13 April 2011.

**Yalçın Sezen**

Deputy Chief Executive

Born in İzmir in 1965, Mr. Yalçın Sezen graduated from the Political Sciences and Public Administration Department of the Middle East Technical University, Faculty of Economics and Administrative Sciences. He joined İşbank in 1987 as an Assistant Inspector on the Board of Inspectors. After serving in various units of İşbank, he was appointed as Deputy Chief Executive on 13 April 2011.

**Rıza İhsan Kutlusoy**

Deputy Chief Executive

Born in İzmir in 1965, Mr. Rıza İhsan Kutlusoy graduated from the Business Administration Department of the Faculty of Economic and Administrative Sciences at the Middle East Technical University. He joined İşbank in 1988 as an Assistant Inspector on the Board of Inspectors and served in various units and branches of İşbank. He was appointed as Deputy Chief Executive on 13 April 2011.

**A. Erdal Aral**

Deputy Chief Executive

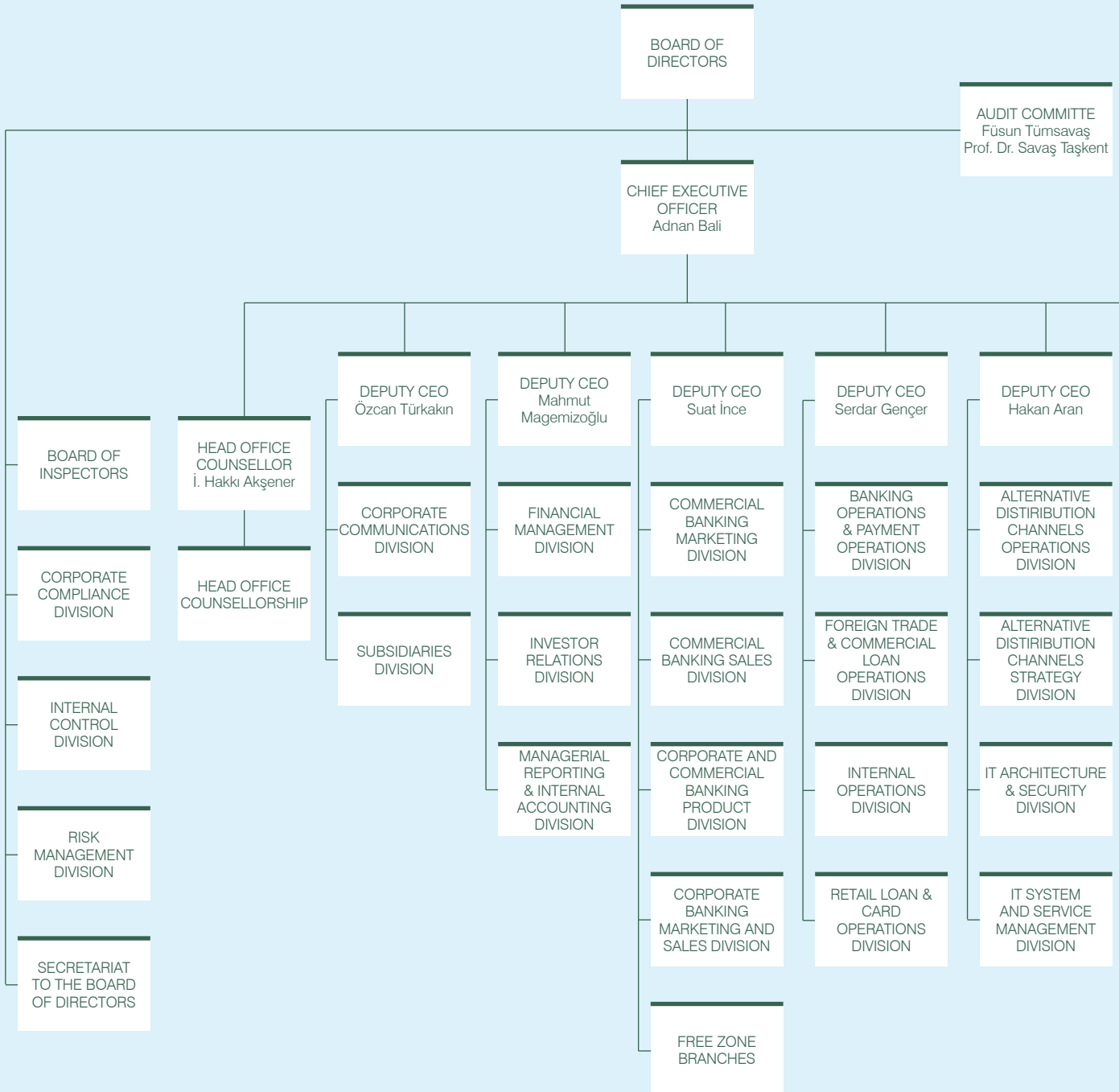
Born in İstanbul in 1967, Mr. A. Erdal Aral graduated from the Economics Department of Marmara University, Faculty of Economics and Administrative Sciences in 1989 and received his master's degree in International Banking from Loughborough University of Technology. He joined İşbank in 1989 as an Assistant Inspector on the Board of Inspectors and served in various units and branches of İşbank. He was appointed as Deputy Chief Executive on 13 April 2011.

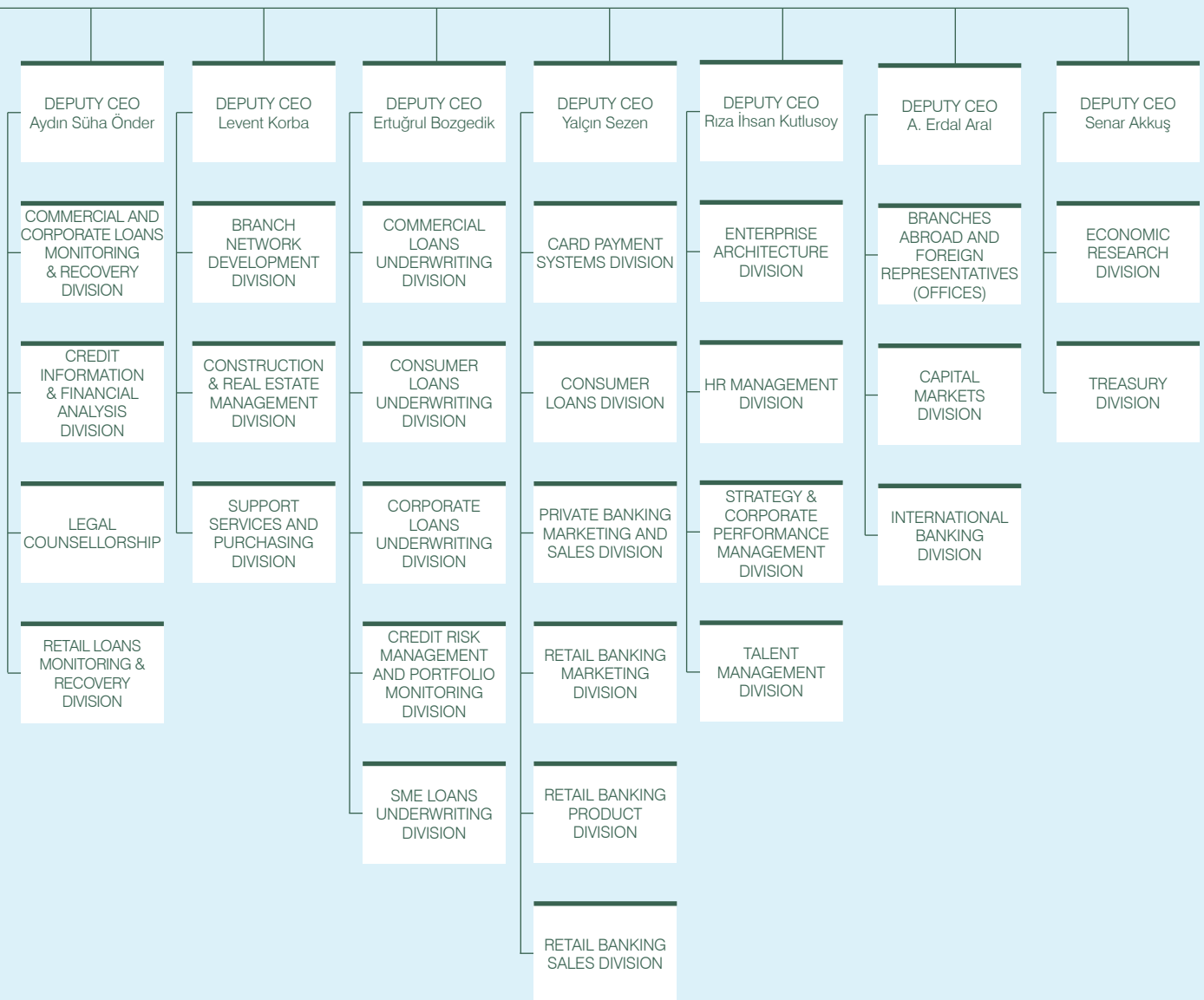
**Senar Akkuş**

Deputy Chief Executive

Born in Diyarbakır in 1969, Ms. Senar Akkuş graduated from the Economics Department of the Faculty of Economics and Administrative Sciences at the Middle East Technical University. She joined İşbank as an Assistant Specialist at the Treasury Department in 1991. After serving in various units of İşbank, she was appointed as Deputy Chief Executive on 13 April 2011.

# Organization Chart





## Managers of Internal Systems

Names and surnames, terms of office, areas of responsibility, academic backgrounds and professional experiences of managers of Internal Systems, which consists of the Board of Inspectors, Risk Management Division, Corporate Compliance Division and Internal Control Division are presented below.

### Chairman of the Board of Inspectors: M. Turgay Atalay

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
9 months	31 years	Board of Inspectors, London Branch, Galata Branch, Bayrampaşa Branch, Lefkoşa Branch, Beyoğlu Branch, Marketing and Deposits Division (Consumer Banking), Customers Loans Division, Foreign Affairs Division, Board of Change Management	B.A. Degree from a Domestic University

### Head of Risk Management Division: Gamze Yalçın

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
9 months	18 years	Organization, Accounting, Risk Management	B.A. Degree from a Domestic University M.S. Degree from a Foreign University

### Head of Corporate Compliance Division (Compliance Officer): Mehmet Ali Madendere

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
3 year, 3 months	25 years	Board of Inspectors, İstanbul III. Regional Division, Loans Division, Internal Control Division	B.A. Degree from a Domestic University

### Head of Internal Control Division: Aydın Erendil

Term of Office	Professional Experience	Departments Worked Previously	Academic Background
3 year, 3 months	23 years	Board of Inspectors, Electronic Data Processing Division	B.A. Degree from a Domestic University

## Information about the Meetings of the Board of Directors

The Board meetings are, as per the Articles of Incorporation, held at least once a month, yet interim meetings might be held in case of need. Meeting agenda is prepared in accordance with the proposals of Head Office departments. Moreover, various reports requested by the Board of Directors from the Bank management and off the agenda topics put forward by the Board members are discussed during the meetings. Meeting agenda and related documents are distributed to the Board members and auditors before the meetings according to the principles determined by the Board.

15 Board meetings were held in 2011. Generally, full participation is achieved at the meetings. In 2011, 13 meetings were held by full participation and two members could not attend in two of the meetings, one for each meeting. 583 pages of meeting minutes were taken at the Board meetings in 2011. 954 resolutions were made both during the meetings and by examining files.

## İşbank Committees

### The Audit Committee

The Audit Committee has two members and is chaired by Mrs. Füsün Tümsavaş, Vice Chairman of the Board of Directors, by the resolution of the Board of Directors dated 30.05.2011 and nr 37575. The other member of the Committee is Prof. Dr. Savaş Taşkent, who is also a member of the Board.

The Audit Committee is responsible for holding meetings at least twice a year provided that a six month period is not exceeded and is obliged to inform the Board of Directors about the results of its activities and the measures to be taken, practices that are required and its opinions on other matters that are deemed to be significant for the Bank to conduct its business safely.

The Audit Committee is in charge of:

- Ensuring that the internal systems of the Bank function efficiently and sufficiently, that these systems and the accounting and reporting systems operate within the framework of the related regulations and the Bank's policies and that the information produced has integrity,
- Carrying out the preliminary assessment of independent audit firms and companies providing rating, valuation and support services to be selected and monitoring the firms that are appointed by the Board, on a regular basis,
- Ensuring that the internal audit functions of subsidiaries that are subject to consolidation are coordinated in line with the related regulations,
- Reporting, presenting opinions and making recommendations to the Board on the functions, operations and related policies and regulations of the internal systems and the divisions that are part of the internal systems,
- Evaluating the information and reports received from the independent audit firms and the divisions that are part of the internal systems, about their operations,
- Ensuring that the Bank's financial reports are prepared in line with the related legislation, regulations and standards,
- If required, gathering information, documents or reports from all Bank units, support service contractors and independent auditors and being subject to Board approval, receiving consultancy from those who are specialists in their respective fields,
- Fulfilling other responsibilities determined by the related legislations and the duties given by the Board within this framework,
- Reporting to and informing the Board about the results of its own operations, the measures needed to be taken in order for the Bank's operations to be within the framework of the related legislation and Bank policies in a continuous and secure way and its evaluation, opinion and recommendation on any other issues that are deemed to be important.

In 2011, Audit Committee held 24 meetings and adopted 27 resolutions.

### Turkish Republic of Northern Cyprus (TRNC) Internal Systems Committee

As per the resolution of the Board of Directors, dated 15.06.2009, Nr. 35546, TRNC Internal Systems Committee is established within the framework of TRNC Banking Law and related regulations. The Committee has two members and as per the resolution of the Board of Directors, dated 30.05.2011, Nr. 37576 the Committee is chaired by Mrs. Füsün Tümsavaş, who is the Vice Chairman of the Board of Directors. The other member of the committee is Prof. Dr. Savaş Taşkent, who is also a member of the Board.

TRNC Internal Systems Committee holds meetings at least twice a year provided that a six month period is not exceeded and informs the Board of Directors on the results of its own activities, its opinion on the measures needed to be taken and the necessary practices to be implemented by the TRNC branches and other important issues in order for these branches to operate in a secure way.

TRNC Internal Systems Committee is responsible for ensuring the efficiency and sufficiency of the internal systems provided by the Bank in relation to the operation of the TRNC branches; ensuring the operation of the internal systems, accounting and reporting systems in line with the law and related regulations and ensuring the integrity of the produced information; carrying out the preliminary assessment of independent audit firms and other companies providing services directly related to other banking operations to be selected by the Board; and monitoring regularly and coordinating these companies that are selected and contracted by the Board.

In 2011, the TRNC Internal Systems Committee held 5 meetings and adopted 7 resolutions.

### Credit Committee

İşbank's Credit Committee makes resolutions on credit allocation within its authorization limit, makes decisions on demands to change the credit allocation conditions within its authorization limit and carries out any assignments regarding credits given by the Board.

İşbank's Credit Committee consists of three members; one of them is the Chief Executive Officer or Deputy Chief Executive, who is also the chairman of the Committee and two members from the Board of Directors. Each year, at the first Board meeting after the Annual General Meeting, the Board members of the Credit Committee that will perform their duty until the next General Meeting are determined. Two alternate Committee Members are also designated who will stand if need arises.

The Committee makes decision on the credit allocation with consensus, after each Committee Member examines and signs the files. Resolutions of the Credit Committee which have unanimous backing are executed directly while resolutions made on a majority basis are executed following the approval of the Board of Directors.

By the end of December 2011, by the evaluation of 140 files under the authority of the Credit Committee, 107 resolutions were adopted.

The members of the Credit Committee for the period between January and March 2011 were Member of the Board and Chief Executive Officer, Mr. H. Ersin Özince as the Chairman of the Committee, Vice Chairman of the Board of Directors, Mr. H. Fevzi Onat and the Board Member, Mrs. Füsün Tümsavaş. Alternate members of the Credit Committee were the Board members Mrs. Tülin Aykın and Mr. Hasan Koçhan.

The members of the Credit Committee for the period between April and May 2011 are Member of the Board and Chief Executive Officer, Mr. Adnan Bali as the Chairman of the Committee, Vice Chairman of the Board of Directors, Mr. H. Fevzi Onat and Board Member, Mrs. Füsün Tümsavaş. Alternate members of the Credit Committee are Board members Mr. Hasan Koçhan and Mr. M. Mete Başol. After resignation of Vice Chairman of the Board of Directors Mr. H. Fevzi Onat on 30.05.2011, who was Credit Committee member, Member of the Board and Chief Executive Officer, Mr. Adnan Bali continued his duty as the Chairman of the Committee, the Vice Chairman of the Board of Directors Mrs. Füsün Tümsavaş and the member of the Board Mr. Hasan Koçhan continued the duty of the Credit Committee members for the period of June-December 2011. Board members M. Mete Başol and Aysel Tacer were appointed as alternate members of the Credit Committee.

Committee Members	Duty	Primary Duty
Adnan Bali	Chairman of the Committee	Member of the Board and Chief Executive Officer
Füsün Tümsavaş	Member	Vice Chairman of the Board
Hasan Koçhan	Member	Board Member

Alternate members: M. Mete Başol – Aysel Tacer

## İşbank Committees

### Credit Revision Committee

Being one of the committees of the Board of Directors, the Credit Revision Committee is constituted every year as per the article of Revision of Limits within the context of Credit Risk Policy, which came into effect by the resolution of the Board of Directors dated 30.09.2003 and nr 30249, within the framework of the principle of reviewing the loan portfolio, evaluating the relations with credit customers at the end of the year and revising, when necessary, the credit limits allocated to the said persons and corporations for the following year.

Within this framework, as per the resolution of the Board dated 31.12.2010 and nr 37089, the Credit Revision Committee; consisting of Vice Chairman of the Board, Mr. H. Fevzi Onat and Board Members Mrs. Tülin Aykın, Mrs. Füsün Tümsavaş and Mr. Hasan Koçhan; individually reviewed 471 individual or group firms whose general limits/risk ceilings are above USD 10 million and are monitored by Corporate and Commercial Loans Underwriting Divisions. The firms/risk groups of which the risk perceptions are respectively lower were evaluated on an overall basis. Furthermore, 57 correspondent banks of whose general limits are above USD 200 million were evaluated and the Committee completed its evaluations as of 31.03.2011.

As per the resolution of the Board of Directors dated 12.12.2011 and nr 37986, the current Credit Revision Committee, consisting of Vice Chairman of the Board, Mrs. Füsün Tümsavaş and Board members Mr. Hasan Koçhan, Ms. Aysel Tacer and Mr. Murat Vulkan, continues its examinations.

### Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was established as per the Regulation on Social Responsibility Practice, which was adopted with the resolution of the Board and its members are Board Members Mrs. Aynur Dülger Ataklı and Ms. Aysel Tacer, Deputy Chief Executives Mr. Özcan Türkakın and Mr. Yalçın Sezen and Head of the Corporate Communications Division Mr. Suat E. Sözen.

The Committee operates in accordance with the Regulation principles, by considering the basic fields of contribution, which are determined as education, culture and art, health, protection of the environment and other activities.

In 2011, Corporate Social Responsibility Committee held 11 meetings and adopted 31 resolutions.

### Risk Committee

Risk Committee is responsible for formulating the risk management strategies and policies İşbank will adhere to both on a consolidated and unconsolidated basis, presenting them to the İşbank Board of Directors for approval and monitoring compliance with them. The Committee is the common communication platform with the Bank's executive divisions in terms of assessing the risk the Bank is exposed to, making suggestions about the measures to be taken and methods to be followed. The Committee's principal duties are the following:

- Prepare the risk strategies and policies and present to the Board for approval,
- Adjudicate by negotiating the issues addressed by Risk Management Division,
- Recommend to the Board the level of risk limits for exposures, monitor the breach of limits and recommend to the Board regarding elimination of those breaches,
- Recommend to the Board changes in risk policies if diverse circumstances require,
- Monitor risk identification, definition, measurement, assessment and management processes carried out by Risk Management Division,
- Monitor accuracy and reliability concerning the risk measurement methodologies and their results.

Committee Members:

- Füsün Tümsavaş: Vice Chairman of the Board of Directors and Head of Risk Committee.
- Adnan Bali: Member of the Board and Chief Executive Officer, Head of Credit Committee
- Ertuğrul Bozgedik: Deputy Chief Executive
- Senar Akkuş: Deputy Chief Executive, Head of Asset & Liability Management Committee
- Gamze Yalçın: Head of Risk Management Division

Risk Committee contributes to the formation of group risk policies structured on a consolidated basis including both financial and non-financial participations of the Bank. In the activities that the Risk Committee carries out on a consolidated basis,

- Özcan Türkakın, Deputy Chief Executive
- Burhanettin Kantar, Head of Equity Participations Division

also attend the meetings.

In 2011, the Risk Committee met a total of 12 times 4 of which were on a consolidated basis. In addition to the risk management evaluations of İşbank and its participations under consolidation, 12 risk management reports were submitted to the Committee and resolutions were adopted about risk management systems and processes.

### Remuneration Committee

As per the resolution of the Board of Directors, dated 29.12.2011 and nr. 38038, Remuneration Committee has been established for the purpose of executing functions and activities related to monitoring and controlling remuneration policies of the Bank on behalf of Board of Directors. The Committee has two members; Mr. H. Ersin Özince, the Chairman of the Board, was elected as the Chairman of the Committee and Prof. Dr. Savaş Taşkent was elected as the member of the Committee.

The Committee holds meetings at least twice a year provided that six month period is not exceeded and informs the Board of Directors on the results of its own activities and its opinions on other important issues.

Remuneration Committee is responsible for monitoring and controlling policies related to remuneration management on behalf of Board of Directors within the context of compliance to Corporate Governance Principles; providing that remuneration is in compliance with the Bank's ethical values, internal balances and strategic goals. The Committee is also responsible for evaluating remuneration policy and its implementations within the framework of risk management; submitting the proposals to Board of Directors that are in line with the requirements after examining remuneration policy, as well as officiating other responsibilities in accordance with relevant legislations and tasks assigned by the Board of Directors within this framework.



## Human Resources Functions at İşbank

In 2011 human resources were hired by İşbank in order to rapidly meet the increased need for manpower arising from both the growth in the Bank's business and the opening of new branches. A total of 2,031 new personnel were employed to fill positions in a variety of job categories.

In 2011 the Bank began addressing its personnel requirements through local hires as well. Work is currently in progress to recruit a sufficient number of suitably qualified personnel and to employ them in appropriate positions so as to ensure that the Bank is able to effectively achieve its future goals while also taking into account its continuously changing requirements. In line with this, during the hiring process, objective decision-making about the fitness of a candidate both as an İşbank employee and for a particular position has been supported by way of using psychometric measurement tools that vary depending on the hiring position as well as competency-based interviews for the assessment of observable behavioral traits that are position-specific or by carrying out the Evaluation Center practices.

Training activities at İşbank are designed and implemented so as to be both compatible with the Bank's corporate objectives and complementary to its other Human Resources practices. Before commencing their actual duties, newly-hired personnel first undergo "Starting My Career" training, whose features are customized according to the requirements of their job position. The experience built up in previous years at the Bank's "Sales Academy" has been carried over into operations; sales training and content-enriched operations training are now combined under the auspices of the İşbank "Banking Academy" (BAK) and turned into individual brands under the names "BAK Sales" and "BAK Operations". Technical and personal development programs are organized for managers as well as for management trainees in order to equip them with the knowledge and skills that they will be needing for new positions and duties.

Importance is given at İşbank to training and communication activities which are aimed at enhancing the performance of all employees, primarily the newly-hired personnel. Efforts continued to be made to introduce Performance Management practices that seek to manage and increase performance by focusing on employee behaviors and activities that will contribute to the Bank's ability to carry out its strategies and to achieve its objectives.

Managers and candidate managers working at İşbank branches and Head Office Divisions are paid an "executive bonus" once a year. While executive bonuses are paid on the basis of individual performance, attention is also given to bonuses' compatibility with such issues as the Bank's long-term strategies and employee accountability levels.

Work is being carried out to introduce a number of innovative performance management practices and to reify the link between employee performance and corporate performance. To this end, a Quality of Work-Life Assessment Survey was conducted throughout İşbank in late 2010 to determine how the managers' management and leadership performance was perceived by those working under them and to measure general satisfaction with the Bank's human resources practices. The results of this survey, which were released in 2011, were made available to all employees while the judgments expressed by employees about their own supervisors were reported individually to each manager as appropriate in order to provide them with input for their own future development.

Focus-group activities involving employees in different job categories were carried out in order to improve the Bank's Human Resources Practices so as to increase employee satisfaction. These focus groups considered the aspects of Human Resources Practices which the survey's results had identified as needing improvement as well as the underlying causes for such need. They subsequently formulated and initiated action plans designed to effectively deal with such matters. As a result of these activities, areas where there were opportunities to resolve issues that adversely affect employee motivation and job performance were identified and appropriate action plans were made.

The Quality of Work-Life Assessment Survey that was conducted in December 2011, which not only quantified İşbank employees' loyalty to the Bank and the degree to which they are satisfied with its Human Resources Practices but also provided valuable employee input both about immediate superiors and about the qualities and attributes that all İşbank managers are expected to possess.

Under the heading of activities initiated to come up with solutions that will have favorable impact on employees' loyalty and motivation by taking their long-term career progression into account, a "Welcome to the Job" program was introduced to support the process of job adaptation among newly-hired personnel at İşbank. A website (isemerhaba.isbank) has been specially created for this program, whose purpose is to give the Bank's new arrivals convenient access to orientation support from training consultants during the training period and from teammates once they are actually on the job. Work has also begun on providing development guidance for particular job categories in order to speed up the adaptation process among newly-hired personnel.

Furthermore, a trainee recruitment program aimed at university students was launched in 2011. The objective of this program is to strengthen İşbank's reputation as a "Preferred Employer" in general while especially enhancing İşbank's image as a preferred employer among trainee candidates who have the potential to offer the Bank the superior qualities that will enable it to maintain its competitive edge. As a result of these efforts, 224 university students worked as trainees at İşbank branches and Head Office Divisions.

In order to achieve a human resources structure, which supports the Bank's strategies and sustainable goals and which contributes to its problem-free, profitable growth, İşbank completed its changeover to a new Human Resources Information System in June 2011, which enables human resources processes to function faster and more effectively and which increases employee participation. Thanks to this new system, functions requiring the use of human resources information have been integrated, such information may be viewed by those with the authority to do so, reliable reports may be generated by end-users and access is provided to current, accurate information needed to support decision-making mechanisms.

In 2012 work will continue on projects aimed at making essential changes and improvements in the area of human resources as may be dictated by business requirements and in order both to increase manpower productivity and to support İşbank's Sustainable Profitable Growth strategy.

Existing activities will continue to be carried out with the support of best practices in order to increase the loyalty, motivation and productivity of the Bank's human resources.

In 2012, the Bank will continue to take a prudent and selective approach in the recruitment and hiring of new personnel who may be needed to satisfy the greater manpower requirements that arise due to new branch openings, to in-house promotions, to growth in transaction volume and to terminations of employment.

One objective of training activities in 2012 will be to offer employees alternative learning and interaction environments in which such activities may be conducted with an approach that is more compatible with İşbank's strategies. For this purpose, wikis, blogs, video clips, simulations, microblogging and similar social networking methods will be deployed in order to make learning a natural and integral part of individual and corporate life.

It is expected that the action plans that were formulated to deal with areas identified as being in need of improvement and development based on the results of the "Quality of Work-Life Assessment Survey" that was conducted throughout İşbank in late 2011 will be implemented in 2012.

## Information on the Transactions Carried out with İşbank's Risk Group

All İşbank Risk Group companies are provided with the same kind of financial assistance, by the same procedures and policies, as those provided for third parties. The Risk Management Division analyses the approved credit lines and other lending procedures in favor of İşbank Group companies and monitors to ensure compliance with legal requirements. In 2011, the loans extended to the group companies had all been within the regulatory risk limits. Group companies had mainly been involved in credit products and deposits.

The cash loans approved for the Risk Group were 1.56% of the total cash loans and 0.89% of the total assets. The deposits of Risk Group institutions were 3.77% of total deposits and 2.29% of total liabilities.

## Activities for which Support Services are Received in Accordance with the Regulation on Procurement of Support Services for Banks and Authorization of Organizations Providing Such Services

- Support service received from IBM for Emergency Center located in Izmir for back up of the system,
- Support service received from Provus Bilişim Hizmetleri A.Ş. for printing, enveloping and delivery of credit card abstracts to the General Directorate of Post and Telegraph Organization,
- Secure e-payment infrastructure service received from Asseco SEE Teknoloji A.Ş. for electronic commerce,
- Support service received from E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş. for customization of İşbank's credit cards equipped by chip technology,
- Support service received from Loomis Güvenlik Hizmetleri A.Ş. for carrying of cheques, promissory notes, other commercial papers and documents between Group Centers and Banking Operations and Payment Operations Division,
- Support service received from Loomis Güvenlik Hizmetleri A.Ş. for carrying of foreign currency cash between Group Centers and Istanbul Cash Management Center,
- Support services received from Atos Origin Bilişim Danışmanlık ve Müşteri Hizmetleri San. Tic. A.Ş. for calling the customers with past-due payments and reminding them their debts,
- Support services received from Atos Origin Bilişim Danışmanlık ve Müşteri Hizmetleri San. Tic. A.Ş. for sales-oriented external calls.

## İşbank's Dividend Distribution Policy

İşbank's principles of dividend distribution are set by article 58 of the Articles of Incorporation. According to this article,

After deducting all general expenses from the income arising from the operations of the Bank within a year, including premiums and bonuses and similar payments to the personnel of the Bank and funds for all kinds of depreciations, as well as necessary provisions, the net profit obtained shall partly be set aside as contingency reserves and partly distributed in the order, manner and at the rates indicated below:

- a) 1- 5% to statutory reserve fund,
- 2- 5% as provision for probable future losses,
- 3- 10% as first contingency reserve

If the cause for setting aside of a provision and fund for a probable future loss and/or risk doesn't exist anymore, the remaining fund will be added to first contingency reserve (a/3) after distribution of net profit referred to in paragraph (a).

b) From the balance of the net profit after the reserve fund referred to in paragraph (a) above have been set aside, an amount equal to 6% of the paid up capital represented by Group A, B and C share certificates, shall be distributed to shareholders as the "first dividend". Should the profit realized in any year be insufficient to provide for the first dividend of 6% referred to above, the balance shall be made up and distributed out of the contingency reserve fund. Provided, however, that any amount thus taken out of the reserve fund shall constitute a charge to be made up out of the profits to be realized in the subsequent years.

c) After the reserved fund and the first dividend referred to in paragraphs (a) and (b) above have been provided for, the balance of the net profit shall be set aside and distributed as follows:

- 10% for founder shares (limited to the portion of TL 250 thousand – two hundred and fifty - of paid capital)
- 2.5% among the members of the Board of Directors and the General Manager equally,
- 20% to the employees of the Bank and
- 10% as second contingency reserve.

d) After the amounts set forth in paragraphs (a), (b) and (c) have been set aside and distributed, the balance shall be distributed to the shareholders as "second dividend" in the manner stated below and taking into consideration paragraph (e).

1) The net total of the dividends to be distributed to the holders of Group (A) shares as first and second dividends under paragraphs (b) and (d) may not exceed 60% of the capital paid up by them, the net total of the dividends to be distributed to holders of Group (B) shares may not exceed 30% of the capital paid up by them and the net total of the dividends to be distributed to holders of Group (C) shares may not exceed 25% of the capital paid up by them.

2) After the amounts set forth in paragraphs (a), (b) and (c) have been set aside and distributed, should the balance be insufficient to distribute the second dividend in the manner specified by the paragraph (1) above, twice the amount of the paid up capital represented by Group (A) shares the actual amount of the capital represented by Group (B) shares and the 5/6 (five sixth) amount of the capital represented by Group (C) shares shall be taken as the basis and, total dividends to be paid to the three Groups of shares shall be calculated separately in the distribution of the second dividend.

e) Furthermore, the amount required to be added to contingency reserve under paragraph 3 of Article 466 of the Turkish Commercial Code, shall be set aside.

f) Following the allocation and the distribution of the net profits in accordance with the foregoing provisions, upon the proposal of the Board of Directors, it shall be resolved at the General Assembly whether the outstanding balance should be set aside as contingency reserves or be transferred to the subsequent year, or, should up to 80% (net) of this balance be divided to the number of share certificates and net worth distributed to holders of share certificates and the remainder be set aside as contingency reserve or transferred to the subsequent year.

In the calculation of the dividends to be paid to all three Groups of shares; Group (A) shares will be considered as 40 times the share quantity, due to the reason that 20 Group (A) shares each with a nominal value of TL 500 have been changed with 1 Group (A) share with a nominal value of 1 Kurus, Group (B) shares will be considered as 1.5 times of the share quantity and Group (C) shares will be considered as the same quantity.

## Agenda of the Annual General Meeting

1. Opening ceremony, establishment of Chairmanship Council and authorization of the Chairmanship Council to sign minutes of the General Meeting,
2. Presentation of and discussion on the Board of Directors', Auditors' and Independent Auditors' reports,
3. Examination and ratification of 2011 Balance Sheet and Income Statement,
4. Discharge of the Board of Directors from their responsibilities for the transactions and accounts of the year 2011,
5. Discharge of the auditors from their responsibilities for the transactions and accounts of the year 2011,
6. Determination of the dividend distribution and the method and date of allotment of dividends,
7. Ratification of the election of Board of Directors' positions which became vacant during the year.
8. Election of the auditors,
9. Determination of the allowance for the members of the Board of Directors,
10. Determination of the auditors' salaries,
11. Permitting the members of the Board of Directors as per articles 334 and 335 of the Turkish Commercial Code,
12. Presenting information to shareholders about the donations made during the year 2011.

## Summary Report of the Board of Directors

Esteemed shareholders,

Welcome to the 88<sup>th</sup> Ordinary General Meeting of İşbank.

As we present the Board of Directors' Report, Auditors' Report and the Profit & Loss Statement showing our 2011-year results for your review and approval, we respectfully greet you all.

While the effects of the global crisis continued to be felt in 2011, the indicators of the Turkish economy looked better than those of many other countries. Although it was observed that the economies of many developed countries encountered several difficulties in their efforts to restart growth, Turkey has been ranked among the world's fastest-growing economies.

The economic growth, which was 9.6% during the first nine months of 2011, is estimated to be over 8% as at year-end. On the other hand, the country's current account deficit also expanded rapidly in line with that same economic growth and reached the USD 77.1 billion level by the end of the year.

Inflation rose rapidly, particularly in the first quarter of the year, spurred due to the movements in exchange rates and commodity prices. Twelve-month CPI inflation and PPI inflation rates were up by 10.45% and 13.33% respectively at end-2011.

Measures which regulatory authorities took to maintain financial stability influenced the course of economic developments throughout most of the year.

Paralleling stronger economic activity in 2011, the Turkish banking industry registered growth on many fronts ranging from total assets to total lending and from number of branches opened to number of people employed.

Asset quality improved rapidly in 2011. Collections made on non-performing loans continued to make a positive contribution to the Banks' overall profitability.

Deposits remained the most important item on the funding side, on the other hand the banks started to make greater use of alternatives in order to create long-term funding for themselves, to diversify the funding structure and to keep their funding costs under better control.

When considered from İşbank's point of view, 2011 was a year characterized by particularly strong performance in terms of bigger business volumes.

As of 31.12.2011 compared to the end of the prior year;

- Deposits increased by 11.4% to TL 98,313 million
- Loans increased by 42.6% to TL 91,621 million
- Assets increased by 22.7% to TL 161,669 million
- Shareholders' equity increased by 5.3% to TL 17,921 million

and net profit for the year amounted to TL 2,667 million.

We expect that the Turkish economy will continue to grow in 2012 even though it will likely lose some of its momentum. The developments in Turkey's main export markets—mainly European Union countries—on the one hand and capital inflows into the country on the other will be effective on the growth rate.

Parallel to the expectations that there will be a gradual slow down in economic activity and domestic demand in 2012, it is likely that the growth in the banking industry's loan volume will be more moderate than was the case in 2011. It can also be foreseen that the level of the current account deficit and efforts on the part of authorities to keep the deficit under control will continue to influence economic indicators as well.

Esteemed shareholders,

We hereby submit our Annual Report, Balance Sheet and Profit & Loss Statement pertaining to our 2011 activities for your review and approval. We would like to express our gratitude to the Turkish public for their steadfast trust in our Bank, to the institutions of the Turkish State for their continuous support; we thank all our employees for their dedicated efforts; and we extend our respects to you, our valued shareholders, for having honored this General Meeting with your presence.

TÜRKİYE İŞ BANKASI A.Ş. BOARD OF DIRECTORS

## Auditors' Report

TO THE GENERAL ASSEMBLY OF TÜRKİYE İŞ BANKASI A.Ş.

İSTANBUL

The operations, accounts and records of Türkiye İş Bankası A.Ş. for the year 2011 have been examined, the explanations of the Bank executives have been assessed and it is concluded that operations have been conducted in conformity with the rules and regulations while the balance sheet and income statement are in conformity with accounting records.

The main balance sheet items as well as the profit of the Bank as of 31 December 2011, compared to the previous year, are presented below.

(TL thousand)

	31.12.2011	31.12.2010
Cash and Central Bank of Turkey	13,736,905	8,522,625
Banks	2,254,336	3,185,118
Financial Assets Available for Sale	28,652,848	31,360,414
Loans	91,620,638	64,231,678
Participations and Subsidiaries	6,275,017	6,264,039
Investments Held to Maturity	13,465,702	13,603,985
Tangible and Intangible Assets	1,923,511	1,864,504
Deposits	98,313,134	88,260,157
Money Market Funds	19,461,070	10,158,890
Funds Borrowed	11,148,208	8,042,442
Provisions	4,204,926	3,631,589
Shareholders' Equity	17,921,364	17,013,804
Profit/Loss	2,667,487	2,982,210

The Board of Directors has prepared the proposal for the distribution of profit in accordance with the Bank's Articles of Incorporation and the related legislation.

We respectfully request your approval of the Balance Sheet and Profit/Loss Account for 2011.

Sincerely,



Auditor  
Kemal Ağanoğlu



Auditor  
A. Taciser Bayer

## Dividend Distribution Proposal

- As a result of activities in 2011, a net profit of TL 2,667,487,353.25 was made. TL 86,134,484.00 of the net profit figure is the income from sale of participations and real estates. As per the resolution of the Board of Directors, this amount is booked to a special account under liabilities and is to be used for capital increase when necessary, in order to benefit from the exemption clauses of the fifth article of Corporate Tax Law no. 5520. It is proposed that the amount of TL 86,134,484.00, which is not subject to dividend distribution, be transferred to related reserves.

- It is proposed that the distributable balance amount of TL 2,581,352,869.25 to be distributed in accordance with the relevant legislation and article 58 of the Articles of Incorporation of Türkiye İş Bankası A.Ş. as detailed below, including the allocation of TL 393,279,439.27 to type one extraordinary reserves as increased within the framework of the provisions of the Banking Law and the Turkish Commercial Code from the amount to be allocated to type one extraordinary reserves, which is 10% of the balance amount of TL 2,581,352,869.25.

	TL	
NET PERIOD PROFIT		2,667,487,353.25
NON-DISTRIBUTABLE PROFIT		86,134,484.00
DISTRIBUTABLE PROFIT		2,581,352,869.25
<b>I. FIRST DIVIDEND</b>		
(Articles of Incorporation Art. 58/a-b)		
- For Legal Reserves 5%	129,067,643.46	
- Type One Extraordinary Reserve	1,732,842,102.86	
- First Dividend		
To Group A Shares	60.00	
To Group B Shares	1,740.00	
To Group C Shares	269,998,200.00	2,131,909,746.32
		449,443,122.93
<b>II. SECOND DIVIDEND</b>		
(Articles of Incorporation Art.58/c-d-e)		
- To Founders' Shares	2,496.91	
- 2.5% to the Board Members and the CEO in Equal Amounts	1,123,607.81	
- 20% to Bank Employees	89,888,624.58	
- 10% to Legal Reserves	40,863,528.24	
- 10% to Type Two Extraordinary Reserves	44,944,312.30	
- Second Dividend		
To Group A Shares	145.40	
To Group B Shares	2,108.26	
To Group C Shares	272,618,299.43	449,443,122.93

In case the said proposal is approved by the Bank's General Assembly, dividend will be distributed to the Bank's shareholders starting from 02/04/2012 and gross dividend will be distributed as follows to each group of shares with a nominal value of TL 1.

Share Group	Gross (TL)
For each Group A share with a nominal value of TL 1	0.2053974
For each Group B share with a nominal value of TL 1	0.1326987
For each Group C share with a nominal value of TL 1	0.1205822
For each of the founders' shares	1.0158284



# Corporate Governance Principles Compliance Report

## 1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

İşbank operates in compliance primarily with the Banking Law Nr. 5411 and the regulations pertaining to the Banking Law, as well as all other legal provisions that banks are subject to.

İşbank's Compliance and Compliance Risk Management Policy was announced to the organization and published on İşbank's website after the approval of the Board of Directors.

Making public disclosures to the Istanbul Stock Exchange (ISE) promptly and providing access to this information on İşbank's website, keeping shareholders up-to-date with İşbank's Articles of Incorporation, annual reports and all other information and documents, which will affect the exercise of shareholder rights through the website, are the main practices that largely cover the provisions of the "Corporate Governance Principles" published by the Capital Markets Board.

Mrs. Füsün Tümsavaş (Vice Chairman) and Prof. Dr. Savaş Taşkent (Member of the Board) are members of the "Audit Committee", which was established in line with the requirement of article 24 of the Banking Law Nr. 5411.

Without prejudice to the provisions of the Banking Law, explanations regarding the Corporate Governance Principles of the Capital Markets Board, which should be covered in the annual reports of the publicly traded companies, are presented below.

## PART I - SHAREHOLDERS

### 2. Shareholders Relations Unit

Investor Relations Unit of İşbank was founded in 1998 in order to foster communication between the company and the shareholders. The Investor Relations Unit became a separate division starting from 01.04.2009. Following list presents the names and contact details of employees who are working at the Investor Relations Division, which operates under Mr. Mahmut Magemizoğlu, who is the Deputy Chief Executive of İşbank.

Name, Surname	Title	Telephone Number	E-mail Address
Süleyman H. Özcan	Division Head	+90 212 - 316 16 00	Suleyman.Ozcan@isbank.com.tr
Alper Turgal	Assistant Manager	+90 212 - 316 16 10	Alper.Turgal@isbank.com.tr
Ebru Nuhoglu	Assistant Manager	+90 212 - 316 16 08	Ebru.Nuhoglu@isbank.com.tr
Ece Oktar	Assistant Specialist	+90 212 - 316 16 15	Ece.Oktar@isbank.com.tr
Cansu Budak	Assistant Specialist	+90 212 - 316 16 21	Cansu.Budak@isbank.com.tr
Selin Özdemir	Assistant Specialist	+90 212 - 316 16 11	Selin.Ozdemir@isbank.com.tr
Özlem Yavaş	Assistant Specialist	+90 212 - 316 16 22	Ozlem.Yavas@isbank.com.tr
İpek Taşkın	Senior Section Head	+90 212 - 316 16 18	Ipek.Taskin@isbank.com.tr
Gürkan Ali Gülyüz	Section Head	+90 212 - 316 16 19	Ali.Gulyuz@isbank.com.tr
Zeynep Eylem Baş	Assistant Section Head	+90 212 - 316 16 20	Eylem.Bas@isbank.com.tr
Elif Karal	Officer	+90 212 - 316 16 02	Elif.Karal@isbank.com.tr

Following are the principal activities performed by the Investor Relations Division:

- Responding to both the existing and potential investors', rating agencies', international lenders' and other related institutions' information requests, which are not categorized as trade secrets or customer secrets, within the framework of related regulations,
- Participating in domestic and overseas investor meetings and conferences on behalf of İşbank and making presentations to the related parties, when necessary,
- Making public disclosures about the material events and other information subject of announcement through related media and institutions including ISE,
- Keeping the contents of the "Investor Relations" pages of İşbank's corporate website updated,
- Working on research and development regarding the Bank's corporate governance practices,
- Coordination of preparations of General Meeting and Annual Report,
- Carrying out the registration of Bank's shareholders.

In the year 2011, more than 500 inquiries were sent to the Investor Relations Division via telephone and e-mail and all inquiries have been promptly replied. In the same year, Investor Relations Division participated in 12 international and 3 domestic investor conferences and 1 international roadshow, meeting with 254 investment companies' representatives. Furthermore, the Investor Relations Division hosted around 79 investor meetings, 33 analyst meetings and 87 conference calls in its head office.

### 3. Use of Shareholders' Right to Obtain Information

Information requests of shareholders regarding dividend distribution, capital increase, general meeting, annual report, Bank's financial statements and related issues, received by İşbank via mail, telephone, e-mail and other media are evaluated and replied in the most effective and fastest way by the Investor Relations Division. Furthermore, individual or group meetings and teleconferences are held with current and potential investors and analysts. In 2011, more than 500 information requests were received from shareholders and replied by İşbank. Moreover, any information and developments on İşbank concerning the shareholders are regularly disclosed to the related parties through ISE, the website and e-mail.

## Corporate Governance Principles Compliance Report

The announcements regarding capital increase, dividend distribution and General Meeting are made to the shareholders and public via public disclosure, media and İşbank's website as per the provisions of the Turkish Commercial Code and the Capital Markets Law.

Furthermore, regarding the use of shareholders' right to obtain information, shareholders and investors are provided with access to the information specified in article 10 of this report, both in English and Turkish via İşbank's website.

İşbank's website covering the aforementioned information and documents is revised and updated periodically.

İşbank is audited regularly within the framework of primarily the Banking Law and the related regulations.

On the other hand, the Audit Committee, established as required by the article 24 of the Banking Law, consists of Mrs. Füsun Tümsavaş (Vice Chairman) and Prof. Dr. Savaş Taşkent (Member of the Board).

Within the framework of the related regulations, a special auditor may be elected by the General Assembly when necessary, for the investigation of the subjects envisaged in the related regulations. İşbank's Articles of Incorporation do not have a separate regulation for the appointment of a special auditor.

### 4. Information on General Shareholders' Meeting

Regulations related to the General Shareholders' Meetings are stated in the Articles of Incorporation, which is publicly disclosed and also available on İşbank's website. As per the related regulations, the agenda of Shareholders' Meetings and other related issues are made publicly available by means of disclosure on material events, media and internet before the Shareholders' Meetings. In addition, İşbank's annual reports prepared for the Shareholders' Meeting are also presented to the shareholders for their information and examination before the General Shareholders' Meeting. Besides shareholders, the representatives of related legal institutions who are entitled to attend General Shareholders' Meetings as per related regulations, attend the General Meetings.

İşbank held an Ordinary General Shareholders' Meeting on 31.03.2011. Announcements, including the agenda of the meeting and sample of proxy statement, were published on the Public Disclosure Platform, the Trade Registry Gazette, media and website of İşbank within the legal periods. 70.89% of the shareholders were represented at the aforementioned meeting. Invitations to Shareholders' Meetings are made within the framework of Capital Market Law and the Turkish Commercial Code as well as the Articles of Incorporation of İşbank. Balance sheet, financial statement footnotes, independent auditors' report, bank auditors' report, dividend distribution proposal of the Board of Directors and similar detailed information in the annual reports are made available at branches of İşbank to the shareholders before the Shareholders' Meetings within the legal time period required by related regulations. Upon request, annual reports are provided to the shareholders before the General Shareholders' Meetings.

At İşbank's Shareholders' Meetings, all shareholders have the right to express their opinions and ask questions on the subjects of the agenda. Moreover, proposals regarding the agenda, which are put forward by shareholders at the Shareholders' Meetings, are submitted to the voting and approval of shareholders as per the legal procedures.

Real estate related activities of İşbank are regulated by article 63 of the Articles of Incorporation. In addition, the real estate related transactions of the banks are regulated as follows according to article nr.57 of the Banking Law: "Banks shall not engage in purchase and sale of real estate or commodities for commercial purposes, excluding the real estate and commodity contracts under the Capital Markets Law Nr. 2499 or contracts on precious metals deemed appropriate by the Board; or participate in companies, whose core business is real estate trading, except mortgage and real estate investment trusts." According to İşbank's Articles of Incorporation such transactions are under the authority of the Board of Directors within the framework of the Banking Law. Such decisions taken either by the Board of Directors or by the Bank management with the consent of the Board of Directors, are also made public as disclosures on material events under certain conditions.

Minutes of the Shareholders' Meetings are published on the Trade Registry Gazette and they are available from the related unit of İşbank and the website.

### 5. Voting and Minority Rights

There are explanations on the Bank's capital structure and qualifications of shares both in the Articles of Incorporation and annual report and these explanations are submitted to the shareholders for their information.

Currently İşbank does not have any Board member elected by the minority shareholders. There is no regulation in the Articles of Incorporation regarding cumulative voting procedures. However, this does not prevent minority shareholders from using their voting rights through the same proxy.

### 6. Dividend Policy and Dividend Payout Date

İşbank's dividend distribution principles are explained in detail in the Articles of Incorporation and as such the dividend distribution policy is shared with the shareholders. İşbank's dividend payment is made within the legal periods.

On the other hand, dividend distribution proposal of the Board of Directors is also published in the annual report, which is provided to the shareholders prior to the annual Ordinary General Shareholders' Meetings. Dividend distribution is a regular item on the agenda of the General Shareholders' Meeting and is presented for the approval of shareholders and implemented after the approval at General Shareholders' Meeting.

### 7. Transfer of Shares

Transfer of shares can be done in accordance with the related legislation and the Articles of Incorporation of İşbank.

## Corporate Governance Principles Compliance Report

### PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

#### 8. Public Information Policy

##### General Framework of Information Policy

İşbank discloses all kinds of financial and other information required within the framework of primarily the Banking Law and the related regulations; the Capital Markets Board regulations; Turkish Commercial Code; the regulations of Istanbul Stock Exchange and London Stock Exchange where the Bank's shares are quoted; and the regulations due to the ADR program in the U.S.A., where the Bank's shares are registered, by also considering the generally accepted accounting principles and corporate governance principles. The Bank conducts a detailed policy of disclosure and public information.

The main purpose of information policy is to submit the required information and disclosures, other than trade secrets, to the shareholders, investors, employees, clients, creditors and other related parties with equal treatment, in a timely, accurate, complete and clear manner and to make them easily available with the lowest cost.

İşbank, who has an active approach towards adopting and implementing Corporate Governance Principles, puts great effort in carrying out the requirements of the related regulations and the international best practices with regards to public disclosure and information. Being set in accordance with the above-mentioned context, İşbank's Information Policy has been ratified and put into effect by the Board of Directors.

##### Authority and Responsibility

Information Policy has been formed by the Board of Directors. Monitoring and improvement of the public disclosure and information policy of İşbank are under the authority and responsibility of the Board of Directors. The Investor Relations Division has been assigned for the coordination of information function. The authorities of the aforementioned Division fulfill their responsibilities by close cooperation with the Audit Committee and the Board of Directors.

##### Practices and Methods and Devices Used in Public Disclosure

The practices and devices and methods used in public disclosure within the framework of banking regulations, Capital Markets Board Regulations, Turkish Commercial Code and other related regulations, are listed below:

- Bank-only and consolidated financial statements and related notes and explanations together with the independent auditors' report, prepared on a quarterly basis in accordance with the regulations of the Banking Regulation and Supervision Agency (BRSA), are sent to the Istanbul Stock Exchange (ISE) within the legal time frame and are published on İşbank's website. The related financial statements are signed by the members of the Audit Committee and the managers of the Bank, who are in charge of financial reporting together, with a statement of accuracy. Furthermore, the Bank makes a press release related to the quarterly published financial statements and informs the public about the operations during the related period, İşbank's market position, general financial performance and other significant subjects.
- The Bank translates both the financial statements and the press releases into English and submits them to the related parties and publishes them on its official website. On the date of annual general meetings following the announcement of financial statements as of year ends, regularly a review of the previous year is made in the press conference held by the Chairman of the Board and/or the Chief Executive Officer and the questions of the press are answered.
- Bank-only financial statements and related notes and explanations together with the independent auditor's review report thereon, prepared in accordance with the International Financial Reporting Standards on a quarterly basis, are sent to specific creditor institutions and also published on the Bank's official website.
- Consolidated financial statements and related notes and explanations together with the independent auditors' report, prepared in accordance with the International Financial Reporting Standards on a yearly basis are published on İşbank's official website.
- Disclosures of material events required as per the regulations of the Capital Markets Board (CMB) are sent to the ISE and the CMB within the deadlines. Although disclosures of material events are signed on principle by the officials in charge of relations with shareholders, sometimes as an exception they are also signed by the managers in charge of the departments related to the subject and presented to the related authorities. Material disclosures are announced on İşbank's website not later than the day after the related public announcement is made.
- In order to secure the confidentiality of material events until they are publicly disclosed, the Bank's employees with access to inside information are informed on their responsibilities arising from the related regulation. In the agreements made with the entities and firms which have access to inside information due to providing a certain service for the Bank, a confidentiality article is added, when necessary. On the other hand, in accordance with the Banking Law Nr. 5411 and the related regulations, İşbank strictly complies with its legal obligation in terms of keeping the Bank's and its customers' secrets and not disclosing to any authorities other than those which have been expressly authorized by law. This obligation is valid also for the support service contractors and their employees as well as the Bank's employees.
- In cases such as changes in the Articles of Incorporation, general meetings and capital increases, necessary announcements are made via Trade Registry Gazette and Dailies.
- Before each annual general meeting, an annual report, including the necessary information and disclosures, is prepared both in Turkish and in English in accordance with the regulations of the BRSA and presented to the shareholders for their information and it is also published on İşbank's website ([www.isbank.com.tr](http://www.isbank.com.tr)). Hard copies of the annual reports can be obtained from the Investor Relations Division of the Bank, upon request.
- When necessary, press releases are made through written and visual media. Press releases to the written and visual media can be made by the Chairman of the Board, Chief Executive Officer or Deputy Chief Executive, or by the ones authorized by the said persons.
- News on İşbank which take place in domestic media are followed by a professional media monitoring agency. Within this framework, in case there is a need to make a disclosure within the scope of the regulations related to material disclosures, an announcement is made after the completion of the necessary inquiry through related divisions.

## Corporate Governance Principles Compliance Report

- When a disclosure is made related to news and rumors that take place in media, but which do not create any obligation for the Bank to make a material disclosure as per the related regulations, the method and the content of the disclosure is determined by considering the factors like the quality of the news, the extent of the audience reached by the media and whether the news detracts the Bank's reputation or not. When a disclosure is made upon such news and rumors, if the content of the disclosure includes anything which requires a public disclosure, a material disclosure is also made in accordance with the related regulations regarding the subject matter. If the published news is a violation of article 74 of the Banking Law, related to the protection of reputation, the Bank has the right to make an attempt to take necessary legal actions.
- Occasionally, shareholders and related parties are informed through conference calls. These conference calls are coordinated by the Investor Relations Division.
- Shareholders and other related parties are kept informed through investor meetings and road shows in Turkey and abroad. These meetings are conducted by the Investor Relations Division and the Chief Executive Officer, managers in charge financial management and reporting and the managers of the Investor Relations Division participate in these meetings and road-shows, depending on their availability. If necessary, participation can be extended.
- In order to allow all market participants to get information simultaneously and equally, the information and presentation meetings held with investors, presentations and reports announced at press conferences are made available on the Investor Relations pages of the Bank's official website.
- By e-mail, the Investor Relations Division sends regularly and periodically the financial statements and related disclosures to the shareholders, creditors, rating institutions and analysts that prepare reports about İşbank.
- Detailed information on İşbank is available on the Investor Relations pages of the corporate website both in Turkish and in English in line with the corporate governance principles. The said pages are monitored and updated by the Investor Relations Division. All kinds of inquiries sent by the shareholders and related parties via e-mail, letter or telephone are responded to in coordination with the Investor Relations Division within the shortest time possible.

### Other Disclosures

Public disclosures other than the ones mentioned above are made within the boundaries determined by the framework of the Bank's authorized signatures.

### Specifying the Persons Discharging Management Responsibility

The criteria of specifying the persons discharging management responsibility are the administrative functions of the persons in the Bank's organization and the content of the information accessed. Within this context, apart from the Board Members, Chief Executive Officer and Deputy Chief Executives, some division managers who have access to holistic information on the Bank and who are authorized to make administrative decisions that may significantly affect factors like asset-liability structure, profit-loss, cash flow, strategic targets, are also specified as persons discharging management responsibility.

### Türkiye İş Bankası Corporate Website ([www.isbank.com.tr](http://www.isbank.com.tr))

İşbank's website is actively and intensely used for communicating information and public disclosures. The website includes the information and data required by the Corporate Governance Principles and regulatory authorities, both in Turkish and in English. Information available on the website include notices on the general meetings, agenda of the general meetings, information circular related to the agenda, other information, documents and reports related to the agenda and methods of participation in the general meeting. Utmost care is given to keep the website up to date.

### 9. Disclosures on Material Events

In 2011, İşbank made 65 disclosures of material events to the ISE in compliance with the "Material Events Disclosure Requirement Communiqué" of the Capital Markets Board. Regarding the public disclosures in 2011, no further information was requested by ISE or the Capital Markets Board. An administrative fine was imposed against İşbank and some other banks about some transactions which were not considered as an obligation to give notice about between the years 2008-2009, regarding accounting standards and related regulations of the Capital Markets Board (CMB).

İşbank's depositary receipts issued in the USA are listed and currently traded on the London Stock Exchange. Certain disclosures made to the ISE are also regularly sent to the London Stock Exchange and the Bank of New York Mellon, which is the sponsor of İşbank's DR program.

### 10. Türkiye İş Bankası Company Website ([www.isbank.com.tr](http://www.isbank.com.tr))

İşbank's website is actively and intensely used for public disclosures and communicating information. The website includes the information and data required by the Corporate Governance Principles and regulatory authorities, both in Turkish and in English. Information available on the website include trade registry information, organization and ownership structure, information about shares, Articles of Incorporation, Public Disclosures, annual reports, periodic financial statements and independent auditors' report, Corporate Governance Principles Compliance Report, investor presentations, notices on the general meetings, agenda of the general meetings, information circular related to the agenda, proxy voting form, other information, documents and reports related to the agenda, information about methods of participation in the general meeting, minutes of the general meeting and information required by related legislation. Utmost care is given to keep the website up to date.

### 11. Disclosure on Ultimate Controlling Real Person Shareholder/Shareholders

There is no ultimate controlling real person shareholder of İşbank. İşbank's ownership structure is disclosed to public and this information is updated and disclosed in the footnotes of the financial statements published at the ISE and on the internet pages of the Investor Relations Division on a quarterly basis.

## Corporate Governance Principles Compliance Report

### 12. Disclosure on People Who can Have Access to Insider Information

As per article 73 of the Banking Law, banks' shareholders, directors, employees, representatives and officials shall not disclose trade secrets related to banks or their clients thereof which they have received in connection with their positions and duties, to any authority other than those which have been expressly authorized by law.

This obligation shall continue after leaving office, too. Any person, who has been found to infringe this provision of the article, shall be sentenced to a heavy imprisonment term from one year to three years and a judicial fine starting from a thousand days up to two thousand days.

Same penalties are also applicable to any third party who has disclosed trade secrets related to a bank and its clients. If the confidential information and documents are disclosed with a view to acquiring benefits for one-self or for others, the penalties shall be increased by one sixth. Furthermore, depending on the importance of the offense, the responsible persons shall be prohibited from working at the institutions subject to this Law temporarily for a period that is not less than two years or permanently.

İşbank fully complies with the legal regulations on insider trading. İşbank has also adopted anti-insider trading policies as an indispensable part of its corporate culture. For this reason, using information in order to obtain benefits for one-self or for others by employees who are able to access insider information is strictly prohibited. In this context, for instance, employees of the Capital Markets Division are prohibited from buying and selling equities including İşbank shares.

Moreover, the list of people who have access to inside information is tracked by İşbank in accordance with CMB regulations and is updated regularly and transferred to the Central Registry System.

### PART III - STAKEHOLDERS

#### 13. Informing Stakeholders

İşbank's stakeholders are regularly informed about required subjects through press release, press conference, interviews, annual reports, news on the website, disclosures and various meetings. Within this context, the necessary corporate organizational structure has been formed to satisfy the information demands of shareholders, employees and customers.

Functions related to informing the employees about the human resources practices and policies are conducted by Human Resources Management Division and, in this context, İşbank's Corporate Intranet Portal is used effectively. Human Resources Help Desk operates in order to answer the questions of the employees and to develop solutions.

#### 14. Participation of Stakeholders in the Bank Management

İşbank employees participate in the management of the Bank via İşbank Members' Supplementary Pension Fund, which is a shareholder of the Bank. Other shareholders are represented in the management of İşbank in line with the regulations of the Articles of Incorporation.

Furthermore, there is a proposal system by which employees may make suggestions regarding the activities of the Bank.

#### 15. Human Resources Policy

Human Resources Policies of İşbank were defined and based on the principles of equal opportunity, fairness, transparency and performance. The related policies are implemented with the aim of increasing the means for employee progress adhering to basic rules of conduct and ethical values. Human resources needs are met in line with İşbank's vision and mission in respect of human resources, through recruiting people who have the required qualifications for the job using convenient evaluation methods and instruments. In this context, fundamental recruitment criteria are defined in written format and the hiring processes are carried out according to these criteria.

In principle, employees within İşbank are promoted to the executive management positions. When there is a need, areas that require expertise, including professional consulting, may be outsourced.

Performances of the employees are evaluated within the framework of personnel evaluation criteria suitable to their positions periodically by face to face interviews with the employees; strengths and/or weaknesses of the employees are defined to increase their performances and also to prepare them for a higher position, related development and education schemes are formed; activities are designed for the purpose of realization of these plans and meeting the educational needs. In line with a career management philosophy based on constant development, by taking into account their skills, staff is employed according to their skills at positions that they fit best, in terms of satisfying the needs of the Bank and productivity.

İşbank employee candidates are informed about Human Resources practices and hirings through the Human Resources pages of the Bank's corporate website.

Through İşbank's Corporate Intranet Portal, which was formed in order to enhance information sharing within the corporation and to communicate with employees more effectively, all the employees are given the opportunity to have quick access to the Bank's regulations, activities of divisions, up-to-date announcements and to supplementary sources.

Furthermore, suggestions, requests and questions of employees and other interested parties regarding human resources applications are evaluated via Human Resources Help Desk.

Labor union representatives who are assigned by Basisen (Labor Union of Banks and Insurance Companies) under which İşbank employees are organized, conducts relations with the employees. Labor union representatives have a constructive and effective role in forming communication between the Bank and the employees.

Every two years a Collective Bargaining Agreement is signed by the Bank and Basisen. The last Collective Bargaining Agreement that was signed covers the period between 01.04.2010 – 31.03.2012.

It is essential for İşbank that human rights are respected and that there is not any discrimination based on race, language, religion and sex.

## Corporate Governance Principles Compliance Report

### 16. Information on Relations with Customers and Suppliers

A Customer Relations Unit was established within the Bank to ensure the customer satisfaction and this unit is accessible through the website, call center, mail, fax and via e-mail. All types of customer complaints received by İşbank are followed, assessed and resolved by this unit and relevant feedback is communicated to the related units to improve the product and services processes.

### 17. Social Responsibility

Together with its equity participations, İşbank is one of the biggest economic players in Turkey due to its contribution to economy, public interest oriented vision, high level of employment creation and awareness of social responsibility which is among İşbank's management principles.

Since its establishment, focusing seriously on the issues, which are the basic needs of the modern society and which are directly related to the country's future, İşbank supports, within the framework of the Regulation on Social Responsibility Practice formed in 2007, the social responsibility projects in education, environment, culture and arts, which are qualified to be long-lasting, being able to advance the society, far-reaching, sustainable and extendable.

Detailed information regarding these activities can be found on the Bank's website and annual reports. There is no violation of environmental legislation regarding İşbank's operations and the Bank has never faced legal sanctions thereon.

## PART IV - BOARD OF DIRECTORS

### 18. Structure and Composition of the Board of Directors and Independent Members

İşbank's Board of Directors has 11 members as listed below:

Name, Surname	Position
H. Ersin Özince	Chairman
Fusun Tümsavaş	Vice Chairman
Adnan Bali	Member of the Board and CEO
Prof. Dr. Savaş Taşkent	Member of the Board
Hasan Koçhan	Member of the Board
Aynur Dülger Ataklı	Member of the Board
M. Mete Başol	Member of the Board
Mustafa Kıcaloğlu	Member of the Board
Aysel Tacer	Member of the Board
Hüseyin Yalçın	Member of the Board
Murat Vulkan	Member of the Board

Board of Directors, excluding the chief executive officer, comprise of non-executive members.

The election of İşbank Board members is implemented according to article 25 of the Articles of Incorporation and the Banking Law. As per the Banking Law, the chief executive officer of the Bank and, in his absence, his deputy shall be a natural member of the Board.

Although there is no restriction for the Board members to work elsewhere, some activities of Board members have been defined as "Forbidden Activities" in article 32 of the Articles of Incorporation of İşbank.

### 19. The Qualifications of the Board Members

The principles governing the election of Board Members are stated in the Bank's Articles of Incorporation.

The Banking Law describes the qualifications required for a Board member and İşbank complies with the aforementioned regulations in the election of Board members.

As per article 23 of the Banking Law, the qualifications required for the chief executive officer (The chief executive officer of a bank must have at least an undergraduate degree in the disciplines of law, economics, finance, banking, business administration, public administration and related fields and those that have undergraduate degrees in engineering fields must have a graduate degree in the aforementioned fields and in both cases they must have at least ten years of professional experience in the field of banking or business administration), shall also be required for majority of the Board of Directors.

### 20. Vision, Mission and Strategic Goals of the Bank

The vision and objectives of İşbank were approved by the Board of Directors and disclosed to public via the Bank's website. In this context, İşbank's vision is to be the most preferred bank in Turkey by customers, shareholders and employees by maintaining its leading, pioneering and reliable position. İşbank's mission, in general, is described as meeting the needs of its customers with fast, efficient and high standard solutions, increasing the value it created for its shareholders constantly and encouraging employees for the maximum performance. The Board of Directors regularly monitors and supervises the performance of the Bank in terms of achieving the strategic goals. The Business Programme that includes the yearly objectives formed according to the general strategic goals, comes into effect after approval by the Board of Directors. The quarterly performance of the Bank in comparison with the objectives is reported comprehensively to the Board of Directors.



## Corporate Governance Principles Compliance Report

### 21. Risk Management and Internal Control

As per article 29 of the Banking Law, banks are obliged to establish and operate adequate and efficient internal control, risk management and internal audit systems that are in harmony with the scope and structure of their activities, that can respond to changing conditions and that cover all their branches and participations subject to consolidation in order to monitor and control the risks that they encounter. Internal controlling activities are carried out by the Internal Control Division and the internal control personnel reporting to the Board of Directors and risk management activities are performed by the Risk Management Division and personnel reporting to the Board of Directors. Furthermore, banks have to establish internal audit systems that involve all their units, branches and participations subject to consolidation. In this context, bank inspectors investigate the conformity of the banking activities to the legislation, articles of association, internal regulations and banking principles.

İşbank's internal audit, risk management and internal control systems have been established in accordance with the principles and organization structures as required by domestic regulations in parallel with the best international practices. The units constituting the internal systems are the Board of Inspectors, Internal Control, Risk Management and Corporate Compliance Divisions. The units constituting the internal systems work under the Board of Directors.

Corporate Compliance Division works under the Board of Directors on issues regarding compliance with the regulation and anti money laundering. The basic objective of the corporate compliance practices is to make the maximum contribution to ensure that the compliance risk at the Bank is managed effectively and as targeted, thus kept under control and within this framework, the structure and implementation of the Bank's operations are carried out constantly in accordance with the rules, regulations and standards. In addition, the Corporate Compliance Division, which is also responsible for the coordination of duties and activities related with compliance and compliance risk, has a mutual communication and cooperation with other related Divisions and employees.

### 22. The Authorities and Responsibilities of the Board of Directors and the Management

Authorities and responsibilities of the Board members, the CEO and the auditors are clearly defined in the Banking Law, the related provisions of the Banking Law, the Turkish Commercial Code and the Articles of Incorporation of İşbank.

### 23. Fundamentals of the Functions of the Board of Directors

Secretariat to the Board of Directors is in charge of providing all the necessary support and communication activities for the functions of the Board to be carried out.

The Board meetings are normally held once a month, yet interim meetings might be held in case of need. Meeting agendas are prepared in accordance with the proposals of head office departments. Moreover, various reports requested by the Board of Directors from the Bank management and off the agenda topics put forward by the Board members are discussed during the meetings. Meeting agendas and related documents are distributed to the Board members and auditors before the meetings according to the principles determined by the Board.

All the discussions during the Board meetings are recorded in the minutes of the Board meetings. As per article 28 of the Articles of Incorporation, the minutes of the Board meetings were recorded to the Board Record Book, but within the framework of the change in regulations, starting from 11 June 2008 separate record books are being kept for the Board Resolutions and the minutes of the Board meetings. When there is a dissenting opinion on an item at the Board meetings, the related dissenting vote is recorded to the Board Record Book and in case a written argument for the dissent is presented to the Board, the related written statement is submitted to the Auditors. Each Board member has one voting right and the Board members do not have any weighted voting rights and/or veto rights.

15 Board meetings were held in 2011. Generally, full participation is achieved at the meetings. In 2011, 13 meetings were held by full participation and one member could not attend in two of the meetings, one for each meeting. 583 pages of meeting minutes were taken for the Board meetings in 2011. 954 resolutions were made both during the meetings and by examining files.

### 24. Prohibition of Transaction and Competition with the Company

As per the article 32 of İşbank's Articles of Incorporation, Board Members cannot directly or indirectly do commercial business with the Bank for themselves or on behalf of others unless they take the consent of the General Assembly.

### 25. Ethical Rules

For the aims to preserve stabilization and trust, to improve the service quality, to maintain society's respect to banking business by preventing unfair competition in the banking sector, the banks, including İşbank, that constitute the Turkish banking sector, united under the Banks Association of Turkey and formed the "Code of Banking Ethics" for regulating ethical rules to be effective for the banks' transactions between each other, with their customers, employees and other institutions. Banks Association of Turkey disclosed the aforementioned Code of Banking Ethics to public with a communiqué.

Within the same framework, the Association of Capital Market Intermediary Institutions of Turkey disclosed Capital Markets Code of Profession to public according to the resolution of General Assembly dated 13 December 2001 that contains rules for banks and other intermediary institutions to be applied in their business transactions and relations between each other, with their customers and employees in order to form a respectful society of the members of the profession. The aforementioned codes of ethics that describe the culture of behaviors within the organization have also been adopted by İşbank and shared with its employees through internal communication channels. On the other hand, İşbank has formed the Policy for the Prevention of Laundering of Criminal Proceeds and Terrorism Financing and procedures and shared them with all its employees through internal communication channels. The aforementioned policy is also published on İşbank's website both in Turkish and in English.



## Corporate Governance Principles Compliance Report

### 26. Number, Structure and Independency of the Committees Established within the Board

The administrative and organizational structuring required by the Banking Law Nr. 5411 and related legislation, exists in İşbank.

#### The Audit Committee

The Audit Committee has two members and is chaired by Mrs. Füsün Tümsavaş, Vice Chairman of the Board of Directors. The other member of the Committee is Prof. Dr. Savaş Taşkent, who is also a member of the Board.

The Audit Committee is obliged to hold meetings in accordance with the related regulations and to inform the Board of Directors about the results of its activities and the measures to be taken, practices that are required and its opinions on other matters that are deemed to be significant for the Bank to conduct its business safely.

The Audit Committee is in charge of:

- Ensuring that the internal systems of the Bank function efficiently and sufficiently, that these systems and the accounting and reporting systems operate within the framework of the related regulations and the Bank's policies and that the information produced has integrity,
- Carrying out the preliminary assessment of independent audit firms and companies providing rating, valuation and support services to be selected and monitoring the firms that are appointed by the Board, on a regular basis,
- Ensuring that the internal audit functions of subsidiaries that are subject to consolidation are coordinated in line with the related regulations,
- Reporting, presenting opinions and making recommendations to the Board on the functions, operations and related policies and regulations of the internal systems and the divisions that are part of the internal systems,
- Evaluating the information and reports received from the independent audit firms and the divisions that are part of the internal systems, about their operations,
- Ensuring that the Bank's financial reports are prepared in line with the related legislation, regulations and standards,
- If required, gathering information, documents or reports from all Bank units, support service contractors and independent auditors and being subject to Board approval, receiving consultancy from those who are specialists in their respective fields,
- Fulfilling other responsibilities determined by the related legislations and the duties given by the Board within this framework,
- Reporting to and informing the Board about the results of its own operations, the measures needed to be taken in order for the Bank's operations to be within the framework of the related legislation and Bank policies in a continuous and secure way and its evaluation, opinion and recommendation on any other issues that are deemed to be important.

In 2011, Audit Committee held 24 meetings and adopted 27 resolutions.

#### Turkish Republic of Northern Cyprus (TRNC) Internal Systems Committee

As per the resolution of the Board of Directors, dated 15.06.2009, Nr.35546, TRNC Internal Systems Committee is established for the branches operating in TRNC within the framework of TRNC Banking Law and related regulations. The Committee has two members and is chaired by Mrs. Füsün Tümsavaş, who is the Vice Chairman of the Board of Directors. The other member of the committee is Prof. Dr. Savaş Taşkent, who is also a member of the Board.

The Committee holds meetings at least twice a year provided that a six month period is not exceeded and informs the Board of Directors on the results of its own activities, its opinion on the measures needed to be taken and the necessary practices to be implemented by the TRNC branches and other important issues in order for these branches to operate in a secure way.

TRNC Internal Systems Committee is responsible for ensuring the efficiency and sufficiency of the internal systems provided by the Bank in relation to the operation of the TRNC branches; ensuring the operation of the internal systems, accounting and reporting systems in line with the law and related regulations and ensuring the integrity of the produced information; carrying out the preliminary assessment of independent audit firms and other companies providing services directly related to other banking operations to be selected by the Board; and monitoring regularly and coordinating these companies that are selected and contracted by the Board.

In 2011, the TRNC Internal Systems Committee held 5 meetings and adopted 7 resolutions.

## Corporate Governance Principles Compliance Report

### Credit Committee

İşbank's Credit Committee makes resolutions on credit allocation within its authorization limit, makes decisions on demands to change the credit allocation conditions within its authorization limit and carries out any assignments regarding credits given by the Board.

İşbank's Credit Committee consists of three members; one of them is the Chief Executive Officer or Deputy Chief Executive, who is also the chairman of the Committee and two members from the Board of Directors. Each year, at the first Board meeting after the Annual General Meeting, the Board members of the Credit Committee that will perform their duty until the next General Meeting are determined. Two alternate Committee Members are designated who will stand if need arises.

The Committee makes decision on the credit allocation with consensus, after each Committee Member examines and signs the files. Resolutions of the Credit Committee which have unanimous backing are executed directly while resolutions made on a majority basis are executed following the approval of the Board of Directors.

By the end of December 2011, 140 files under the authority of the Credit Committee were evaluated.

The members of the Credit Committee for the period between January and March 2011 were Member of the Board and Chief Executive Officer, Mr. H. Ersin Özince as the Chairman of the Committee, Vice Chairman of the Board of Directors, Mr. H. Fevzi Onat and Board Member, Mrs. Füsün Tümsavaş as Committee Members. Alternate members of the Credit Committee were the Board members Mrs. Tülin Aykın and Mr. Hasan Koçhan.

The members of the Credit Committee for the period between April and May 2011 are Member of the Board and Chief Executive Officer, Mr. Adnan Bali as the Chairman of the Committee, Vice Chairman of the Board of Directors, Mr. H. Fevzi Onat and Board Member, Mrs. Füsün Tümsavaş as Committee Members. Alternate members of the Credit Committee are Board members Mr. Hasan Koçhan and Mr. M. Mete Başol. After resignation of Vice Chairman of the Board of Directors Mr. H. Fevzi Onat on 30.05.2011, who was Credit Committee member, Member of the Board and Chief Executive Officer Mr. Adnan Bali continued his duty as the Chairman of the Committee, the Vice Chairman of the Board of Directors Mrs. Füsün Tümsavaş and the member of the Board Mr. Hasan Koçhan continued the duty of the Credit Committee members for the period of June-December 2011. Board members M. Mete Başol and Aysel Tacer were appointed as alternate members of the Credit Committee.

Committee Members	Duty	Primary Duty
Adnan Bali	Chairman of the Committee	Member of the Board and Chief Executive Officer
Füsün Tümsavaş	Member	Vice Chairman of the Board
Hasan Koçhan	Member	Member of the Board

Alternate members: M. Mete Başol – Aysel Tacer

### Credit Revision Committee

Being one of the committees of the Board of Directors, the Credit Revision Committee is established as per the article of Revision of Limits within the context of Credit Risk Policy, which came into effect by the resolution of the Board of Directors dated 30.09.2003 and nr 30249, within the framework of the principle of reviewing the loan portfolio, evaluating the relations with credit customers at the end of the year and revising, when necessary, the credit limits allocated to the said persons and corporations.

Within this framework, as per the resolution of the Board dated 31.12.2010 and nr 37089, the Credit Revision Committee; consisting of Vice Chairman of the Board, Mr. H. Fevzi Onat and Board Members Mrs. Tülin Aykın, Mrs. Füsün Tümsavaş and Mr. Hasan Koçhan; individually reviewed 471 individual or group firms whose general limits/risk ceilings are above a certain amount and are monitored by Corporate and Commercial Loans Underwriting Divisions. The firms/risk groups of which the risk perceptions are respectively lower were evaluated on an overall basis. Furthermore, 57 correspondent banks of whose general limits are above a certain amount were evaluated and the Committee completed its evaluations as of 31.03.2011.

As per the resolution of the Board of Directors dated 12.12.2011 and nr 37986, the current Credit Revision Committee, consisting of Vice Chairman of the Board, Mrs. Füsün Tümsavaş and Board members Mr. Hasan Koçhan, Ms. Aysel Tacer and Mr. Murat Vulkan, has started its examinations.

### Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was established as per the Regulation on Social Responsibility Practice, which was adopted with the resolution of the Board and its members are Board Members Mrs. Aynur Dülger Ataklı and Ms. Aysel Tacer, Vice Chief Executives Mr. Özcan Türkakın and Mr. Yalçın Sezen and Head of the Corporate Communications Division Mr. Suat E. Sözen.

The Committee operates in accordance with the Regulation principles, by considering the basic fields of contribution, which are determined as education, culture and art, health, protection of the environment and other activities.

In 2011, Corporate Social Responsibility Committee held 11 meetings and adopted 31 resolutions.

## Corporate Governance Principles Compliance Report

### Risk Committee

Risk Committee is responsible for formulating the risk management strategies and policies İşbank will adhere to both on a consolidated and unconsolidated basis, presenting them to the İşbank Board of Directors for approval and monitoring compliance with them. The Committee is the common communication platform with the Bank's executive divisions in terms of assessing the risk the Bank is exposed to, making suggestions about the measures to be taken and methods to be followed.

The Committee's principal duties are the following:

- Prepare the risk strategies and policies and present to the Board for approval,
- Adjudicate by negotiating the issues addressed by Risk Management Division,
- Recommend to the Board the level of risk limits for exposures, monitor the breach of limits and recommend to the Board regarding elimination of those breaches,
- Recommend to the Board changes in risk policies if diverse circumstances require,
- Monitor risk identification, definition, measurement, assessment and management processes carried out by Risk Management Division,
- Monitor accuracy and reliability concerning the risk measurement methodologies and their results.

Committee Members:

- Füsün Tümsavaş: Vice Chairman of the Board of Directors and Head of Risk Committee.
- Adnan Bali: Member of the Board and Chief Executive Officer, Head of Credit Committee
- Ertuğrul Bozgedik: Deputy Chief Executive
- Senar Akkuş: Deputy Chief Executive, Head of Asset & Liability Management Committee
- Gamze Yalçın: Head of Risk Management Division

Risk Committee contributes to the formation of group risk policies structured on a consolidated basis including both financial and non-financial participations of İşbank. In the activities that the Risk Committee carries out on a consolidated basis,

- Özcan Türkakin, Deputy Chief Executive
  - Burhanettin Kantar, Head of Equity Participations Division
- also attend the meetings.

In 2011, the Risk Committee met a total of 12 times 4 of which were on a consolidated basis. In addition to the risk management evaluations of İşbank and its participations under consolidation, 12 risk management reports were submitted to the Committee and resolutions were adopted about risk management systems and processes.

### Remuneration Committee

As per the resolution of the Board of Directors, dated 29.12.2011 and nr.38038, Remuneration Committee has been established for the purpose of executing functions and activities related to monitoring and controlling remuneration implementations of the Bank on behalf of Board of Directors. The Committee has two members; Mr. H. Ersin Özince, the Chairman of the Board, was elected as the Chairman of the Committee and Prof. Dr. Savaş Taşkent was elected as the member of the Committee.

The Committee holds meetings at least twice a year provided that six month period is not exceeded and informs the Board of Directors on the results of its own activities and its opinions on other important issues.

Remuneration Committee is responsible for monitoring and controlling implementations related to remuneration management on behalf of Board of Directors within the context of compliance to Corporate Governance Principles; providing that remuneration is in compliance with the Bank's on ethical values, internal balances and strategic goals; evaluating remuneration policy and its implementations within the framework of risk management; submitting the proposals to Board of Directors that are in line with the requirements after examining remuneration policy, as well as officiating other responsibilities in accordance with relevant legislations and missions given by the Board of Directors within this framework.

### 27. The Remuneration of the Board of Directors

Monthly remunerations of the Board members and auditors are determined annually at İşbank's General Shareholders' Meetings and disclosed to the ISE.

On the other hand, restrictions related with the loans to be extended by İşbank to the Board members are defined in article 50 of the Banking Law. In this context, İşbank does not extend loans to its Board members other than those allowed by the law.

As for the remuneration of the Board of Directors; article 58 of İşbank's Articles of Incorporation contains the following expression: "After the legal and extraordinary reserves fund and the first dividend have been allocated from the net profit, 0.25% of the remaining balance is distributed among the members of the Board of Directors and the Chief Executive Officer equally." Within the context of this regulation, financial rights of the Board members are determined with an approach that is sensitive to the financial performance and profitability of İşbank to a large extent.

## Audit Committee's Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems and Its Activities in the Reported Period

### Internal Audit

The İşbank Board of Inspectors reports to the Board of Directors via Audit Committee and is responsible for the auditing functions. The İşbank Board of Inspectors fulfills the duty of inspecting and supervising the activities of all the Bank's Head Office divisions, including internal control, risk management and corporate compliance divisions, domestic and foreign branches and the subsidiaries, in accordance with the Bank's mission, strategies and policies, as well as relevant laws and regulations. Furthermore, the Board of Inspectors performs the auditing of the Bank's processes and information systems. The Board of Inspectors also carries out preparatory inquiries, fraud examinations and investigations when necessary.

Having been certified to be in conformance with the international quality standards, the İşbank Board of Inspectors combines the Board's deep-rooted audit traditions with advanced technology in a modern, risk-focused approach to perform its duties, with its 191 inspectors and assistant inspectors. The Board's auditing functions are carried out by on-site inspections as well as by remotely making use of the Bank's data processing infrastructure.

Depending on their content and priority, the reports of the results of the Board's inspections are classified and submitted to the Board of Directors, the Audit Committee, the Senior Management and related Head Office units. In the meantime, the measures taken related to identified issues are monitored by the Board of Inspectors. The Board of Directors keeps track of the performance of the Board of Inspectors through monthly reports presented via the Audit Committee.

During 2011, The Board undertook 452 branches, 2 Head Office divisions, 6 subsidiaries, 8 process audits as well as information systems audit in accordance with COBIT. In addition to their audit-related activities, members of the İşbank Board of Inspectors also undertake duties on major projects that the Bank is involved in.

With the help of the risk focused inspection programs, the Board could audit a considerable portion of İşbank's entire credit portfolio in 2011. The remote auditing activities of the Board has enabled the Bank to monitor the major risks especially in loans and human resources regularly and given the Bank the ability to counteract before the risks grow further.

### Internal Control

The Bank's internal control system is structured so as to make it possible for all financial and operational risks identified as being related to the Bank's activities can be kept continuously under control and at reasonable levels. Within the framework of the internal control system, the internal control activities, policies and procedures that shape these activities are reviewed continuously at every level of the Bank and renewed according to the current requirements, as a result, the integration of the internal control activities and the internal control system of the Bank can be achieved.

İsbank's activity-related work-flows incorporate all of the necessary steps and appropriate controls. Segregation of duties, transaction conduct and approval authorizations and limits, systemic controls, post-transaction controls and other process related controls all work together to ensure that the Bank's activities and transactions are continuously carried out effectively, correctly, systematically and securely by all the levels of the personnel. This operational and internal control structure also plays an important role on the reliable and efficient operation of the processes and controls of the accounting and financial reporting systems.

The main framework of the internal control activities structured within the internal control system consists of operational controls, information and communication systems and financial reporting systems controls and compliance controls.

The Internal Control Division operates under the direction of and reports to the Board of Directors. It aims to provide the maximal contribution to ensure that the internal control structure that makes up the Bank's control infrastructure always functions in compliance with the related laws, regulations and standards in a sound, strong and effective way. Internal Control Division is responsible for examining, controlling, monitoring and evaluating the Bank's activities and reporting its findings to the parties concerned. Division activities are structured as to comprise the Head Office divisions, branches, subsidiaries that are subject to consolidation and the institutions from which the Bank takes support services.

The findings, opinions and recommendations resulting from internal control activities are shared and evaluated at first with those performing the activities and the related process owners. This contributes to the implementation of adequate and practicable solutions for improving internal control processes and activities. All of these proceedings are continuously and closely monitored by the internal controllers and their managers as well as by those responsible for the conduct of the activities. The evaluations made about the operations are reported to Senior Management. The results of the internal control activities are also continuously evaluated and followed by the Board of Directors and the Audit Committee.

Internal Control Division's activities include on-site review of all domestic and overseas branches at least once a year and performing tests on each of the control points in the workflows of Head Office Divisions. Control activities are also performed at the Information Technologies Divisions and these activities are COBIT based. The reviews, being performed both at the Divisions and at the Branches, are supported by computer assisted control and monitoring activities. In 2011, all of İşbank's activities were controlled in accordance with the Division's targets.

As a result of the Internal Control Division's activities in the year 2011, it can be concluded that the internal control system and the internal control activities of the Bank at all levels and operations depend on reasonable controls and function productively and effectively in line with the Bank's goals and objectives.

## Audit Committee's Assessments on the Operation of Internal Control, Internal Audit and Risk Management Systems and Its Activities in the Reported Period

### Compliance

Compliance is the foremost duty and responsibility of all managers and employees of the Bank at any level. The coordination of functions and activities regarding compliance executed in the Head Office Divisions and Branches of the Bank is managed through the corporate compliance activities conducted within the Corporate Compliance Division, which reports to the Board of Directors.

Corporate Compliance Division operates with the purpose to provide maximum contribution in order to manage the compliance risk and control this risk in an appropriate and efficient manner and in this regard to execute and manage the activities of the Bank continuously in compliance with the relevant laws, regulations and standards.

The necessary researching, analyzing, monitoring, assessing, informing, conducting, coordinating and reporting activities regarding compliance issues are conducted within the Corporate Compliance Division, which consists of three sub-units, namely, Regulatory Compliance, Banking Activities Compliance and Anti-Money Laundering Compliance.

The duties and responsibilities of the Compliance Officer as stated in the Prevention of Laundering Proceeds of Crime Law and other related regulations in effect are fulfilled by the Head of Corporate Compliance Division, who is the legal "Compliance Officer" of the Bank as well. The activities regarding the prevention of laundering of criminal proceeds and finance of terror in the Bank are executed in an express and efficient manner within the context of related legislations and the Bank's Policy and the Compliance Program, which have been prepared in accordance with these legislations.

The Bank's Compliance and Compliance Risk Management Policy and Prevention of Laundering Criminal Proceeds and Terrorism Financing Policy are stated in "Investor Relations / Corporate Governance" link at the Bank's website [www.isbank.com.tr](http://www.isbank.com.tr) in English and Turkish.

The results of the activities regarding compliance are also regularly monitored and evaluated by the senior management and the Board of the Bank.

### Risk Management

Besides banking activities, both financial and non-financial risks encompassing the whole group are required to be analyzed, monitored and reported from the standpoint of group risk management in addition to that of banking-specific risk management principles. This aspect of risk management, beyond regulatory requirements has become an industry standard for corporate governance.

The risk management process, organized within the framework of advanced risk management methodologies and favors a common risk management culture throughout the establishment, is structured to emphasize "good corporate governance", assuring independency of units responsible for monitoring and controlling risk from executive functions, so that risk definition, measurement, analysis, monitoring, reporting and control functions are carried out within the same framework.

A general assessment of risk by categories suggests that the most significant risk the Bank was exposed to in 2011 was credit risk, just as was also the case in 2010. This was followed by market risk, especially interest rate risk. In 2011, capital allocation was done for nonfinancial operational risk according to framed policy beside financial risk.

The process of risk management and the functions involved in that process are among the highest-priority responsibilities of the İşbank Board of Directors. Acting through the Risk Committee, which reports to the Board of Directors, the Bank Credit Committee and the Assets & Liabilities Committee together with the Risk Management Division in its capacity as a functional component of risk management are engaged in efforts to bring the Bank into compliance with Basel II capital adequacy rules. Sub-committees of the Risk Management Division are Asset-Liability Management Risk Unit, Credit Risk and Economical Capital Unit, Operational Risk, Model Validation and Subsidiary Risk Unit.

Prof. Dr. Savaş Taşkent

Member of the Board and the Audit Committee

Füsün Tümsavaş

Vice Chairman of the Board and  
Chairman of the Audit Committee

## Financial Condition, Profitability and Solvency

In 2011 İşbank increased its total assets by 22.7% to TL 161.7 billion.

In 2011 İşbank grew faster than the sector average, increasing its total lending by 42.6% year-on-year to TL 91.6 billion. During the reporting period, TL-denominated loans were up by 34.2% while the growth in foreign currency loans was 60.8% due to the movements in exchange rates. The rise in foreign currency assets in terms of US dollars was 31.7%.

Despite the strong rise in lending, İşbank's 93.2% ratio of total loans to total deposits was below those of other privately-owned banks and that of the sector as a whole. This indicates that the Bank has the potential to achieve still more growth on the lending front.

The ratio of the Bank's non-performing loans ratio, which was 3.6% in 2010, edged down to 2.1% in 2011. This was the result of an ongoing decline in the incidence of NPL formation, strong performance in collection and sales made from the Bank's NPL portfolio. In 2011, İşbank also continued to abide by its policy of setting aside provisions to cover 100% of its NPL exposure.

In order to keep pace with strong demand for loans and paralleling also the ongoing improvement in asset quality in 2011, İşbank decided to generate additional funding by reducing the overall size of its securities portfolio by 5.9%. One outcome of this was that the ratio of the Bank's total loans to total assets, which was 48.7% in 2010, reached 56.7% by the end of 2011.

İşbank's total deposits increased by 11.4% in 2011 and reached TL 98.3 billion. During the reporting period, the growth in the Bank's Turkish Lira deposits was limited to 1.2%; while the foreign currency deposits increased 8.5% in terms of US dollars.

Deposits, which accounted for a 60.8% share of total liabilities, remained the primary source of İşbank's funding in 2011. In order both to better manage costs and to diversify funding resources, greater recourse was had to non-deposit alternatives—funds borrowed, repo transaction and securities issued—to finance assets than has been the case for the previous years. There was an 88.9% year-on-year rise in the Bank's non-deposit funding last year, while their share in the Bank's total liabilities went from 13.8% in 2010 to 21.3% in 2011.

In order to reduce the Bank's interest rate risk exposure arising from maturity mismatch by creating longer-term resources, İşbank tapped markets by issuing domestic borrowing instruments worth TL 4.8 billion and international borrowing instruments worth USD 500 million.

Turkey's biggest privately-owned bank in terms of shareholders' equity in 2011, İşbank's capital adequacy ratio at year-end was 14.1%. Well above the legally mandated minimum, this level of capital adequacy is what will ensure that the Bank's healthy growth will remain sustainable in the period ahead as well.

A 24.2% rate of growth in the Bank's interest-earning assets and an increased share of loans among its total assets led to a flat in net interest income figure compared to previous year, despite slimmer net interest margins in 2011.

On the other hand, 15.5% and 127.3% increases respectively in the Bank's net fee and commission income and net trading income items in 2011 also contributed favorably to İşbank's overall profitability last year.

While gross profit before provisions remained essentially unchanged on a year-on-year basis, net profit declined by 10.6% to TL 2,667 million. "Return on Average Equity" in 2011 amounted to 15.2%.



## Information on Risk Management Policies Applied per Risk Types

The Bank's risk policies and related implementation procedures constitute the internal rules and principles which are approved and enforced by the Board considering Risk Management Division suggestions and executed by the senior management.

These policies, which came into effect in line with the international best practices, are general standards including the organization and scope of risk management function, risk management methods, roles and responsibilities of the risk management group, methodology of setting risk limits, rules governing the breach of limits, affirmations and approvals necessary in various events and circumstances.

To ensure its conformity with business plan and prevailing market environment, the Bank's risk appetite is kept under control through the risk limits set by the Board of Directors.

### Credit Risk Policy

Credit risk policy sets the framework for methodologies and responsibilities related to credit risk management and issues related to credit risk limits. Credit risk is defined as any situation where the counterparty obligation will not or cannot be fulfilled partially or fully on maturity as affirmed in the agreement.

The Bank maintains identification, measurement and management of credit risk across all products and activities. The Board reviews credit risk policies and strategies annually at minimum. Senior Management is responsible for the execution of credit risk policies.

All findings reached through independent review of loans and credit risk are reported to the Board and the Senior Management regularly. In addition to monitoring credits individually during the credit risk monitoring, the risk level and composition of the loan portfolio are also monitored. The monitoring process involves an approach containing monitoring and management of credit risks as a whole through parameters such as maturity, industry, collateral, geography, currency, loan type and credit risk ratings, in addition to the assessments on the obligor and the facility. Credit risk monitoring encompasses any additional risks that could stem from possible macroeconomic changes and potential adverse conditions.

The Bank's credit risk management policy entails credit portfolio diversification. Segmentation is used to execute dispersion of diversified risk strategy. Segmentation is the separation of portfolio into wide customer groups according to their common features like geography, sector, product and being similarly affected by the negative changes at the economic and financial sector.

Internal audit and risk management functions regularly assess credit decision support systems as to its compatibility with the structure, size and complexity of the Bank's operations. If diverse circumstances required, necessary adjustments and/or modifications are made to the system.

Credit Risk audit implies independent auditing of the compatibility of credit quality and crediting process with the legal regulations and the Bank's policy and codes of practice and assessment of the adequacy of provisions for loans and other receivables.

### Asset and Liability Management Risk Policy

Asset and liability management risk is defined as; loss risk caused by the Bank's failure to effectively manage all financial risks arising from the Bank's assets, liabilities and off-balance sheet transactions. Market risk of trading book, structural interest rate risk of banking book and liquidity risk are all within the scope of asset and liability management risk.

All principles and procedures related to constitution and management of the Bank's asset-liability structure and the Bank's risk appetite are established by the Board of Directors. Ensuring asset and liability management risk being within the levels imposed by legal legislation and internal risk limits, is the primary priority. Internal risk limits are determined by the Board of Directors taking into consideration liquidity, targeted income level, general expectations about the changes in risk factors and risk appetite of the Bank.

Board of Directors and Audit Committee are obliged to track that the Bank's capital is used optimally. For this purpose, they have to keep risk limits under control and ensure that necessary actions are taken.

Asset-Liability Management Committee is responsible for governance of asset and liability management risk in accordance with the risk appetite and risk limits determined by the Board of Directors and within the framework of the principles and procedures expressed in risk policy.

Measuring asset and liability management risk, reporting the results and monitoring the compliance with the risk limits are the responsibilities of Risk Management Division. The course of the risk taken is reviewed under different scenarios. Measurement results are tested in terms of reliability and integrity. Information on asset and liability management risk is reported by the Risk Management Division to the Risk Committee and through the Audit Committee it is reported to the Board of Directors.

Asset and liability management processes and compliance with the policy rules are audited by internal audit system. The principles regarding the audit process, audit reports and fulfillment of action plans to eliminate the errors and gaps determined by internal audit are established by the Board of Directors.

## Information on Risk Management Policies Applied per Risk Types

### Operational Risk Policy

Operational risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". Risk Management Division is responsible for the risk management activity on this particular risk. Operational risk management activities comprise specifying, defining, measuring, analyzing, monitoring and reporting of operational risks, following up the new techniques on management of operational risks domestically and globally, improving the techniques and methods applied, as well as the necessary statutory reporting, notification and follow-up.

Categorization of inherited operational risks within the activities and processes is made possible by the "Enterprise Risk Framework". It serves as the basic document to define and classify the risks and is subject to alteration as conditions change.

The methodology employed to identify operational risks is "Self-Assessment". This methodology requires staff with roles and responsibilities in a particular activity to get involved in the risk and control assessment process of that activity. Operational risk management process combines both qualitative and quantitative approaches in measurement and assessment. The measurement process uses data obtained from "Impact - Likelihood Analysis" and "Lost Case Data Analysis".

All operational risks that are exposed to as a result of processes, risk levels of new products, services and operations, losses by the Bank due to operational risk and risk indicators are regularly monitored by the Risk Management Division and periodically reported to the Risk Committee and the Board of Directors.

All employees of the Bank have the understanding of the Bank's objective to attain a working environment aiming to reduce the probability of loss, considering that the entire internal rules and procedures, led by operational risk policy and act sensitively to the inherited operational risks and controls.

### Consolidated Risk Policies

Compliance with risk management principles related to the Bank's subsidiaries are monitored through Bank's "Consolidated Risk Policies" by Subsidiary Risk Unit within the Risk Management Division. Subsidiaries identify their specific risk management policies considering their own organizational structure and in accordance with Consolidated Risk Policies. Subsidiary boards approve company risk policies that form the framework of their risk management systems and processes.

### Information Systems Management Policy

The purpose of Information Systems Management Policy is to determine the principles which will constitute a basis for the management of information systems that the Bank uses to fulfill its activities and the procedures in order to define, measure, control, monitor, report and manage the risks derived from using information technologies. With the policy, it is aimed to deal with information systems management as part of corporate governance practices and to manage information technologies effectively, which is an important element for sustaining the Bank's activities. On the management of the Bank's information systems and all the elements relating to those systems, articles of this Policy are applied.

Risks derived from information technologies are basically assessed within the scope of the Bank's operational risk management. It is essential that those risks which could be seen as multipliers of the other risks derived from activities of the Bank are measured, closely monitored and controlled within the framework of Bank's integrated risk management.

## İşbank's Credit Ratings ( \*)

	Rating	Outlook (**)
<b>MOODY'S</b>		
Bank Financial Strength	C-	Stable
Long Term Foreign Currency Deposit	Ba3	Positive
Long Term Local Currency Deposit	Baa2	Stable
Short Term Foreign Currency Deposit	NP	-
Short Term Local Currency Deposit	P-2	-
<b>FITCH RATINGS</b>		
Long Term Foreign Currency Issuer Default Rating	BBB-	Stable
Long Term Local Currency Issuer Default Rating	BBB-	Stable
Short Term Foreign Currency Issuer Default Rating	F3	-
Short Term Local Currency Issuer Default Rating	F3	-
National Long-term Rating	AAA (tur)	Stable
Viability(***)	bbb-	-
Support Rating	3	-
<b>STANDARD &amp; POOR'S</b>		
Long Term Counterparty Credit Rating	BB	Positive
Long Term Certificate of Deposit	BB	-
Short Term Counterparty Credit Rating	B	-
Short Term Certificate of Deposit	B	-
Long Term National Scale Rating	trAA	-
Short Term National Scale Rating	trA-1	-

(\*) İşbank's latest credit rating updates:  
 Moody's : 07/10/2010  
 Fitch Ratings : 28/11/2011  
 Standard & Poor's : 22/02/2010 (Affirmed on 01/12/2011)

(\*\*) Outlook:  
 Stable: Indicates that the current rating will not be changed in the short term.  
 Positive: Indicates that the current rating is very likely to be upgraded.  
 Negative: Indicates that the current rating is very likely to be downgraded.

(\*\*\*) The rating in the related category was first announced to public by Fitch Ratings on 20/07/2011.

Türkiye İş Bankası A.Ş.  
Unconsolidated Financial Statements  
as of and for the Year Ended 31 December 2011  
with Independent Auditors' Report Thereon  
(Convenience Translation of Unconsolidated Financial Statements and  
Related Disclosures and Footnotes Originally Issued in Turkish)



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
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*Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish (See Note 1 in Part Three)*

## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors of Türkiye İş Bankası AŞ;

We have audited the unconsolidated balance sheet of Türkiye İş Bankası AŞ ("the Bank") as of 31 December 2011 and the related unconsolidated income statement, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the unconsolidated financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no.26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the statements, communiqués and guidance published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no. 26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

Accompanying financial statements include a general reserve amounting to TL 950,000 thousands provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in economy or market conditions, and full amount of such provision had been recognized as expense in the prior periods.

In our opinion, except for the effect on the unconsolidated financial statements of the matter described in the fourth paragraph above, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2011 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and the statements, communiqués and guidances published by the BRSA on accounting and financial reporting principles.

İstanbul  
14 February 2012

Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Murat ALSAN  
Partner, Certified Public Accountant

### Additional paragraph for convenience translation to English:

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

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Headquarters Address: İş Kuleleri, 34330, Levent/İstanbul  
Telephone: 0212 316 00 00  
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Web site: www.isbank.com.tr  
E-mail: 4440202@isbank.com.tr

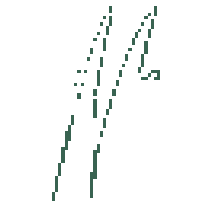
The Unconsolidated Year End Financial Report prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency ("BRSA"), comprises the following sections:

GENERAL INFORMATION ABOUT THE BANK  
UNCONSOLIDATED FINANCIAL STATEMENTS  
EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD  
INFORMATION ON THE BANK'S FINANCIAL STRUCTURE  
DISCLOSURES AND FOOTNOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS  
OTHER EXPLANATIONS  
INDEPENDENT AUDITORS' REPORT

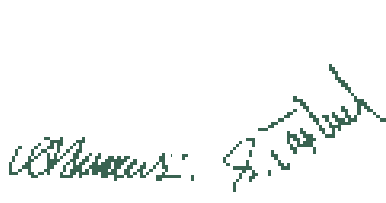
The unconsolidated financial statements and related disclosures and footnotes in this report are prepared, unless otherwise indicated, in thousands of the Turkish Lira (TL), in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and the Bank's financial records, and they have been subject to independent audit and presented as the attached.



Aziz Ferit Eraslan  
Head of Financial  
Management Division



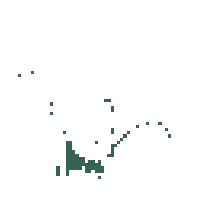
Mahmut Magemizoğlu  
Deputy Chief Executive  
in Charge of Financial  
Reporting



Adnan Bali  
Chief Executive  
Officer



Prof. Dr. Savaş Taşkent  
Member of the Board and  
the Audit Committee



Füsün Tümsavaş  
Vice Chairman of  
the Board of Directors  
and Chairman of the  
Audit Committee



H. Ersin Özince  
Chairman of the  
Board of Directors

Information on the authorized personnel to whom questions related to this financial report may be directed.

Name – Surname/Title: Süleyman H. Özcan/Head of Investor Relations Division

Phone Nr. : +90 212 316 16 02

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E-mail : Suleyman.Ozcan@isbank.com.tr  
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Web : www.isbank.com.tr



## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

	Page
<b>PART I</b>	
<b>General Information about the Bank</b>	
I. Explanations on the Establishment Date and Initial Status of the Bank, and History Including the Changes in the Former Status	94
II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Bank, any Changes in the Period, and Information on the Bank's Risk Group	94
III. Explanations on the Chairman of the Board, Directors, Auditors, Chief Executive Officer and Deputy Chief Executives of the Bank	94
IV. Information on the Bank's Qualified Shareholders	95
V. Summary Information on the Bank's Functions and Business Lines	95
<b>PART II</b>	
<b>Unconsolidated Financial Statements</b>	
I. Balance Sheet (Statement of Financial Position) – Assets	96
II. Balance Sheet (Statement of Financial Position) – Liabilities	97
III. Statement of Off-Balance Sheet Items	98
IV. Income Statement	100
V. Statement of Income and Expense Items Accounted under Shareholders' Equity	101
VI. Statement of Changes in the Shareholders' Equity	102
VII. Statement of Cash Flows	104
VIII. Statement of Profit Distribution Table	105
<b>PART III</b>	
<b>Explanations on Accounting Policies</b>	
I. Explanations on the Basis of Presentation	106
II. Explanations on the Usage Strategy of Financial Instruments and on Foreign Currency Transactions	106
III. Explanations on the Investments in Associates and Subsidiaries	107
IV. Explanations on Forward and Option Contracts and Derivative Instruments	107
V. Explanations on Interest Income and Expenses	107
VI. Explanations on Fee and Commission Income and Expenses	108
VII. Explanations on Financial Assets	108
VIII. Explanations on Impairment of Financial Assets	110
IX. Explanations on Offsetting Financial Instruments	110
X. Explanations on Sale and Repurchase Agreements and Securities Lending Transactions	110
XI. Explanations on Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities	110
XII. Explanations on Goodwill and Other Intangible Assets	111
XIII. Explanations on Tangible Assets	111
XIV. Explanations on Leasing Transactions	112
XV. Explanations on Provisions and Contingent Liabilities	112
XVI. Explanations on Contingent Assets	112
XVII. Explanations on Liabilities Regarding Employee Benefits	112
XVIII. Explanations on Taxation	113
XIX. Additional Explanations on Borrowings	114
XX. Explanations on Share Certificates and Issues	115
XXI. Explanations on Bank Acceptances and Bills of Guarantee	115
XXII. Explanations on Government Incentives	115
XXIII. Explanations on Segment Reporting	115
XXIV. Explanations on Other Issues	115
<b>PART IV</b>	
<b>Information About the Financial Structure</b>	
I. Explanations on Capital Adequacy Standard Ratio	116
II. Explanations on Credit Risk	118
III. Explanations on Market Risk	122
IV. Explanations on Operational Risk	123
V. Explanations on Currency Risk	124
VI. Explanations on Interest Rate Risk	126
VII. Explanations on Liquidity Risk	129
VIII. Explanations on Other Price Risks	133
IX. Explanations on the Presentation of Assets and Liabilities at Fair Value	133
X. Explanations on Transactions Carried out on Behalf of Third Parties and Fiduciary Transactions	135
XI. Explanations on Business Segmentation	135
<b>PART V</b>	
<b>Explanations and Footnotes on the Unconsolidated Financial Statements</b>	
I. Explanations and Footnotes on Assets	138
II. Explanations and Footnotes on Liabilities	151
III. Explanations and Footnotes on Off-Balance Sheet Items	156
IV. Explanations and Footnotes on Income Statement	158
V. Explanations and Notes on Statement of Changes in Shareholders' Equity	161
VI. Explanations and Notes on Statement of Cash Flows	161
VII. Explanations and Footnotes on the Bank's Risk Group	162
VIII. Explanations on the Bank's Domestic, Foreign, Off-shore Branches and Representative Offices	163
IX. Issues which Occurred After the Date of the Balance Sheet	163
<b>PART VI</b>	
<b>Other Explanations</b>	
I. The Bank's Credit Ratings and Related Explanations	164
<b>PART VII</b>	
<b>Explanations on the Independent Auditors' Report</b>	
I. Explanations on the Independent Auditors' Report	165
II. Explanations and Footnotes of the Independent Auditors	165

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## PART ONE: GENERAL INFORMATION ABOUT THE BANK

## I. Explanations on the Establishment Date and Initial Status of the Bank, and History Including the Changes in the Former Status

TÜRKİYE İŞ BANKASI A.Ş. ("the Bank") was established on 26 August 1924 to operate in all kinds of banking activities and to initiate and/or participate in all kinds of financial and industrial sector undertakings when necessary. There is no change in the Bank's status since its establishment.

## II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Bank, any Changes in the Period, and Information on the Bank's Risk Group

According to the Central Registry Agency data as of 31 December 2011, 40.43% of the Bank's shares are owned by T. İş Bankası A.Ş. Pension Fund, 28.09% are owned by the Republican People's Party (Atatürk's shares) and 31.48% are on free float.

## III. Explanations on the Chairman's, Directors', Auditors', Chief Executive Officer's and Deputy Chief Executives' Shares, if any, and the Areas of their Responsibility at the Bank

## Board of Directors and Auditors:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Fusun Tümsavaş	Deputy Chairman, Chairman of the Audit Committee, TRNC Internal Systems Committee and the Risk Committee, Member of the Credit Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit Committee, TRNC Internal Systems Committee and the Remuneration Committee
Hasan Koçhan	Director, Member of the Credit Committee
Aynur Dülger Ataklı	Director, Member of the Social Responsibility Committee
M. Mete Başol	Director, Alternate Member of the Credit Committee
Mustafa Kıcaloğlu	Director
Aysel Tacer	Director, Member of the Social Responsibility Committee, Alternate Member of the Credit Committee
Hüseyin Yalçın	Director
Murat Vulkan	Director
A. Taciser Bayer	Auditor
Kemal Ağanoğlu	Auditor

## Chief Executive Officer and Deputy Chief Executives:

Name and Surname	Administrative Position
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
Özcan Türkakin	Equity Participations, Corporate Communications Management, Member of the Social Responsibility Committee and the Risk Committee (*)
Mahmut Magemizoğlu	Financial Management, Investor Relations, Managerial Reporting and Internal Accounting
Suat İnce	Corporate and Commercial Banking Marketing, Sales and Product Management, Free Zone Branches
Serdar Gençer	Banking Operations and Payment Operations, Retail Loan and Card Operations, Foreign Trade and Commercial Loan Operations, Internal Operations Management
Hakan Aran	Alternative Distribution Channels Operations, Alternative Distribution Channels Strategy, IT Architecture & Security, IT System and Service Delivery Management
Aydın Süha Önder	Legal Counsellorship, Credit Information and Financial Analysis, Commercial and Corporate Loans and Retail Loans Monitoring and Recovery Management
Levent Korba	Support Services and Purchasing, Construction and Real Estate Management, Branch Network Development
Ertuğrul Bozgedik	Corporate Loans, SME Loans, Commercial Loans and Consumer Loans Underwriting, Credit Risk Management and Portfolio Monitoring, Member of the Risk Committee
Yalçın Sezen	Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Management, Private Banking Marketing and Sale Management, Member of the Social Responsibility Committee
Rıza İhsan Kutlusoy	Human Resources, Enterprise Architecture, Strategy and Corporate Performance Management and Talent Management
A. Erdal Aral	International Banking, Branches Abroad and Foreign Representative Offices, Capital Markets Management
Senar Akkuş	Economic Research, Treasury Management, Member of the Risk Committee

(\*) Mr. Özcan Türkakin attends the meetings of the Risk Committee that are held on a consolidated basis.

The Bank's shares attributable to the Directors and members of the Audit Committee, to the CEO and the Deputy Chief Executives are of minor importance.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## IV. Information on the Bank's Qualified Shareholders

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund)	1,819,149	40.43%	1,819,149	
Cumhuriyet Halk Partisi – Republican People's Party -(Atatürk's Shares)	1,264,142	28.09%	1,264,142	

Source: Central Registry Agency

## V. Summary Information on the Bank's Functions and Business Lines

In line with the relevant legislation and principles stated in the Articles of Incorporation of the Bank, the Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector corporations as may be required.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Balance Sheet (Statement of Financial Position)

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

THOUSAND TL

ASSETS	Footnotes	CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	V-I-1	5,064,102	8,672,803	13,736,905	3,990,261	4,532,364	8,522,625
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	V-I-2	678,902	897,109	1,576,011	476,313	256,553	732,866
2.1 Financial Assets Held for Trading		678,902	897,109	1,576,011	476,313	256,553	732,866
2.1.1 Government Debt Securities		649,674	8,809	658,483	456,365	15,718	472,083
2.1.2 Equity Securities		54	0	54	54	0	54
2.1.3 Derivative Financial Assets Held for Trading		28,234	888,300	916,534	19,873	240,835	260,708
2.1.4 Other Marketable Securities		940	0	940	21	0	21
2.2 Financial Assets at Fair Value Through Profit and Loss		0	0	0	0	0	0
2.2.1 Government Debt Securities		0	0	0	0	0	0
2.2.2 Equity Securities		0	0	0	0	0	0
2.2.3 Loans		0	0	0	0	0	0
2.2.4 Other Marketable Securities		0	0	0	0	0	0
<b>III. BANKS</b>	V-I-3	240,095	2,014,241	2,254,336	184,289	3,000,829	3,185,118
<b>IV. MONEY MARKET PLACEMENTS</b>		0	43,141	43,141	0	0	0
4.1 Interbank Money Market Placements		0	43,141	43,141	0	0	0
4.2 Istanbul Stock Exchange Money Market Placements		0	0	0	0	0	0
4.3 Receivables from Reverse Repurchase Agreements		0	0	0	0	0	0
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	V-I-4	18,349,691	10,303,157	28,652,848	21,529,264	9,831,150	31,360,414
5.1 Equity Securities		13,622	0	13,622	12,622	0	12,622
5.2 Government Debt Securities		18,336,069	7,705,475	26,041,544	21,516,642	6,300,788	27,817,430
5.3 Other Marketable Securities		0	2,597,682	2,597,682	0	3,530,362	3,530,362
<b>VI. LOANS AND RECEIVABLES</b>	V-I-5	58,803,727	32,816,911	91,620,638	43,826,943	20,404,735	64,231,678
6.1 Loans and Receivables		58,803,727	32,816,911	91,620,638	43,826,943	20,404,735	64,231,678
6.1.1 Loans to the Bank's Risk Group		413,754	1,017,738	1,431,492	259,390	594,102	853,492
6.1.2 Government Debt Securities		0	0	0	0	0	0
6.1.3 Other		58,389,973	31,799,173	90,189,146	43,567,553	19,810,633	63,378,186
6.2 Non-Performing Loans		1,932,549	51,371	1,983,920	2,355,999	51,489	2,407,488
6.3 Specific Provisions (-)		1,932,549	51,371	1,983,920	2,355,999	51,489	2,407,488
<b>VII. FACTORING RECEIVABLES</b>		0	0	0	0	0	0
<b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>	V-I-6	13,451,894	13,808	13,465,702	13,591,956	12,029	13,603,985
8.1 Government Debt Securities		13,444,975	0	13,444,975	13,586,189	0	13,586,189
8.2 Other Marketable Securities		6,919	13,808	20,727	5,767	12,029	17,796
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	V-I-7	743,915	0	743,915	743,262	0	743,262
9.1 Associates Accounted for Using the Equity Method		0	0	0	0	0	0
9.2 Unconsolidated Associates		743,915	0	743,915	743,262	0	743,262
9.2.1 Financial Investments		85,295	0	85,295	88,314	0	88,314
9.2.2 Non-Financial Investments		658,620	0	658,620	654,948	0	654,948
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	V-I-8	5,327,210	203,892	5,531,102	5,479,297	41,480	5,520,777
10.1 Unconsolidated Financial Subsidiaries		2,165,571	203,892	2,369,463	2,750,867	41,480	2,792,347
10.2 Unconsolidated Non-Financial Subsidiaries		3,161,639	0	3,161,639	2,728,430	0	2,728,430
<b>XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)</b>	V-I-9	0	0	0	0	0	0
11.1 Jointly Controlled Entities Accounted for Using the Equity Method		0	0	0	0	0	0
11.2 Unconsolidated Jointly Controlled Entities		0	0	0	0	0	0
11.2.1 Jointly Controlled Financial Entities		0	0	0	0	0	0
11.2.2 Jointly Controlled Non-Financial Entities		0	0	0	0	0	0
<b>XII. LEASE RECEIVABLES</b>	V-I-10	0	0	0	0	0	0
12.1 Finance Lease Receivables		0	0	0	0	0	0
12.2 Operating Lease Receivables		0	0	0	0	0	0
12.3 Other		0	0	0	0	0	0
12.4 Unearned Income (-)		0	0	0	0	0	0
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT</b>	V-I-11	0	0	0	0	0	0
13.1 Fair Value Hedges		0	0	0	0	0	0
13.2 Cash Flow Hedges		0	0	0	0	0	0
13.3 Net Foreign Investment Hedges		0	0	0	0	0	0
<b>XIV. TANGIBLE ASSETS (Net)</b>	V-I-12	1,856,865	2,969	1,859,834	1,829,496	2,389	1,831,885
<b>XV. INTANGIBLE ASSETS (Net)</b>	V-I-13	63,677	0	63,677	32,619	0	32,619
15.1 Goodwill		0	0	0	0	0	0
15.2 Other		63,677	0	63,677	32,619	0	32,619
<b>XVI. INVESTMENT PROPERTY (Net)</b>	V-I-14	0	0	0	0	0	0
<b>XVII. TAX ASSETS</b>	V-I-15	488,613	0	488,613	715,338	0	715,338
17.1 Current Tax Asset		0	0	0	0	0	0
17.2 Deferred Tax Asset		488,613	0	488,613	715,338	0	715,338
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	V-I-16	59,803	0	59,803	53,955	0	53,955
18.1 Held for Sale		59,803	0	59,803	53,955	0	53,955
18.2 Discontinued Operations		0	0	0	0	0	0
<b>XIX. OTHER ASSETS</b>	V-I-17	878,741	693,238	1,571,979	729,472	532,500	1,261,972
<b>TOTAL ASSETS</b>		106,007,235	55,661,269	161,668,504	93,182,465	38,614,029	131,796,494

## Türkiye İş Bankası A.Ş.

## Unconsolidated Balance Sheet (Statement of Financial Position)

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

		THOUSAND TL						
			CURRENT PERIOD			PRIOR PERIOD		
LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	(31/12/2011)			(31/12/2010)		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	60,332,494	37,980,640	98,313,134	59,590,859	28,669,298	88,260,157
1.1	Deposits from the Bank's Risk Group		1,683,222	2,022,460	3,705,682	2,095,189	1,335,103	3,430,292
1.2	Other		58,649,272	35,958,180	94,607,452	57,495,670	27,334,195	84,829,865
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	V-II-2	457,587	400,295	857,882	393,432	323,844	717,276
III.	FUNDS BORROWED	V-II-3	210,689	10,937,519	11,148,208	111,052	7,931,390	8,042,442
IV.	MONEY MARKET FUNDS		13,591,180	5,869,890	19,461,070	6,409,126	3,749,764	10,158,890
4.1	Interbank Money Market Funds		0	0	0	0	0	0
4.2	Istanbul Stock Exchange Money Market Funds		0	0	0	0	0	0
4.3	Funds Provided Under Repurchase Agreements		13,591,180	5,869,890	19,461,070	6,409,126	3,749,764	10,158,890
V.	MARKETABLE SECURITIES ISSUED (Net)	V-II-4	2,828,447	952,974	3,781,421	0	0	0
5.1	Bills		1,809,005	0	1,809,005	0	0	0
5.2	Asset-backed Securities		0	0	0	0	0	0
5.3	Bonds		1,019,442	952,974	1,972,416	0	0	0
VI.	FUNDS		0	0	0	0	0	0
6.1	Funds Borrowed		0	0	0	0	0	0
6.2	Other		0	0	0	0	0	0
VII.	MISCELLANEOUS PAYABLES		2,897,232	443,718	3,340,950	2,273,170	276,822	2,549,992
VIII.	OTHER LIABILITIES	V-II-6	810,269	1,452,412	2,262,681	460,443	606,436	1,066,879
IX.	FACTORING PAYABLES		0	0	0	0	0	0
X.	LEASE PAYABLES (Net)	V-II-7	0	5	5	0	3,168	3,168
10.1	Finance Lease Payables		0	12	12	2	3,412	3,414
10.2	Operating Lease Payables		0	0	0	0	0	0
10.3	Other		0	0	0	0	0	0
10.4	Deferred Finance Lease Expenses (-)		0	7	7	2	244	246
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	V-II-8	0	0	0	0	0	0
11.1	Fair Value Hedges		0	0	0	0	0	0
11.2	Cash Flow Hedges		0	0	0	0	0	0
11.3	Net Foreign Investment Hedges		0	0	0	0	0	0
XII.	PROVISIONS	V-II-9	4,179,358	25,568	4,204,926	3,615,780	15,809	3,631,589
12.1	General Loan Loss Provision		1,245,245	0	1,245,245	699,489	0	699,489
12.2	Provision for Restructuring		0	0	0	0	0	0
12.3	Reserves for Employee Benefits		256,463	0	256,463	220,107	0	220,107
12.4	Insurance Technical Reserves (Net)		0	0	0	0	0	0
12.5	Other Provisions		2,677,650	25,568	2,703,218	2,696,184	15,809	2,711,993
XIII.	TAX LIABILITY	V-II-10	376,663	200	376,863	352,141	156	352,297
13.1	Current Tax Liability		376,663	200	376,863	352,141	156	352,297
13.2	Deferred Tax Liability		0	0	0	0	0	0
XIV.	LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	V-II-11	0	0	0	0	0	0
14.1	Held for Sale		0	0	0	0	0	0
14.2	Discontinued Operations		0	0	0	0	0	0
XV.	SUBORDINATED LOANS	V-II-12	0	0	0	0	0	0
XVI.	SHAREHOLDERS' EQUITY	V-II-13	17,783,863	137,501	17,921,364	16,958,369	55,435	17,013,804
16.1	Paid-in Capital		4,500,000	0	4,500,000	4,500,000	0	4,500,000
16.2	Capital Reserves		2,989,279	137,501	3,126,780	4,106,103	55,435	4,161,538
16.2.1	Share premium		3,694	0	3,694	3,694	0	3,694
16.2.2	Share Cancellation Profits		0	0	0	0	0	0
16.2.3	Marketable Securities Value Increase Fund		1,342,955	137,501	1,480,456	2,459,779	55,435	2,515,214
16.2.4	Tangible Assets Revaluation Reserve		0	0	0	0	0	0
16.2.5	Intangible Assets Revaluation Reserve		0	0	0	0	0	0
16.2.6	Investment Property Revaluation Reserve		0	0	0	0	0	0
16.2.7	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		26,692	0	26,692	26,692	0	26,692
16.2.8	Hedging Reserves (Effective Portion)		0	0	0	0	0	0
16.2.9	Accumulated Revaluation Reserves on Assets Held for Sale and Discontinued Operations		0	0	0	0	0	0
16.2.10	Other Capital Reserves		1,615,938	0	1,615,938	1,615,938	0	1,615,938
16.3	Profit Reserves		7,627,097	0	7,627,097	5,370,056	0	5,370,056
16.3.1	Legal Reserves		1,646,564	0	1,646,564	1,444,476	0	1,444,476
16.3.2	Statutory Reserves		0	0	0	0	0	0
16.3.3	Extraordinary Reserves		5,890,766	0	5,890,766	3,941,296	0	3,941,296
16.3.4	Other Profit Reserves		89,767	0	89,767	-15,716	0	-15,716
16.4	Profit or Loss		2,667,487	0	2,667,487	2,982,210	0	2,982,210
16.4.1	Prior Years' Profit/Loss		0	0	0	0	0	0
16.4.2	Current Year Profit/Loss		2,667,487	0	2,667,487	2,982,210	0	2,982,210
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			103,467,782	58,200,722	161,668,504	90,164,372	41,632,122	131,796,494

## Türkiye İş Bankası A.Ş.

## Unconsolidated Off-Balance Sheet Items

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

THOUSAND TL							
	Footnotes	CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>	V-III	<b>142,469,635</b>	<b>72,186,093</b>	<b>214,655,728</b>	<b>41,195,439</b>	<b>43,360,670</b>	<b>84,556,109</b>
<b>I. GUARANTEES AND SURETYSHIPS</b>		<b>9,940,271</b>	<b>15,909,734</b>	<b>25,850,005</b>	<b>6,541,670</b>	<b>8,740,933</b>	<b>15,282,603</b>
1.1. Letters of Guarantee		9,916,048	9,265,286	19,181,334	6,535,952	5,089,383	11,625,335
1.1.1. Guarantees Subject to State Tender Law		559,333	2,315,888	2,875,221	379,412	1,277,896	1,657,308
1.1.2. Guarantees Given for Foreign Trade Operations		935,015	1,817,872	2,752,887	609,497	602,145	1,211,642
1.1.3. Other Letters of Guarantee		8,421,700	5,131,526	13,553,226	5,547,043	3,209,342	8,756,385
1.2. Bank Acceptances		3,628	493,494	497,122	3,922	207,616	211,538
1.2.1. Import Letters of Acceptance		0	120,310	120,310	0	97,562	97,562
1.2.2. Other Bank Acceptances		3,628	373,184	376,812	3,922	110,054	113,976
1.3. Letters of Credit		0	5,170,468	5,170,468	0	3,105,943	3,105,943
1.3.1. Documentary Letters of Credit		0	3,723,602	3,723,602	0	2,229,048	2,229,048
1.3.2. Other Letters of Credit		0	1,446,866	1,446,866	0	876,895	876,895
1.4. Prefinancing Given as Guarantee		0	0	0	0	0	0
1.5. Endorsements		0	375,869	375,869	0	30,582	30,582
1.5.1. Endorsements to the Central Bank of Turkey		0	375,869	375,869	0	30,582	30,582
1.5.2. Other Endorsements		0	0	0	0	0	0
1.6. Purchase Guarantees for Securities Issued		0	0	0	0	0	0
1.7. Factoring Guarantees		0	0	0	0	0	0
1.8. Other Guarantees		20,595	604,617	625,212	1,796	307,409	309,205
1.9. Other Suretyships		0	0	0	0	0	0
<b>II. COMMITMENTS</b>		<b>115,399,439</b>	<b>8,951,920</b>	<b>124,351,359</b>	<b>22,803,118</b>	<b>5,263,789</b>	<b>28,066,907</b>
2.1. Irrevocable Commitments		24,623,465	8,742,236	33,365,701	22,803,118	5,234,610	28,037,728
2.1.1. Forward Asset Purchase Commitments		225,532	927,438	1,152,970	687,008	1,567,825	2,254,833
2.1.2. Forward Deposit Purchase and Sale Commitments		0	0	0	0	0	0
2.1.3. Capital Commitment for Associates and Subsidiaries		22,560	0	22,560	2,000	0	2,000
2.1.4. Loan Granting Commitments		5,075,187	4,392,620	9,467,807	4,086,957	998,996	5,085,953
2.1.5. Securities Underwriting Commitments		0	0	0	0	0	0
2.1.6. Commitments for Reserve Deposit Requirements		0	0	0	0	0	0
2.1.7. Commitments for Cheque Payments		4,914,758	0	4,914,758	4,323,938	0	4,323,938
2.1.8. Tax and Fund Liabilities from Export Commitments		10,283	0	10,283	7,297	0	7,297
2.1.9. Commitments for Credit Card Expenditure Limits		13,172,835	0	13,172,835	12,877,554	551,392	13,428,946
2.1.10. Commitments for Credit Cards and Banking Services Promotions		60,325	0	60,325	45,971	0	45,971
2.1.11. Receivables from Short Sale Commitments		0	0	0	0	0	0
2.1.12. Payables for Short Sale Commitments		0	0	0	0	0	0
2.1.13. Other Irrevocable Commitments		1,141,985	3,422,178	4,564,163	772,393	2,116,397	2,888,790
2.2. Revocable Commitments		90,775,974	209,684	90,985,658	0	29,179	29,179
2.2.1. Revocable Loan Granting Commitments		90,775,974	209,684	90,985,658	0	29,179	29,179
2.2.2. Other Revocable Commitments		0	0	0	0	0	0
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>17,129,925</b>	<b>47,324,439</b>	<b>64,454,364</b>	<b>11,850,651</b>	<b>29,355,948</b>	<b>41,206,599</b>
3.1. Derivative Financial Instruments held for risk management		0	0	0	0	0	0
3.1.1. Fair Value Hedges		0	0	0	0	0	0
3.1.2. Cash Flow Hedges		0	0	0	0	0	0
3.1.3. Net Foreign Investment Hedges		0	0	0	0	0	0
3.2. Derivative Financial Instruments Held for Trading		17,129,925	47,324,439	64,454,364	11,850,651	29,355,948	41,206,599
3.2.1. Forward Foreign Currency Buy/Sell Transactions		5,151,775	10,943,954	16,095,729	1,323,775	4,610,800	5,934,575
3.2.1.1. Forward Foreign Currency Buy Transactions		4,245,128	3,804,573	8,049,701	1,021,411	1,949,633	2,971,044
3.2.1.2. Forward Foreign Currency Sell Transactions		906,647	7,139,381	8,046,028	302,364	2,661,167	2,963,531
3.2.2. Currency and Interest Rate Swaps		10,810,872	29,472,744	40,283,616	8,450,412	21,497,348	29,947,760
3.2.2.1. Currency Swap Buy Transactions		756,791	7,465,220	8,222,011	336,480	7,368,992	7,705,472
3.2.2.2. Currency Swap Sell Transactions		3,734,081	4,596,002	8,330,083	4,493,932	3,142,558	7,636,490
3.2.2.3. Interest Rate Swap Buy Transactions		3,160,000	8,705,761	11,865,761	1,810,000	5,492,899	7,302,899
3.2.2.4. Interest Rate Swap Sell Transactions		3,160,000	8,705,761	11,865,761	1,810,000	5,492,899	7,302,899
3.2.3. Currency, Interest Rate and Security Options		1,167,278	6,140,040	7,307,318	2,076,464	3,247,800	5,324,264
3.2.3.1. Currency Call Options		583,639	793,540	1,377,179	1,593,482	663,410	2,256,892
3.2.3.2. Currency Put Options		583,639	793,540	1,377,179	482,982	1,764,510	2,247,492
3.2.3.3. Interest Rate Call Options		0	2,276,480	2,276,480	0	409,940	409,940
3.2.3.4. Interest Rate Put Options		0	2,276,480	2,276,480	0	409,940	409,940
3.2.3.5. Securities Call Options		0	0	0	0	0	0
3.2.3.6. Securities Put Options		0	0	0	0	0	0
3.2.4. Currency Futures		0	0	0	0	0	0
3.2.4.1. Currency Buy Futures		0	0	0	0	0	0
3.2.4.2. Currency Sell Futures		0	0	0	0	0	0
3.2.5. Interest Rate Futures		0	0	0	0	0	0
3.2.5.1. Interest Rate Buy Futures		0	0	0	0	0	0
3.2.5.2. Interest Rate Sell Futures		0	0	0	0	0	0
3.2.6. Other		0	767,701	767,701	0	0	0

## Türkiye İş Bankası A.Ş.

## Unconsolidated Off-Balance Sheet Items

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

		THOUSAND TL					
		CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
	Footnotes	TL	FC	Total	TL	FC	Total
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>	<b>136,572,691</b>	<b>38,312,322</b>	<b>174,885,013</b>	<b>102,765,981</b>	<b>21,661,516</b>	<b>124,427,497</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>43,979,161</b>	<b>7,494,506</b>	<b>51,473,667</b>	<b>32,031,771</b>	<b>5,238,125</b>	<b>37,269,896</b>
4.1.	Customers' securities held	0	0	0	0	0	0
4.2.	Investment securities held in custody	30,375,664	40,325	30,415,989	23,057,101	19,823	23,076,924
4.3.	Checks received for collection	10,744,157	2,038,360	12,782,517	5,122,675	1,039,433	6,162,108
4.4.	Commercial notes received for collection	1,667,021	2,889,767	4,556,788	2,581,619	2,437,765	5,019,384
4.5.	Other assets received for collection	3,481	35,624	39,105	4,924	14,353	19,277
4.6.	Assets received for public offering	2,541	0	2,541	68,166	0	68,166
4.7.	Other items under custody	1,185,673	2,490,430	3,676,103	1,192,497	1,726,751	2,919,248
4.8.	Custodians	624	0	624	4,789	0	4,789
<b>V.</b>	<b>PLEDGED ITEMS</b>	<b>92,593,530</b>	<b>30,817,816</b>	<b>123,411,346</b>	<b>70,734,210</b>	<b>16,423,391</b>	<b>87,157,601</b>
5.1.	Marketable securities	1,898,746	0	1,898,746	1,107,485	0	1,107,485
5.2.	Guarantee notes	3,631,238	5,374,958	9,006,196	2,914,619	4,100,231	7,014,850
5.3.	Commodity	23,095,518	1,271,742	24,367,260	15,091,219	32,799	15,124,018
5.4.	Warranty	0	0	0	0	0	0
5.5.	Real Estates	62,456,531	23,976,196	86,432,727	50,859,457	12,161,336	63,020,793
5.6.	Other pledged items	1,511,497	137,099	1,648,596	761,430	73,387	834,817
5.7.	Pledged items-depository	0	57,821	57,821	0	55,638	55,638
<b>VI.</b>	<b>ACCEPTED BILL GUARANTEES AND SURETIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>279,042,326</b>	<b>110,498,415</b>	<b>389,540,741</b>	<b>143,961,420</b>	<b>65,022,186</b>	<b>208,983,606</b>



## Türkiye İş Bankası A.Ş.

## Unconsolidated Income Statement

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

		THOUSAND TL	
INCOME STATEMENT		CURRENT PERIOD (01/01-31/12/2011)	PRIOR PERIOD (01/01-31/12/2010)
I. INTEREST INCOME	V-IV-1	10,898,384	9,797,839
1.1 Interest Income on Loans		7,133,625	5,947,788
1.2 Interest Income on Reserve Deposits		0	0
1.3 Interest Income on Banks		17,570	148,431
1.4 Interest Income on Money Market Placements		68	5,752
1.5 Interest Income on Marketable Securities Portfolio		3,721,515	3,667,042
1.5.1 Financial Assets Held for Trading		35,669	40,698
1.5.2 Financial Assets at Fair Value Through Profit and Loss		0	0
1.5.3 Financial Assets Available for Sale		1,973,494	1,994,148
1.5.4 Investments Held to Maturity		1,712,352	1,632,196
1.6 Finance Lease Income		0	0
1.7 Other Interest Income		25,606	28,826
II. INTEREST EXPENSE	V-IV-2	6,336,584	5,215,964
2.1 Interest on Deposits		4,977,232	4,258,690
2.2 Interest on Funds Borrowed		229,383	511,177
2.3 Interest on Money Market Funds		883,289	434,702
2.4 Interest on Securities Issued		208,048	0
2.5 Other Interest Expense		38,632	11,395
III. NET INTEREST INCOME/EXPENSE (I - II)		4,561,800	4,581,875
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		1,428,583	1,236,425
4.1 Fees and Commissions Received		1,594,367	1,351,579
4.1.1 Non-cash Loans		134,307	117,919
4.1.2 Other		1,460,060	1,233,660
4.2 Fees and Commissions Paid		165,784	115,154
4.2.1 Non-cash Loans		917	1,137
4.2.2 Other		164,867	114,017
V. DIVIDEND INCOME	V-IV-3	555,702	369,210
VI. TRADING INCOME/LOSS (NET)	V-IV-4	306,073	134,630
6.1 Gains/Losses on Securities Trading		115,987	514,410
6.2 Derivative Financial Transactions Gains/Losses		331,763	-71,046
6.3 Foreign Exchange Gains/Losses		-141,677	-308,734
VII. OTHER OPERATING INCOME	V-IV-5	1,311,114	1,569,284
VIII. TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)		8,163,272	7,891,424
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	1,383,793	1,135,449
X. OTHER OPERATING EXPENSES (-)	V-IV-7	3,481,199	3,203,123
XI. NET OPERATING INCOME (VIII-IX-X)		3,298,280	3,552,852
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		0	0
XIII. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		0	0
XIV. NET MONETARY POSITION GAIN/LOSS		0	0
XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)	V-IV-8	3,298,280	3,552,852
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)	V-IV-9	630,793	570,642
16.1 Current Tax Provision		296,063	782,865
16.2 Deferred Tax Provision		334,730	-212,223
XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-10	2,667,487	2,982,210
XVIII. INCOME ON DISCONTINUED OPERATIONS		0	0
18.1 Income on Assets Held for Sale		0	0
18.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		0	0
18.3 Other Income on Discontinued Operations		0	0
XIX. EXPENSE ON DISCONTINUED OPERATIONS (-)		0	0
19.1 Expense on Assets Held for Sale		0	0
19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		0	0
19.3 Other Expense on Discontinued Operations		0	0
XX. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)		0	0
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		0	0
21.1 Current Tax Provision		0	0
21.2 Deferred Tax Provision		0	0
XXII. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		0	0
XXIII. NET PERIOD PROFIT/LOSS (XVII+XXII)	V-IV-11	2,667,487	2,982,210
Earnings Per Share <sup>(*)</sup>		0.023710521	0.026508003

(\*) in full TL

## Türkiye İş Bankası A.Ş.

Unconsolidated Statement of Income and Expense Items Accounted  
Under Shareholders' Equity

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

		THOUSAND TL	
		CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY			
I.	ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	-585,510	64,235
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	0	0
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	0	0
IV.	TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	105,483	-6,511
V.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of the Changes in Fair Value)	0	0
VI.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES (Effective Portion of the Changes in Fair Value)	0	0
VII.	THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES IN THE ACCOUNTING POLICIES	0	0
VIII.	OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY ACCORDANCE WITH TAS	-557,253	1,133,427
IX.	DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	108,005	-7,404
X.	NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	-929,275	1,183,747
XI.	PROFIT/LOSS FOR THE PERIOD	2,667,487	2,982,210
1.1	Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	69,050	29,139
1.2	The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement	0	0
1.3	The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement	0	0
1.4	Other	2,598,437	2,953,071
XII.	TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	1,738,212	4,165,957

## Türkiye İş Bankası A.Ş.

## Unconsolidated Statement of Changes in Shareholders' Equity

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

	Footnotes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves
	V-V						
<b>PRIOR PERIOD (31/12/2010)</b>							
I. Beginning Balance		3,079,639	1,977,491	3,694		1,274,405	
II. Corrections Made According to TAS 8							
2.1 The Effect of Corrections of Errors							
2.2 The Effect of Changes in Accounting Policies							
III. Adjusted Beginning Balance (I+II)		3,079,639	1,977,491	3,694		1,274,405	
<b>Changes During the Period</b>							
IV. Increase/Decrease Due to Mergers							
V. Marketable Securities Value Increase Fund							
VI. Hedge Reserves (Effective Portion)							
6.1 Cash Flow Hedges							
6.2 Net Foreign Investment Hedges							
VII. Revaluation Surplus on Tangible Assets							
VIII. Revaluation Surplus on Intangible Assets							
IX. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)							
X. Translation Differences							
XI. The Effect of Disposal of Assets							
XII. The Effect of Reclassification of Assets							
XIII. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank							
XIV. Capital Increase		1,420,361	-361,553				
14.1 Cash							
14.2 Internal Sources		1,420,361	-361,553				
XV. Share Issue							
XVI. Share Cancellation Profits							
XVII. Paid-in-Capital Inflation Adjustment							
XVIII. Other							
XIX. Net Profit/Loss for the Period							
XX. Profit Distribution						170,071	
20.1 Dividend Paid							
20.2 Transfer to Reserves						170,071	
20.3 Other							
<b>Ending Balance (III+IV+V...+XVIII+XIX+XX)</b>		4,500,000	1,615,938	3,694		1,444,476	
<b>CURRENT PERIOD (31/12/2011)</b>							
I. Beginning Balance		4,500,000	1,615,938	3,694		1,444,476	
Changes During the Period							
II. Increases/Decreases Due to Mergers							
III. Marketable Securities Value Increase Fund							
IV. Hedge Reserves (Effective Portion)							
4.1 Cash-flow Hedge							
4.2 Net Foreign Investment Hedges							
V. Revaluation Surplus on Tangible Assets							
VI. Revaluation Surplus on Intangible Assets							
VII. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)							
VIII. Translation Differences							
IX. The Effect of Disposal of Assets							
X. The Effect of Reclassification of Assets							
XI. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank							
XII. Capital Increase							
12.1 Cash							
12.2 Internal Sources							
XIII. Share Premium							
XIV. Share Cancellation Profits							
XV. Paid-in-Capital Inflation Adjustment							
XVI. Other							
XVII. Net Profit/Loss for the Period							
XVIII. Profit Distribution						202,088	
18.1 Dividend Paid							
18.2 Transfer to Reserves						202,088	
18.3 Other							
<b>Ending Balance (I+II+III+...+XVI+XVII+XVIII)</b>		4,500,000	1,615,938	3,694		1,646,564	

THOUSAND TL										
	Extraordinary Reserves	Other Profit Reserves	Net Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Oper.	Total Shareholders' Equity
	3,468,758	-9,205		2,372,407	1,324,956		1,383			13,493,528
	3,468,758	-9,205		2,372,407	1,324,956		1,383			13,493,528
					1,190,258					1,190,258
		-6,511					26,692			26,692 -6,511
	-1,057,425						-1,383			
	-1,057,425						-1,383			
			2,982,210							2,982,210
	1,529,963			-2,372,407						-672,373
	1,529,963			-672,373						-672,373
				-1,700,034						
	3,941,296	-15,716	2,982,210		2,515,214		26,692			17,013,804
	3,941,296	-15,716		2,982,210	2,515,214		26,692			17,013,804
					-1,034,758					-1,034,758
		105,483								105,483
			2,667,487							2,667,487
	1,949,470			-2,982,210						-830,652
	1,949,470			-830,652						-830,652
				-2,151,558						
	5,890,766	89,767	2,667,487		1,480,456		26,692			17,921,364

## Türkiye İş Bankası A.Ş.

## Unconsolidated Statement of Cash Flows

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

		THOUSAND TL	
	Footnotes	CURRENT PERIOD (01/01 - 31/12/2011)	PRIOR PERIOD (01/01 - 31/12/2010)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>	V – VI		
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>3,227,392</b>	<b>3,568,851</b>
1.1.1 Interest Received		10,738,853	9,786,662
1.1.2 Interest Paid		-6,056,019	-5,340,153
1.1.3 Dividend Received		134,255	127,402
1.1.4 Fees and Commissions Received		1,594,367	1,351,579
1.1.5 Other Income		60,479	703,929
1.1.6 Collections from Previously Written Off Loans and Other Receivables		1,007,257	947,193
1.1.7 Cash Payments to Personnel and Service Suppliers		-2,912,187	-2,530,845
1.1.8 Taxes Paid		-403,585	-817,217
1.1.9 Other		-936,028	-659,699
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>-10,458,390</b>	<b>-1,763,828</b>
1.2.1 Net (Increase) Decrease in Financial Assets Held for Trading		-200,053	-93,482
1.2.2 Net(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		0	0
1.2.3 Net (Increase) Decrease in Due From Banks		-4,001,252	958,406
1.2.4 Net (Increase) Decrease in Loans		-22,753,100	-17,517,994
1.2.5 Net (Increase) Decrease in Other Assets		-349,649	-415,833
1.2.6 Net Increase (Decrease) in Bank Deposits		-434,653	626,691
1.2.7 Net Increase (Decrease) in Other Deposits		5,534,009	15,620,597
1.2.8 Net Increase (Decrease) in Funds Borrowed		1,426,692	-1,264,410
1.2.9 Net Increase (Decrease) in Matured Payables		0	0
1.2.10 Net Increase (Decrease) in Other Liabilities		10,319,616	322,197
<b>I. Net Cash Provided From Banking Operations</b>		<b>-7,230,998</b>	<b>1,805,023</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided from/Used in Investing Activities</b>		<b>4,067,468</b>	<b>-5,368,382</b>
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-164,670	-111,947
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		0	415,448
2.3 Tangible Asset Purchases		-250,144	-223,958
2.4 Tangible Asset Sales		223,536	280,975
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-15,446,766	-31,957,248
2.6 Cash Obtained from Sales of Financial Assets Available for Sale		19,226,639	26,685,943
2.7 Cash Paid for Purchase of Investment Securities Held to Maturity		-14,227	-2,640,303
2.8 Cash Obtained from Sales of Investment Securities Held to Maturity		493,100	2,182,708
2.9 Other		0	0
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from/Used in Financing Activities</b>		<b>2,832,004</b>	<b>-688,439</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		5,566,073	0
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-1,900,000	0
3.3 Equity Instruments		0	0
3.4 Dividends Paid		-830,652	-672,373
3.5 Payments for Finance Leases		-3,417	-16,066
3.6 Other		0	0
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>652,811</b>	<b>-70,624</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>321,285</b>	<b>-4,322,422</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>8,778,038</b>	<b>13,100,460</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>		<b>9,099,323</b>	<b>8,778,038</b>

# Türkiye İş Bankası A.Ş.

## Statement of Profit Distribution Table

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

		THOUSAND TL	
		CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR PROFIT<sup>(1)</sup></b>		
1.1	CURRENT PERIOD PROFIT	3,298,280	3,552,852
1.2	TAXES AND DUES PAYABLE (-)	630,793	570,642
1.2.1	Corporate Tax (Income Tax)	291,692	779,915
1.2.2	Income Tax Withholding	4,371	2,950
1.2.3	Other Taxes and Dues Payable <sup>(2)</sup>	334,730	-212,223
<b>A.</b>	<b>NET PROFIT FOR THE PERIOD (1-2)</b>	<b>2,667,487</b>	<b>2,982,210</b>
1.3	PRIOR YEARS' LOSSES (-)	0	0
1.4	FIRST LEGAL RESERVES (-)	0	141,523
1.5	OTHER STATUTORY RESERVES (-)	0	1,880,445
<b>B.</b>	<b>NET PROFIT ATTRIBUTABLE TO [(A-(3+4+5))]</b>	<b>2,667,487</b>	<b>960,242</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	0	270,000
1.6.1	To Owners of Ordinary Shares	0	269,998
1.6.2	To Owners of Preferred Shares	0	2
1.6.3	To Preferred Shares (Preemptive Rights)	0	0
1.6.4	To Profit Sharing Bonds	0	0
1.6.5	To Holders of Profit/Loss Share Certificates	0	0
1.7	DIVIDENDS TO PERSONNEL (-)	0	138,049
1.8	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	1,726
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	0	420,878
1.9.1	To Owners of Ordinary Shares	0	420,871
1.9.2	To Owners of Preferred Shares	0	3
1.9.3	3 To Preferred Shares (Preemptive Rights)	0	4
1.9.4	To Profit Sharing Bonds	0	0
1.9.5	To Holders of Profit/Loss Share Certificates	0	0
1.10	.SECOND LEGAL RESERVES (-)	0	60,565
1.11	.STATUTORY RESERVES (-)	0	0
1.12	.EXTRAORDINARY RESERVES	0	69,024
1.13	.OTHER RESERVES	0	0
1.14	.SPECIAL FUNDS	0	0
<b>II.</b>	<b>DISTRIBUTION FROM RESERVES</b>		
2.1	DISTRIBUTED RESERVES	0	0
2.2	SECOND LEGAL RESERVES (-)	0	0
2.3	DIVIDENDS TO SHAREHOLDERS (-)	0	0
2.3.1	To Owners of Ordinary Shares	0	0
2.3.2	2 To Owners of Preferred Shares	0	0
2.3.3	To Preferred Shares (Preemptive Rights)	0	0
2.3.4	To Profit Sharing Bonds	0	0
2.3.5	To Holders of Profit/Loss Share Certificates	0	0
2.4	DIVIDENDS TO PERSONNEL (-)	0	0
2.5	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	0
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	TO OWNERS OF ORDINARY SHARES <sup>(3)</sup>	0.0237	0.0265
3.2	TO OWNERS OF ORDINARY SHARES (%)	59	66
3.3	TO OWNERS OF PREFERRED SHARES <sup>(3)</sup>	0	0
3.4	TO OWNERS OF PREFERRED SHARES (%)	0	0
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	TO OWNERS OF ORDINARY SHARES <sup>(3)</sup>	0	0.0061
4.2	TO OWNERS OF ORDINARY SHARES (%)	0	15
4.3	TO OWNERS OF PREFERRED SHARES <sup>(3)</sup>	0	0.0018
4.4	TO OWNERS OF PREFERRED SHARES (%)	0	18

(1) The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting has not been held as of the reporting date.

(2) The amount included in Other Taxes and Dues Payable refers to Deferred Tax Income, which will not be included within the profit distribution.

(3) Expressed in full TL

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**PART THREE: EXPLANATIONS ON ACCOUNTING POLICIES****I. Explanations on the Basis of Presentation****1. Basis of Presentation**

The unconsolidated financial statements and related disclosures and notes in this report are prepared in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, and the other regulations, communiqués, disclosures and circulars related to the accounting and financial reporting principles published by the Banking Regulatory and Supervisory Agency ("BRSA").

Accounting policies and measurement principles used in the preparation of the financial statements are presented in detail below:

**2. Additional paragraph for convenience translation to English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

**II. Explanations on the Usage Strategy of Financial Instruments and on Foreign Currency Transactions****1. The Bank's Strategy for the Use of Financial Instruments**

The Bank's main activities comprise private, retail, commercial and corporate banking, money market and securities market operations, as well as activities related to international banking services.

In conformity with the general liability structure of the banking system, the Bank's liabilities are mainly composed of short-term deposits and other medium and long-term liabilities. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey ("CBT"). As a result, the liquidity of the Bank and the banking system can be easily monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and by monitoring the sectoral developments and the yields of alternative investment instruments, fixed and floating rate placements are made. High yielding Eurobonds and government debt securities portfolios are of sufficient quality and quantity to reduce the risk which may arise from the fluctuations in the interest rates.

Safety principle has always been the top priority in placements and the placements are focused on high yielding and low risk assets by considering their maturity structure. Accordingly, a pricing policy aiming at high return is implemented in the long-term placements and attention is paid to the maximum use of non-interest income generation opportunities. The Bank determines its lending strategy by taking into consideration the international and national economic data and expectations, market conditions, current and potential credit customers' expectations and tendencies, and risks such as; interest rate, liquidity, currency and credit risks. Furthermore, in conformity with this strategy, the Bank acts within the legal limits in terms of asset-liability management.

Main growth targets for different asset classes are set by the long-term plans shaped along with budgeting; and the Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Bank's own transaction and control limits are also effectively monitored in order to avoid limit overrides.

The Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits determined by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.



## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**2. Explanations on Foreign Currency Transactions**

Foreign currency monetary assets and liabilities on the balance sheet are converted to Turkish Lira by using the prevailing exchange rates at the balance sheet date. Non-monetary foreign currency items measured at fair value are converted by the rates at the date of the fair value assessments. Exchange rate differences arising from the conversion of monetary items and the collections and payments in foreign currency are recognized in the income statement.

In accordance with "TAS 21-Effects of Changes In Foreign Exchange Rates", net investments in non-domestic companies are considered as non-monetary items, measured on the basis of historical cost and converted to Turkish Currency at the currency rates at the transaction date, and also in accordance with "TAS 29-Financial Reporting In Hyperinflationary Economics", the inflation adjusted value is calculated by using the inflation indices prevailing between the date of transaction and final date that the inflation adjustment is applied, 31 December 2004, and it is accounted by allocating provision amounts for any permanent impairment losses.

The financial statements of the Bank's foreign branches are prepared in currencies (functional currency) prevailing in the economic environment that they operate in and expressed in TL, which is the functional currency of the Bank and the presentation currency of the financial statements. For the conversion of the assets and liabilities of the foreign branches to TL, end of period foreign currency closing rates are used, and for the conversion of income and expenses foreign currency rates on the transaction date are taken into account. The exchange rate differences arising from the conversion are recorded in the "Other Profit Reserves" account under the shareholders' equity.

**III. Explanations on Investments in Associates and Subsidiaries**

Investments in associates and subsidiaries are recorded within the scope of "TAS 39-Financial Instruments: Recognition and Measurement". Investments in subsidiaries, whose shares are traded in an active market (stock market), are shown in the financial statements with their fair values by taking into account their prices recorded in the related market (stock market). Investments in subsidiaries and associates, whose shares are not traded in an active market (stock market) are followed at their cost of acquisition and these assets are shown in the financial statements with their cost values after the deduction of, if any, impairment losses.

**IV. Explanations on Forward and Option Contracts and Derivatives Instruments**

The Bank's derivative transactions predominantly consist of currency and interest rate swaps, forward foreign currency trading as well as currency and interest rate options. The Bank has no derivative products that are separated from the host contract.

Derivative transactions are carried at their fair values at the contract dates and the receivables and payables arising from these transactions are followed under off-balance sheet accounts. Derivative transactions are measured at their fair values in the reporting periods following their recording and the valuation differences are shown under the accounts, "Derivative Financial Assets Held for Trading" and "Derivative Financial Liabilities Held for Trading", depending on the difference being positive or negative. Even though some derivative transactions economically provide risk hedging, since not all the necessary conditions are met for them to be defined as items suitable for financial risk hedging accounting, they are recognized as "held for trading purposes" within the scope of "TAS 39-Financial Instruments: Recognition And Measurement". The valuation differences arising from the valuation of derivative transactions are associated with the income statement.

On the other hand, on the off-balance sheet table, the options that generate assets for the Bank are presented under "call options" line and the ones that generate liabilities are presented under "put options" line.

**V. Explanations on Interest Income and Expenses**

Interest income and expenses are recorded on accrual basis by using the effective interest method (the ratio which equalizes the future cash flows of a financial asset or liability to net present book value) within the framework of "TAS 39-Financial Instruments: Recognition And Measurement".

As per the relevant legislation, accrued interests and other interest receivables on loans and other receivables that are classified as non-performing are cancelled and the relevant figures are recorded as interest income only when collected.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**VI. Explanations on Fee and Commission Income and Expenses**

Fee and commission income and expenses are recorded either on accrual basis or by using the effective interest rate method. Income gained in return for services rendered contractually or due to operations like sale or purchase of assets on behalf of a third party real person or corporate body are recorded in the income accounts in the period when they are collected.

**VII. Explanations on Financial Assets**

Financial assets comprise cash, contractual rights to obtain cash or another financial asset from or to exchange financial instruments with the counterparty, or the capital instrument transactions of the counterparty. According to the Bank management's purpose of holding, the financial assets are classified into four groups as "Financial Assets at Fair Value through Profit And Loss", "Financial Assets Available for Sale", "Investments Held to Maturity" and "Loans and Receivables".

**1. Cash and Banks**

Cash consists of cash in vault, foreign currency cash, money in transit, cheques purchased and precious metals. Foreign currency cash and banks are shown in the balance sheet by their amounts converted to TL at the foreign exchange rate on the balance sheet date. The carrying values of both the cash and banks are their estimated fair values.

**2. Marketable Securities****a. Financial Assets at Fair Value through Profit And Loss****a.1. Financial Assets Held for Trading**

Financial assets held for trading are those acquired for the purpose of generating profit from short term market fluctuations in prices or similar elements, or securities which are part of a portfolio set up to realize short term profit regardless of the purpose of acquisition.

Financial assets held for trading are recognized at their fair values in the balance sheet and thereafter carried at fair values. In cases where values that form the basis for the fair value do not exist in active market conditions, it is accepted that the fair value is not reliably determined and "amortized cost", calculated by the internal rate of return method, is taken into account as the fair value.

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are booked under the "Interest Income" account, and in case the fair value of the asset is over the amortized cost, the positive difference is booked under the "Gains on Securities Trading" account. If the fair value is under the amortized cost, the negative difference is booked under the "Losses on Securities Trading" account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

**a.2. Financial Assets at Fair Value through Profit and Loss**

Financial assets classified at fair value through profit and loss are financial assets which have not been acquired for trading purposes, but designated as at fair value through profit and loss on initial recognition. The recognition of such assets at fair value is accounted similar with the financial assets held for trading.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**b. Explanations on Financial Assets Available for Sale and Investments Held to Maturity****b.1. Explanations on Financial Assets Available for Sale**

Financial assets available for sale are non-derivative financial assets other than loans and receivables originated by the Bank, other than investments held to maturity and other than those classified at fair value through profit/loss. Initial recognition and the subsequent valuation of financial assets available for sale, including their transaction costs, is made on a fair value basis and the difference between the cost and the "amortized cost" calculated using the "Internal Rate of Return Method" is reflected to the profit/loss statement. In conditions where values that form the basis of fair value do not exist under active market conditions, it is deemed that the fair value is not reliably determined and the amortized cost calculated using the "Internal Rate of Return Method" is taken into account as the fair value. Unrealized profit and loss resulting from the changes in fair values of the financial assets available for sale, are not reflected to the income statement until the corresponding value of the financial asset is collected, the asset is sold, disposed of or impaired, rather they are recognized in the "Marketable Securities Valuation Differences" account under the shareholders' equity. In the event of collection of the value of the relevant asset or its disposal, the fair value differences accumulated in the shareholders' equity, resulting from market valuation are reflected to the income statement.

**b.2. Explanations on Investments Held to Maturity**

Investments held to maturity are non-derivative financial assets, other than loans and receivables originated by the Bank, and other than those which are classified at fair value through profit and loss at initial recognition and other than those which are defined as available for sale. These financial assets are held with the intention of being retained until the maturity date, and for which the required conditions, including the capability of being funded, are secured for holding until maturity, and they have a fixed maturity date or a maturity date that can be deemed fixed due to its determinable payments. Investments held to maturity, that are initially recorded at their fair values including the cost of transaction, are carried at amortized cost, calculated using the internal rate of return method, less any impairment losses. Interest income generated from investments held to maturity is accounted as "Interest Income" on the income statement.

There are no financial assets that have been previously classified as held to maturity investments but cannot be classified as held to maturity for two consecutive years due to "tainting" rules.

**3. Loans and Receivables**

Loans and receivables are financial assets, which are generated by providing funds, goods or services to the debtor, with fixed or determinable repayment schedules and which are not traded in an active market.

The initial recognitions of loans and receivables are made at the cost of acquisition and subsequent measurements are made at amortized cost, which is calculated using the internal rate of return method.

Retail and corporate loans that are followed under cash loans are accounted at original maturities, based on their contents, under the accounts defined by the Uniform Code of Accounts (UCA) and the Explanatory Manual.

Foreign currency indexed loans are converted to Turkish Lira at the rates prevailing at the opening date; they are followed under the Turkish Currency (TL) accounts, and amount of increases or decreases in the principal amount of the loans, depending on the exchange rate of the following periods being higher or lower than the ones on the lending date, are recognized in the profit/loss accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the "Foreign Exchange Gains/Losses" account.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**VIII. Explanations on Impairment of Financial Assets**

At each balance sheet date, the Bank evaluates the carrying amount of its financial assets or a group of its financial assets to determine whether there is an objective indication if those assets have suffered an impairment loss. Where there is impairment, the Bank measures the related impairment amount.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event (loss/damage event) subsequent to initial recognition of that financial asset; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of the probability, no estimated loss that might arise from future events is recognized in the financial statements.

If there is an impairment loss in investments held to maturity, the amount of loss is measured as the difference between the book value and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate, and the book value of the asset shall be reduced by recognizing such loss. In the following periods, if the amount of impairment loss decreases, the previously recognized amount shall be reversed.

In case an available-for-sale financial asset, which is accounted at fair value and whose value increases and decreases are recognized directly in equity, is impaired, accumulated profit or loss that had been recognized directly in equity shall be removed from equity and recognized in period net profit or loss. If, in a subsequent period, the fair value of the related financial asset increases, the impairment loss is cancelled.

Loans are classified and followed in line with the provisions of the "Regulation on Identification of Loans and Other Receivables and Provisioning Against Them", published on the Official Gazette nr.26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement. The provisions, which are released within the same year, are credited to the "Provision Expenses" account and the released parts of the provisions from the previous years are transferred to and recognized in the "Other Operating Income" account.

Apart from specific provisions, the Bank also allocates general loan loss provision against loans and other receivables, in line with the requirements set out in the regulation mentioned above.

**IX. Explanations on Offsetting Financial Instruments**

Financial assets and liabilities are offset when the Bank has a legally enforceable right to offset, and when the Bank has an intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously.

**X. Explanations on Sale and Repurchase Agreements and Securities Lending Transactions**

Securities subject to repo (repurchase agreements) are classified as "Financial Assets at Fair Value through Profit and Loss", "Financial Assets Available for Sale" or "Investments Held to Maturity" according to their purposes to be held in the Bank's portfolio and evaluated within the principles of the relevant portfolio.

Funds obtained from repurchase agreements are followed under the "Funds Provided Under Repurchase Agreements" account in liabilities, and interest expense accruals are calculated using the internal rate of return method on the difference between the sales and repurchase prices corresponding to the period designated by a repurchase agreement.

Reverse repo transactions are recorded under the "Receivables from Reverse Repurchase Agreements" account. Interest income accruals are calculated according to the internal rate of return method on the difference between the purchase and resale prices corresponding to the period designated by a reverse repo agreement.

**XI. Explanations on Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities**

Assets held for sale are measured at the lower of the carrying value of assets and fair value less any cost incurred for disposal. Assets held for sale are not amortized and presented in the financial statements separately. An asset shall be classified as held for sale, only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed of (or else the group of assets), together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. Various events and conditions may extend the completion period of the disposal more than a year. If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets).

A discontinued operation is a part of the Bank's business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**XII. Explanations on Goodwill and Other Intangible Assets**

As at the balance sheet date, the Bank does not have any goodwill in its accompanying unconsolidated financial statements.

The Bank's intangible assets are composed of software programs. The purchased items are presented with their acquisition costs less the accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of "TAS 36-Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

The related assets are amortized by the straight-line method in 1-3 years. The amortization method and period are periodically reviewed at the end of each year.

**XIII. Explanations on Tangible Assets**

Tangible assets purchased before 1 January 2005, are presented in the financial statements at their inflation adjusted acquisition costs as of 31 December 2004, and the items purchased in the subsequent periods are presented at acquisition costs less accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of "TAS 36 – Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Assets under construction for leasing or for administrative purposes or for other objectives, which are not presently determined, are amortized when they are ready for use.

The acquisition costs of tangible assets other than the land and construction in progress are amortized by the straight-line method, according to their estimated useful lives. The estimated useful life, residual amount and the method of amortization are reviewed every year for the possible effects of the changes that occur in the estimates and if there is any change in the estimates, they are recognized prospectively.

Assets acquired through finance lease are amortized at the estimated useful life or the leasing period, whichever is shorter.

Costs of operational lease development are amortized at equal amounts considering the period of benefit. Yet, in any case, the period of benefit cannot exceed the period of lease. In case the period of lease is indefinite or longer than 5 years, the amortization period is considered to be 5 years.

The difference between the sales proceeds arising from the disposal of tangible assets or the inactivation of a tangible asset and the book value of the tangible assets are recognized in the income statement.

Regular maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages on tangible assets.

The depreciation rates used in amortization of tangible assets and their estimated useful lives are as follows:

	Estimated Economic Life (Year)	Depreciation Rate
Buildings	4-50	2-25%
Safe Boxes	2-50	2-50%
Other Movables	2-25	4-50%
Leased Assets	4-5	20-25%

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**XIV. Explanations on Leasing Transactions**

Assets acquired through finance lease are capitalized by the lower of the fair values or the discounted values of the leasing payments and the total amount of leasing payments are recorded as liabilities while the interest amounts are recorded as deferred interest expense. Finance lease payments are separated as financial expense and principal amount payment, which provides a decrease in finance lease liability, thus helps a fixed rate interest on the remaining principal amount of the debt to be calculated. Within the context of the Bank's general borrowing policy, financial expenses are recognized in the income statement. Leased assets are recorded under "Tangible Assets" account and they are amortized by straight-line method.

The Bank conducts no leasing operations as a "Lessor".

Transactions related to operating lease are accounted as per the provisions of the relevant agreement and on accrual basis.

**XV. Explanations on Provisions and Contingent Liabilities**

Provision is set aside in the financial statements in case that a liability resulting from past events exists, that an outflow funds, which have economic use is probable in order to fulfill the liability and that the amount of the related liability can be estimated reliably.

The provision amount is calculated by estimating in the most reliable way the expense to be made as at the balance sheet date to fulfill the liability by considering the risks and uncertainties related to the liability.

In case the provision is measured by using the estimated cash flows required to fulfill the existing liability, the book value of the related liability is equal to the present value of the related cash flows.

In case there is no probability of resource outflow in order to fulfill the liability and that the amount of liability cannot be measured in a sufficiently reliable way, the liability is considered as "Contingent Liability" and information is provided thereon in the footnotes.

**XVI. Explanations on Contingent Assets**

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

**XVII. Explanations on Liabilities Regarding Employee Benefits****1. Severance Indemnities and Short-Term Employee Benefits**

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay termination benefits for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. Within the scope of "TAS 19-Employee Benefits", the Bank allocates seniority pay provisions for employee benefits by estimating the present value of the probable future liabilities. The Bank also allocates provision for the unused paid vacation.

**2. Retirement Benefit Obligations**

Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı ("İşbank Pension Fund"), of which each Bank employee is a member, has been established according to the provisional Article 20 of the Social Security Act No. 506. As per provisional article nr.23 of the Banking Law Nr.5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Act, will be transferred to the Social Security Institution, within 3 years after the publication of such law. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 nr. 2006/11345. However, the related article of the act has been cancelled upon the President's application dated 2 November 2005, by the Supreme Court's decision dated 22 March 2007, nr. E.2005/39, K.2007/33, which was published on the Official Gazette dated 31 March 2007 and nr. 26479 and the execution decision was ceased as of the issuance date of the related decision.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and nr.26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law nr. 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 8 May 2008 and nr. 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation, and that the three-year transfer period can be prolonged for maximum 2 years by the Cabinet decision. The related three-year transfer period has been prolonged for 2 years by the Cabinet decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and nr. 27900.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

The above mentioned Law also states that;

- Through a commission constituted by the attendance of one representative separately from the Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund, one from each pension fund, and one representative from the organization employing pension fund contributors, related to the transferred persons, the cash value of the liabilities of the pension fund as of the transfer date will be calculated by considering their income and expenses in terms of the lines of insurance within the context of the related Law, and technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash,
- And that after the transfer of the pension fund contributors, the ones who receive salaries or income from these funds and their rightful beneficiaries to the Social Security Institution, these persons' uncovered social rights and payments, despite being included in the trust indenture that they are subject to, will be continued to be covered by the pension funds and the employers of pension fund contributors.

In line with the new law, the Bank had an actuarial valuation made for the aforementioned pension fund as of 31 December 2011 and set aside additional provision for the difference between the amount of the actuarial and technical deficit in the actuarial report dated 16 January 2012 and the amount of provision set aside in the financial statements until the current period. The actuarial assumptions used in the related actuarial report are given in Part Five Note II-9.

Up to now, there has not been any deficit in Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund), which has been founded by the Bank employees in accordance with the rules of the Civil Code and which provides subsequent retirement benefits; and the Bank has made no payment for this purpose. It is believed that the assets of this institution are capable of covering its total obligations, and that it shall not constitute an additional liability for the Bank.

**XVIII. Explanations on Taxation****1. Corporate Tax:**

In accordance with Article nr. 32 of the Corporate Tax Law nr. 5520, 20% rate is used in the calculation of the corporate tax. As per the related law, temporary tax is calculated and paid quarterly in line with the principles of the Income Tax Law and at the corporate tax rate. The temporary tax payments are deducted from the current period's corporate tax. The temporary provisional tax for the end of the year 2011 will be paid in February 2012 and will be offset with the current period's corporate tax.

Tax expense is the total amount of current tax and deferred tax. Tax liability for the current period is calculated over the taxable part of the period profit. Taxable profit differs from the profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxes are shown in the financial tables by offsetting with prepaid taxes.

Within the framework of the Corporate Tax Law nr. 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovables are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.

**2. Deferred Tax:**

Deferred tax asset or liability is recognized by calculating the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit and this calculation is made by using the balance sheet liability method based on enacted tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The general provisions that are allocated for possible future risks are included in the tax base and they are not subject to deferred tax calculation. No tax assets or liabilities are recognized for the temporary timing difference that affects neither the taxable profit nor the accounting profit and that arises from the initial recognition in the balance sheet, of assets and liabilities, other than the goodwill and mergers.

The carrying values of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts.

Deferred tax assets and liabilities are shown in financial tables by way of offsetting.



## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**3. Tax Practices in the Countries that Foreign Branches Operate:***Turkish Republic of Northern Cyprus (TRNC)*

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are separately subject to 10% corporate tax and 15% income tax. The tax bases for companies are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of the companies. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

*England*

Corporate gains are subject to 26% corporate tax in England. The relevant rate is applied to the tax base that is determined by adding the expenses that cannot be deducted due to the regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, if the tax base of the relevant year, is higher than the amount found by dividing 1,500,000 GBP (exact value), as specified in regulations, by the number of participations, in which the Bank has 75% or more share, plus one, the corporate tax payments are made as temporary tax payments in four installments in July and October of the relevant year and in January and April of the following year. Relevant temporary tax payments are deducted from the corporate tax that is finalized until the end of January of the second year following the relevant year. On the other hand, if the tax base is under the afore-mentioned threshold, corporate tax is paid by the end of January of the second year following the year that the profit is made.

*Bahrain*

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

*The Republic of Iraq (Iraq)*

Corporate gains are subject to 15% income tax in Iraq. Income tax is accrued at the end of the year and paid in the following year to the related tax administration by the end of June, at the latest.

**4. Transfer Pricing:**

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing through camouflage of earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing".

According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

**XIX. Additional Explanations on Borrowings**

The Bank resorts to obtaining funds from individuals and institutions residing domestically and abroad, as may be required, by way of resorting to borrowing instruments such as syndication, securitization, collateralized borrowing and issue of bonds/bills. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the internal rate of return method.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**XX. Explanations on Share Certificates and Issues**

Costs incurred during the issue of shares are accounted as expenses.

Dividend payments are determined by the resolution of the General Assembly of Shareholders.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Bank's earnings per share calculations taking place in the income statement are as follows.

	Current Period	Prior Period
Profit attributable to shareholders	2,667,487	2,982,210
Weighted average number of share certificates ('000)	112,502,250	112,502,250
Earnings per share (in exact TL)	0.023710521	0.026508003

**XXI. Explanations on Bank Acceptances and Bills of Guarantee**

The Bank's acceptances and bills of guarantee are accounted concurrently with the payments by customers, and are shown as potential liabilities and commitments under off-balance sheet items.

**XXII. Explanations on Government Incentives**

The Bank has received no government incentives during the current or prior accounting periods.

**XXIII. Explanations on Segment Reporting**

Business segment is the part of an enterprise,

- which conducts business operations where it can gain revenues and make expenditures (including the revenues and expenses related to the transactions made with the other parts of the enterprise),
- whose operating results are regularly monitored by the authorities with the power to make decisions related to the operations of the enterprise in order to make decisions related to the funds to be allocated to the segment and to evaluate the performance of the segment, and
- which has its separate financial information.

Information on the Bank's activity segmentation is given in Part Four Note XI.

**XXIV. Explanations on Other Issues**

None.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## PART FOUR: INFORMATION ON THE FINANCIAL STRUCTURE

## I. Explanations on Capital Adequacy Standard Ratio

The Bank's capital adequacy standard ratio is 14.07%.

The capital adequacy standard ratio is calculated by risk weighting of risk-weighted assets and non-cash loans in accordance with the ratios in the relevant legislation, and by adding the Value at Market Risk which is determined by the Standard Method, and the Value at Operational Risk which is determined by the Basic Indicator Approach, to the risk-weighted assets.

## Information related to capital adequacy ratio:

	Risk Weights						
	Bank Only						
	0%	10%	20%	50%	100%	150%	200%
<b>Value at Credit Risk</b>							
<b>Balance Sheet Items (Net)</b>	<b>31,139,072</b>		<b>2,874,638</b>	<b>17,454,001</b>	<b>75,411,974</b>	<b>1,340,825</b>	<b>2,905,123</b>
Cash	1,231,348		116				
Securities in Redemption							
Balances with the Central Bank of Turkey	5,689,128						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches			2,010,947		242,952		
Interbank Money Market Placements	43,127						
Receivables from Reverse Repo Transactions							
Reserve Deposits	6,816,313						
Loans	3,270,203		442,100	17,081,852	65,183,980	1,340,825	2,905,123
Non-performing Loans (Net)							
Lease Receivables							
Financial Assets Available for Sale							
Investments Held to Maturity	11,752,085				20,322		
Receivables From Installment Sale of Assets					55		
Miscellaneous Receivables					1,119,947		
Interest and Income Accruals	1,735,986		23,012	372,149	799,774		
Investments in Associates, Subsidiaries and Jointly-Controlled Entities (Net)					6,275,017		
Tangible Assets					1,735,806		
Other Assets	600,882		398,463		34,121		
<b>Off Balance Sheet Items</b>	<b>128,098</b>		<b>2,447,221</b>	<b>781,943</b>	<b>22,011,235</b>		
Non-cash Loans and Commitments	128,098		1,388,564	781,943	21,684,253		
Derivative Financial Instruments			1,058,657		326,982		
<b>Non- Risk Weighted Accounts</b>							
<b>Total Risk Weighted Assets</b>	<b>31,267,170</b>		<b>5,321,859</b>	<b>18,235,944</b>	<b>97,423,209</b>	<b>1,340,825</b>	<b>2,905,123</b>

## Summary information about the bank only standard capital adequacy ratio:

	Current Period	Prior Period
Value at Credit Risk (VaCR)	115,427,036	80,616,131
Value at Market Risk (VaMR)	5,773,788	5,525,375
Value at Operational Risk (VaOR)	11,275,425	10,715,692
Shareholders' Equity	18,643,083	16,995,505
Shareholders' Equity/(VaCR+VaMR+VaOR)*100	14.07	17.55

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Information about the shareholders' equity items:

	Current Period	Prior Period
<b>CORE CAPITAL (TIER I)</b>		
Paid-In Capital	4,500,000	4,500,000
Nominal Capital	4,500,000	4,500,000
Capital Commitments (-)		
Paid-in Capital Inflation Adjustments	1,615,938	1,615,938
Share Premium	3,694	3,694
Share Cancellation Profits		
Legal Reserves	1,646,564	1,444,476
I. Legal Reserve (Turkish Commercial Code 466/1)	1,351,124	1,209,601
II. Legal Reserve (Turkish Commercial Code 466/2)	295,440	234,875
Other Legal Reserve Per Special Legislation		
Statutory Reserves		
Other Profit Reserves	89,767	-15,716
Extraordinary Reserves	5,731,242	3,941,296
Reserves Allocated by the General Assembly	5,298,144	3,290,176
Retained Earnings	433,098	651,120
Accumulated Loss		
Exchange Rate Difference on Foreign Currency Share Capital		
Legal, Statutory and Extraordinary Reserves Inflation Adjustments		
Profit	2,667,487	2,982,210
Net Current Period Profit	2,667,487	2,982,210
Prior Periods' Profit		
Provision for Possible Losses up to 25% of the Core Capital	950,000	950,000
Gain on Sale of Associates, Subsidiaries and Real Estates	159,524	
Primary Subordinated Loans up to 15% of the Core Capital		
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements (-)	117,892	113,754
Prepaid Expenses (-) (*)		97,176
Intangible Assets (-)	63,677	32,619
Deferred Tax Asset excess of 10% of the Core Capital (-)		
Limit Excesses as per Paragraph 3 of Article 56 of the Banking Law (-)		
Total Core Capital	17,182,647	15,178,349
<b>SUPPLEMENTARY CAPITAL (TIER II)</b>		
General Loan Loss Provision	1,245,245	699,489
45% of Movables' Revaluation Reserve		
45% of Immovables' Revaluation Reserve		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures)	26,692	26,692
Primary Subordinated Loans Excluding the Portion included in the Core Capital		
Secondary Subordinated Loan		
45% of Marketable Securities Value Increase Fund (**)	453,973	1,131,846
Associates and Subsidiaries	777,974	1,028,738
Financial Assets Available for Sale	-324,001	103,108
Capital Reserves, Profit Reserves and Prior Periods' Profit/Loss Inflation Adjustments (excluding the inflation adjustments to legal reserves, status reserves and extraordinary reserves)		
Total Supplementary Capital	1,725,910	1,858,027
<b>TIER III CAPITAL</b>		
<b>CAPITAL</b>	<b>18,908,557</b>	<b>17,036,376</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>265,474</b>	<b>40,871</b>
Investments in unconsolidated entities (domestic/foreign) of which the Bank Keeps 10% or More of the Shares and Operating in Banking and Financial Sectors		
Investments in entities (domestic/foreign) operating in Banking and Financial Sectors of which the Bank keeps the shares less than 10%, but exceeding 10% or more of the total core and supplementary capitals		
Loans to banks, financial institutions (domestic/foreign), holders of qualified shares in the form of secondary subordinated loan and debt instruments purchased from those parties qualified as primary or secondary subordinated loan		
Loans granted non-compliant with the articles 50 and 51 of the Banking Law	326	
Net book values of real estates exceeding 50% of the capital and of assets acquired against overdue receivables and held for sale as per article 57 of the Banking Law but retained more than five years	65,939	40,871
Others (***)	199,209	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>18,643,083</b>	<b>16,995,505</b>

(\*) As per the "Regulation Amending the Regulation on Equities of Banks", published on the Official Gazette dated 10 March 2011 and nr. 27870, "Prepaid Expenses" have been removed from the items deducted from the core capital.

(\*\*) According to the related regulation, when calculating the supplementary capital, total balance amount is taken into consideration if the items subject to the Marketable Securities Value Increase Fund have a negative balance, and 45% of the balance amount is taken into consideration if their balance is positive.

(\*\*\*) It includes the deductions from the capital in accordance with the decision of the Banking Regulation and Supervision Agency dated 16 December 2010 and nr. 3980, published on the Official Gazette dated 18 December 2010 and no. 27789.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## II. Explanations on Credit Risk

1. Credit risk is defined as the possibility of incurring loss where the counterparty in a transaction, partially or completely fails to meet its contractual obligations in due time in an agreement with the Bank.

The Bank's position against the credit risk limits defined by the current legislation is monitored by the Board. Within this framework, loans extended to Risk Groups and the Bank's Risk Group, including the Bank; loans in high amounts and limitations regarding the shares in participations are monitored according to the limits determined in connection with the size of the shareholders' equity.

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorization limits of Branches, Regional Offices, Loan Divisions, the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and the Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk.

The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey.

The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a consistent basis by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation.

Utmost importance is given to ensure that loans are furnished with collaterals. Most of the loans extended are collateralized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantees.

2. There are certain control limits on forward transactions in terms of counter parties, and the risks taken for derivative instruments are evaluated along with other potential risks resulting from the market fluctuations.

3. As a result of the current level of customers' needs and the progress in the domestic market in this particular area, the Bank uses derivative transactions either for hedging or for commercial purposes.

Derivative instruments, which consist a remarkable volume, are monitored with consideration that they can always be liquidated in case of need.

4. Indemnified non-cash loans are considered as having the same risk weights as unpaid cash loans.

The rating and scoring systems applied by the Bank, includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized loans are evaluated by a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the projects undertaken or the asset financed.

5. Lending transactions abroad are conducted by determining the country risks of related countries within the context of the current rating system and by taking the market conditions, country risks, and the relevant legal limitations into account. Furthermore, the credibility of banks and other financial institutions established abroad is examined within the framework of the rating system that has been developed and credit limits are assigned accordingly.

6. (i) The share of the Bank's receivables from the top 100 cash loan customers in the overall cash loan portfolio stands at 25% (31.12.2010: 26%).

(ii) The share of the Bank's receivables from the top 100 non-cash loan customers in the overall non-cash portfolio stands at 48% (31.12.2010: 43%).

(iii) The share of the Bank's cash and non-cash receivables from the top 100 loan customers in the overall cash and non-cash loans stands at 16% (31.12.2010: 14%).

Companies that are among the top 100 loan customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans advanced to them are in line with their volume of industrial and commercial activity. A significant part of such loans is extended on a project basis, with their repayment sources being analyzed in accordance with the banking principles to be considered as satisfactory and associated risks are determined and duly covered by obtaining appropriate guarantees when deemed necessary.

7. The total value of the general provisions allocated for credit risk stands at TL 1,245,245.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

8. The Bank measures the quality of its loan portfolio by applying different rating/scoring models on cash commercial/corporate loans, retail loans and credit cards. The breakdown of the rating/scoring results, which are classified as "Strong", "Standard" and "Below Standard" by considering their default features, is shown below.

The loans whose borrowers' capacity to fulfill their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfill its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfill their obligations is poor, are defined as "Below Standard".

	Current Period	Prior Period
Strong	34.26%	29.13%
Standard	55.06%	55.96%
Below Standard	8.74%	10.29%
Not Rated/Scored	1.94%	4.62%

The table data comprises application rating/scoring results and in case the behavior rating/scoring results are taken into account, for the current period, strong becomes 40.39%, standard 49.68%, below standard 4.82% and not rated/scored becomes 5.11%.

9. The net values of the collaterals of the closely monitored loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage (*)	542,046	542,046	641,534	641,534
Vehicle Pledge	80,534	80,534	103,281	103,281
Cash Collateral (Cash, securities pledge, etc.)	11,099	11,099	6,234	6,234
Pledge on Wages	72,823	72,823	46,991	46,991
Cheques & Notes	18,299	18,299	17,486	17,486
Other (Suretyship, commercial enterprise under pledge, commercial papers, etc.)	81,503	81,503	80,303	80,303
Non-collateralized		626,462		548,602
<b>Total</b>	<b>806,304</b>	<b>1,432,766</b>	<b>895,829</b>	<b>1,444,431</b>

(\*) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figures are considered to be the net value of collaterals.

10. The net values of the collaterals of non-performing loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage (*)	426,461	426,461	493,930	493,930
Cash Collateral	26	26	54	54
Vehicle Pledge	89,065	89,065	137,220	137,220
Other (suretyship, commercial enterprise under pledge, commercial papers, etc.)	46,618	46,618	62,355	62,355

(\*) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports, and after comparing the results to the mortgage/pledge amounts and loan balances the smallest figures are considered to be the net value of collaterals.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 11. The aging analysis of the loans past due but not impaired is as follows:

Current Period	31-60 Days	61-90 Days	Total
Loans			
Corporate/Commercial Loans (*)	18,636	14,790	33,426
Consumer Loans (*)	22,181	10,340	32,521
Credit Cards	121,911	85,568	207,479
<b>Total (**)</b>	<b>162,728</b>	<b>110,698</b>	<b>273,426</b>

(\*)Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 183,818 and TL 187,103 respectively.

(\*\*)The balance of the loans that are classified as closely monitored although they are not past due or past due for less than 31 days is TL 788,419.

Prior Period	31-60 Days	61-90 Days	Total
Loans			
Corporate/Commercial Loans (*)	37,682	31,142	68,824
Consumer Loans (*)	26,038	13,633	39,671
Credit Cards	58,869	43,269	102,138
<b>Total (**)</b>	<b>122,589</b>	<b>88,044</b>	<b>210,633</b>

(\*)Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts which are not due as of the balance sheet date are equal to TL 274,745 and TL 185,211 respectively.

(\*\*)The balance of the loans that are classified as closely monitored although they are not past due or past due for less than 31 days is TL 773,842.

## 12. Credit risk by types of borrowers and geographical concentration:

	Loans to Individuals and Entities		Loans to Banks and Other Financial Institutions		Securities (*)		Other Loans (**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Borrowers' Concentration</b>								
Private Sector	61,337,732	40,182,109	2,239,902	1,893,269	77,934	76,540	43,686,156	25,511,283
Public Sector	2,051,873	1,551,512			40,145,002	42,912,526	228,817	140,384
Banks			534,560	920,285	2,541,415	2,434,815	31,972,503	24,311,597
Retail Customers	25,456,571	19,684,503					15,928,048	15,760,930
Share Certificates					13,676	12,676	6,275,017	6,264,039
<b>Geographical Concentration</b>								
Domestic	87,596,202	60,711,111	2,635,509	2,438,798	40,367,902	42,102,858	66,666,019	47,905,991
European Union (EU)	452,000	104,470	54,734	341,708	2,356,312	3,286,363	28,812,455	22,317,143
OECD Countries (***)				232			1,468,981	926,270
Off-Shore Banking Regions		42,540		27	37,702	30,877		
USA, Canada	11,721	157					440,554	126,372
Other Countries	786,253	559,846	84,219	32,789	16,111	16,459	702,532	712,457
<b>Total</b>	<b>88,846,176</b>	<b>61,418,124</b>	<b>2,774,462</b>	<b>2,813,554</b>	<b>42,778,027</b>	<b>45,436,557</b>	<b>98,090,541</b>	<b>71,988,233</b>

(\*) Includes financial assets at fair value through profit or loss, financial assets available for sale and investments held to maturity.

(\*\*) Includes banks, money market operations, non-cash loans, commitments qua loans, investments in associates and subsidiaries, and derivative instruments.

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



## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 13. Information on geographical concentration:

	Assets (*)	Liabilities(**)	Non-Cash Loans	Fixed Capital Investments	Net Profit
<b>Current Period</b>					
Domestic	149,258,525	119,010,982	24,343,834	13,622	2,487,117
European Union Countries	4,246,816	19,494,625	1,020,724	146,436 (***)	7,114
OECD Countries (****)	462,915	505,571	94,414		
Off-Shore Banking Regions	37,702				149,272
USA, Canada	206,513	2,334,732	26,766		
Other Countries	1,167,394	2,401,230	364,267	57,456(***)	23,984
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)				6,071,125	
Unallocated Assets/Liabilities					
<b>Total</b>	<b>155,379,865</b>	<b>143,747,140</b>	<b>25,850,005</b>	<b>6,288,639</b>	<b>2,667,487</b>
<b>Prior Period</b>					
Domestic	118,375,643	96,914,164	14,054,964	12,622	3,143,875
European Union Countries	5,544,172	15,067,422	669,436	41,480(***)	2,409
OECD Countries (****)	564,186	314,788	87,719		
Off-Shore Banking Regions	73,444				-197,152
USA, Canada	79,453	514,537	31,868		
Other Countries	882,935	1,971,779	438,616		33,078
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)				6,222,559	
Unallocated Assets/Liabilities					
<b>Total</b>	<b>125,519,833</b>	<b>114,782,690</b>	<b>15,282,603</b>	<b>6,276,661</b>	<b>2,982,210</b>

(\*)The sum of assets and fixed capital investments reflect the total assets in the balance sheet.

(\*\*)Among liabilities, the shareholders' equity items are not taken into consideration.

(\*\*\*)The balances indicate our subsidiaries located abroad.

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

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 14. Sector concentration of cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	867,613	1.48	28,234	0.09	639,112	1.46	32,251	0.16
Farming and Raising Livestock	712,722	1.21	21,498	0.07	522,682	1.19	14,718	0.07
Forestry	111,275	0.19	354	0.00	84,497	0.20	9,568	0.05
Fishing	43,616	0.08	6,382	0.02	31,933	0.07	7,965	0.04
Industry	9,507,823	16.17	14,297,117	43.57	6,981,466	15.93	9,226,407	45.22
Mining	273,509	0.47	397,878	1.21	204,573	0.47	188,598	0.92
Production	8,943,489	15.21	9,892,573	30.15	6,576,167	15.00	6,897,790	33.81
Electricity, gas, and water	290,825	0.49	4,006,666	12.21	200,726	0.46	2,140,019	10.49
Construction	2,964,597	5.04	1,832,538	5.58	2,033,097	4.64	1,057,520	5.18
Services	19,955,204	33.93	14,328,878	43.66	14,421,067	32.90	8,424,549	41.28
Wholesale and Retail Trade	10,615,725	18.05	3,043,743	9.27	7,465,370	17.03	1,988,050	9.74
Hotel, Food and Beverage Services	637,079	1.08	1,300,610	3.96	498,065	1.14	385,246	1.89
Transportation and Telecommunication	3,699,621	6.29	4,085,921	12.45	2,443,012	5.57	2,467,932	12.09
Financial Institutions	2,119,505	3.61	2,095,594	6.39	1,602,515	3.66	2,080,299	10.20
Real Estate and Renting Services	1,324,603	2.25	2,549,693	7.77	1,193,284	2.72	1,025,843	5.03
Self-Employment Services	869,487	1.48	941,866	2.87	676,841	1.55	181,548	0.89
Education Services	219,396	0.37	212,615	0.65	176,230	0.40	202,930	0.99
Health and Social Services	469,788	0.80	98,836	0.30	365,750	0.83	92,701	0.45
Other	25,508,490	43.38	2,330,144	7.10	19,752,201	45.07	1,664,008	8.16
<b>Total</b>	<b>58,803,727</b>	<b>100.00</b>	<b>32,816,911</b>	<b>100.00</b>	<b>43,826,943</b>	<b>100.00</b>	<b>20,404,735</b>	<b>100.00</b>

## III. Explanations on Market Risk:

The market risk carried by the Bank is measured by two separate methods known respectively as the Standard Method and the Value at Risk Model in accordance with the local regulations adopted from internationally accepted practices. In this context, interest rate risk emerges as the most important component of the market risk.

The market risk measurements are carried out by applying the Standard Method at the end of each month and the results are included in the statutory reports as well as being reported to the Bank's top management.

The Value at Risk Model (VAR) is another alternative for the Standard Method used for measuring and monitoring market risk. This model is used to measure the market risk on a daily basis in terms of interest rate risk, exchange rate risk and equity share risk and is a part of the Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR model used to measure the losses that may occur in the ordinary market conditions are conducted, and the possible impacts of scenarios that are developed based on the future predictions and the past crises, on the value of the Bank's portfolio are determined and the results are reported to the Top Executive Management.

The limits set for the market risk management within the framework of the Bank's asset liability management risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions.

The following table shows details of the market risk calculations carried out with the "Standard Method for Market Risk Measurement" and within the context of "Regulation for Evaluating and Measuring the Capital Adequacy of Banks" as of 31 December 2011.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 1. Information on the market risk:

	Amount
(I) Capital Obligation against General Market Risk – Standard Method	216,566
(II) Capital Obligation against Specific Risk – Standard Method	45,607
(III) Capital Obligation against Currency Risk – Standard Method	196,774
(IV) Capital Obligation against Stocks Risk – Standard Method	2,870
(V) Capital Obligation against Exchange Risk – Standard Method	
(VI) Capital Obligation against Market Risk of Options – Standard Method	86
(VII) Capital Obligation against Market Risks of Banks Applying Risk Measurement Models	
(VIII) Total Obligation against Market Risk (I+II+III+IV+V+VI)	461,903
(IX) Value at Market Risk (12,5 x VIII) or (12,5 x VII)	5,773,788

## 2. Table of the average market risk related to the market risk calculated at the ends of months during the period:

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	249,529	280,708	229,357	297,872	339,889	255,098
Share Certificate Risk	9,592	9,694	9,779	9,316	9,247	9,327
Currency Risk	214,982	202,190	213,693	155,844	163,068	159,286
Commodity Risk	2,628	107	583			
Settlement Risk						
Options Risk	526	860	80	626	792	382
Total Value at Risk	5,965,713	6,169,488	5,668,650	5,795,725	6,412,450	5,301,163

## IV. Explanations on Operational Risk

Operational risk is defined in general as “the risk of loss that may be arising from inadequate or ineffective internal processes, people, systems or other external factors”.

The classification of operational risks that might be encountered during the activities is followed by preparing the “Risk Catalog of the Bank”. This Risk Catalogue is the basis to be used in the definition and classification of all risks that may be exposed to and is updated parallel to the changing conditions.

The principles on specifying, defining, evaluating, measuring, monitoring, controlling and reporting the operational risk and the responsibilities regarding operational risk management are stated in the “Operational Risk Policy”.

In the assessment of operational risk, “Self-Assessment Methodology” is applied. This method requires identifying the risks through the participation of the personnel who is responsible for undertaking the operation. Both qualitative and quantitative methods are used in the measurement and evaluation of operational risk. Information derived from the “Impact-Likelihood Analysis” and “Lost Case Data Analysis” is used in the measurements.

All the operational risks that are carried during the operations, the risk levels of the operations and/or new products/services, together with the losses of the Bank arising from operational risks are regularly monitored by the Risk Management Department, and if deemed necessary, the risk levels are updated and periodically reported to the Risk Committee and the Board of Directors.

The operational risk, to which the Bank is exposed, is measured using the Basic Indicator Approach in which the average of 15% of the year-end gross income of the last three years is multiplied by 12.5, in line with the domestic regulations. The operational risk amount used for the current period is TL 11,275,425 (31.12.2010: TL 10,715,692).

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## V. Explanations on Currency Risk

The currency risk for the Bank is a result of the difference between the Bank's assets denominated in foreign currencies and indexed to foreign currencies and liabilities denominated in foreign currencies. On the other hand, parity fluctuations of different foreign currencies are also another element of the currency risk.

The currency risk is managed by the internal currency risk limits which are established as a part of the Bank's risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks, within the framework of the limits drawn by the "Net FC Overall Position/Shareholders' Equity" ratio, which is a part of the legal requirement, and the internal currency risk limits specifies by the Board of Directors and the decisions made on such compliance are strictly applied.

In measuring exchange rate risk, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging exchange rate risk.

Risk measurements made within the context of the Value at Risk Model (VAR) are made on a daily basis using the historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on exchange rate risk are reported to the Top Management and the risks are closely monitored by taking into account the market and the economic conditions.

## Foreign exchange buying rates of the Bank at the date of the balance sheet and for the 5 working days prior to the related date:

Date	USD	EUR	JPY
31.12.2011	1.8800	2.4327	0.0244
30.12.2011	1.8800	2.4327	0.0244
29.12.2011	1.9100	2.4670	0.0246
28.12.2011	1.9000	2.4618	0.0244
27.12.2011	1.8930	2.4740	0.0243
26.12.2011	1.8850	2.4629	0.0242

## The Bank's average FC buying rate over a period of thirty days preceding the date of the financial statement:

USD: TL 1.8414    EURO: TL 2.4226    JPY: TL 0.0237

## Sensitivity to currency risk:

The Bank's sensitivity to any potential change in foreign currency rates has been analyzed. In the analysis presented below 10% change, which is also the amount used for the internal reporting purposes, is anticipated in USD, EUR and GBP.

	% Change in Foreign Currency	Effects on Profit/Loss (*)	
		Current Period	Prior Period
USD	10% increase	145,566	215,053
	10% decrease	-145,566	-215,053
EUR	10% increase	-94,839	-24,750
	10% decrease	94,839	24,750
GBP	10% increase	98,199	-2,224
	10% decrease	-98,199	2,224

(\*) Indicates the values before tax.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Information on currency risk:

	EURO	USD	JPY	Other FC	Total
<b>Current Period</b>					
<b>Assets</b>					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	7,027,475	168,514	1,393	1,475,421	8,672,803
Banks	419,260	865,426	7,373	722,182	2,014,241
Financial Assets at Fair Value through Profit/Loss (1)	94,503	550,331			644,834
Money Market Placements	24,333	18,808			43,141
Financial Assets Available for Sale	585,627	9,717,530			10,303,157
Loans (2)	10,779,789	24,638,017	78,741	468,171	35,964,718
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	203,892				203,892
Investments Held to Maturity	2,000	6,220		5,588	13,808
Derivative Financial Assets Held for Risk Management					
Tangible Assets (1)		262		164	426
Intangible Assets					
Other Assets (1)	219,108	460,706	2,685	2,721	685,220
<b>Total Assets</b>	<b>19,355,987</b>	<b>36,425,814</b>	<b>90,192</b>	<b>2,674,247</b>	<b>58,546,240</b>
<b>Liabilities</b>					
Banks Deposits	467,164	586,731	35	340,735	1,394,665
Foreign Currency Deposits (3)	14,136,415	18,667,785	21,696	3,760,079	36,585,975
Money Market Funds	210,702	5,659,188			5,869,890
Funds Provided from Other Financial Institutions	4,148,904	6,787,439		1,176	10,937,519
Marketable Securities Issued		952,974			952,974
Miscellaneous Payables	277,975	156,925	900	7,918	443,718
Derivative Financial Liabilities Held for Risk Management					
Other Liabilities (1)	470,222	1,182,380	485	9,121	1,662,208
<b>Total Liabilities</b>	<b>19,711,382</b>	<b>33,993,422</b>	<b>23,116</b>	<b>4,119,029</b>	<b>57,846,949</b>
<b>Net On Balance Sheet Position</b>	<b>-355,395</b>	<b>2,432,392</b>	<b>67,076</b>	<b>-1,444,782</b>	<b>699,291</b>
<b>Net Off Balance Sheet Position</b>	<b>-590,273</b>	<b>-898,497</b>	<b>-61,841</b>	<b>1,959,164</b>	<b>408,553</b>
Derivative Financial Assets (4)	3,303,355	7,216,039	11,099	2,764,381	13,294,874
Derivative Financial Liabilities (4)	3,893,628	8,114,536	72,940	805,217	12,886,321
Non-Cash Loans	4,475,820	10,726,324	536,469	171,121	15,909,734
<b>Prior Period</b>					
Total Assets	13,378,099	26,242,773	92,386	892,046	40,605,304
Total Liabilities	15,394,048	24,448,433	19,308	1,616,536	41,478,325
<b>Net Balance Sheet Position</b>	<b>-2,015,949</b>	<b>1,794,340</b>	<b>73,078</b>	<b>-724,490</b>	<b>-873,021</b>
<b>Net Off Balance Sheet Position</b>	<b>1,709,328</b>	<b>-257,970</b>	<b>-430,828</b>	<b>726,090</b>	<b>1,746,620</b>
Derivative Financial Assets	3,204,497	6,209,285	150,683	867,892	10,432,357
Derivative Financial Liabilities	1,495,169	6,467,255	581,511	141,802	8,685,737
Non-Cash Loans	2,695,335	5,742,111	226,254	77,233	8,740,933

(1) In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position/Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Derivative Financial Instruments Foreign Currency Income Accruals (TL 252,275), Operating Lease Development Costs (TL 2,543), Prepaid Expenses (TL 8,018) in assets and Derivative Financial Instruments Foreign Currency Expense Accruals (TL 216,272) and Shareholders' Equity (TL 137,501) in liabilities are not taken into consideration in the currency risk measurement.

(2) Also includes foreign currency indexed loans, which are followed under TL accounts. Of the total amount of TL 3,147,807 of the aforementioned loans; TL 1,702,544 is USD indexed, TL 1,351,135 is EUR indexed, TL 19,006 is CHF indexed, TL 1,783 is GBP indexed, TL 73,329 is JPY indexed and TL 10 is CAD indexed.

(3) The item includes TL 2,479,052 precious metals deposit accounts.

(4) The derivative transactions are taken into consideration within the context of the forward foreign currency trading definitions in the above mentioned Regulation.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## VI. Explanations on Interest Rate Risk

"Interest Rate Risk" is defined as the decrease that can arise in the value of the Bank's interest sensitive assets, liabilities and off-balance sheet operations as a result of interest rate fluctuations. The method of average maturity gap according to the repricing periods is used for measuring the interest rate risk arising from the banking accounts, whereas the interest rate risk related to interest sensitive financial instruments followed under trading accounts is assessed within the scope of market risk.

Potential effects of interest rate risk on the Bank's assets and liabilities, market developments, the general economic environment and expectations are regularly covered in meetings of the Asset-Liability Committee, where further measures to reduce risk are taken when necessary.

The Bank's on and off-balance sheet interest sensitive accounts other than the assets and liabilities exposed to market risk are monitored and controlled by the limits above the average maturity gaps according to the repricing periods determined by the Board within the scope of asset-liability management risk policy. Moreover, scenario analyses formed in line with the historical data and expectations are also used in the management of the related risk.

## Interest rate sensitivity:

In this part, the sensitivity of the Bank's assets and liabilities to the interest rates has been analyzed assuming that the year end balance figures were the same throughout the year.

During the measurement of the Bank's interest rate sensitivity, the profit/loss on the asset and liability items that are evaluated with market value are determined by adding to/deducting from the difference between the expectancy value of the portfolio after one year in case there is no change in interest rates and the value of the portfolio one year later, which is measured after the interest shock, the interest income to be additionally earned/to be deprived of during the one year period due to the renewal or repricing of the related portfolio at the interest rates formed after the interest shock.

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current market prices, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities having variable interest rates will be renewed at the end of repricing period with the market interest rates generated after the interest shock.

Within this context, ceteris paribus, the possible changes that may occur in the Bank's profit and shareholders' equity in case of 1 point increase/decrease in TL and FC interest rates on the reporting day are given below.

% Change in the Interest Rate (*)		Effect On Profit/Loss (**)		Effect on Equity (***)	
TL	FC (****)	Current Period	Prior Period	Current Period	Prior Period
1 point increase	1 point increase	-10,936	-373,135	-381,497	-74,147
1 point decrease	1 point decrease	57,567	273,686	410,069	75,800

(\*) The effects on the profit/loss and shareholders' equity are stated with their before tax values.

(\*\*) The effect on the profit/loss is mainly arising from the fact that the average maturity of the Bank's fixed rate liabilities is shorter than the average maturity of its fixed rate assets.

(\*\*\*) The effect on the shareholders' equity is arising from the change of the fair value of securities followed under Financial Assets Available for Sale.

(\*\*\*\*) Due to the reason that the LIBOR rates were at low levels in both of the periods, the negative shock imposed on FC interest rates in some maturity brackets remained below the aforementioned rates.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
<b>Current Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						13,736,905	13,736,905
Banks	1,677,911	1,142	55,100	499		519,684	2,254,336
Financial Assets at Fair Value through Profit/Loss	334,538	575,480	334,552	325,416	5,971	54	1,576,011
Money Market Placements	43,141						43,141
Financial Assets Available for Sale	6,979,307	3,614,543	6,673,539	7,253,244	4,060,712	71,503	28,652,848
Loans	27,145,215	10,368,336	20,149,080	27,748,602	6,201,887	7,518	91,620,638
Investments Held to Maturity	150,540	5,044,532	5,612,337	2,658,293			13,465,702
Other Assets	246,485	54	302			10,072,082	10,318,923
<b>Total Assets</b>	<b>36,577,137</b>	<b>19,604,087</b>	<b>32,824,910</b>	<b>37,986,054</b>	<b>10,268,570</b>	<b>24,407,746</b>	<b>161,668,504</b>
<b>Liabilities</b>							
Banks Deposits	1,235,737	565,552	168,195	28,222		250,431	2,248,137
Other Deposits	57,150,129	15,231,481	5,164,561	161,281		18,357,545	96,064,997
Money Market Funds	16,540,123	511,762	2,233,920	175,265			19,461,070
Miscellaneous Payables	301,819					3,039,131	3,340,950
Marketable Securities Issued	596,484	762,904	1,489,469	932,564			3,781,421
Funds Provided from Other Financial Institutions	6,033,374	3,083,354	1,937,638	81,321	12,521		11,148,208
Other Liabilities(*)	184,725	723,683	1,104,280	78,481	3,106	23,529,446	25,623,721
<b>Total Liabilities</b>	<b>82,042,391</b>	<b>20,878,736</b>	<b>12,098,063</b>	<b>1,457,134</b>	<b>15,627</b>	<b>45,176,553</b>	<b>161,668,504</b>
Balance Sheet Long Position			20,726,847	36,528,920	10,252,943		67,508,710
Balance Sheet Short Position	-45,465,254	-1,274,649				-20,768,807	-67,508,710
Off Balance Sheet Long Position	2,822,000	5,895,000					8,717,000
Off Balance Sheet Short Position			-818,655	-7,162,295	-188,000		-8,168,950
<b>Total Position</b>	<b>-42,643,254</b>	<b>4,620,351</b>	<b>19,908,192</b>	<b>29,366,625</b>	<b>10,064,943</b>	<b>-20,768,807</b>	<b>548,050</b>

(\*) Shareholders' equity is shown in "non-interest bearing" column.

## Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
<b>Prior Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	5,307					8,517,318	8,522,625
Banks	3,104,352					80,766	3,185,118
Financial Assets at Fair Value through Profit/Loss	108,672	226,490	330,901	60,926	5,823	54	732,866
Money Market Placements	5,687,294	3,763,526	8,836,915	10,509,791	2,484,611	78,277	31,360,414
Financial Assets Available for Sale	20,841,623	6,741,754	12,077,240	20,305,910	4,247,163	17,988	64,231,678
Loans	150,583	4,767,576	4,435,523	4,250,303			13,603,985
Investment Held to Maturity	281,200	44	160			9,878,404	10,159,808
Other Assets							
<b>Total Assets</b>	<b>30,179,031</b>	<b>15,499,390</b>	<b>25,680,739</b>	<b>35,126,930</b>	<b>6,737,597</b>	<b>18,572,807</b>	<b>131,796,494</b>
<b>Liabilities</b>							
Banks Deposits	1,712,723	385,350	101,842			269,469	2,469,384
Other Deposits	58,126,406	14,508,229	3,653,260	108,873		9,394,005	85,790,773
Money Market Funds	6,554,165	1,351,580	2,114,499	138,646			10,158,890
Miscellaneous Payables	6,518					2,543,474	2,549,992
Marketable Securities Issued							
Funds Provided from Other Financial Institutions	1,788,615	3,219,176	3,023,271	11,380			8,042,442
Other Liabilities(*)	73,006	417,210	731,106	14,425		21,549,266	22,785,013
<b>Total Liabilities</b>	<b>68,261,433</b>	<b>19,881,545</b>	<b>9,623,978</b>	<b>273,324</b>		<b>33,756,214</b>	<b>131,796,494</b>
Balance Sheet Long Position			16,056,761	34,853,606	6,737,597		57,647,964
Balance Sheet Short Position	-38,082,402	-4,382,155				-15,183,407	-57,647,964
Off Balance Sheet Long Position	2,177,000	4,214,500	628,000				7,019,500
Off Balance Sheet Short Position				-6,795,950	-154,000		-6,949,950
<b>Total Position</b>	<b>-35,905,402</b>	<b>-167,655</b>	<b>16,684,761</b>	<b>28,057,656</b>	<b>6,583,597</b>	<b>-15,183,407</b>	<b>69,550</b>

(\*) Shareholders' equity is shown in "non-interest bearing" column.



## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Average interest rates applied to monetary financial instruments:

	EUR	USD	JPY	TL
	%	%	%	%
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	0.92	0.23		9.02
Financial Assets at Fair Value through Profit/Loss	4.10	2.93		11.43
Money Market Placements	4.38	3.88		
Financial Assets Available for Sale	4.19	4.12		8.54
Loans	5.18	4.57	2.78	13.97
Investments Held to Maturity	0.75	7.42		12.98
<b>Liabilities</b>				
Banks Deposits	1.58	3.28		7.91
Other Deposits	2.80	3.41	0.04	8.45
Money Market Funds	3.10	2.24		10.48
Miscellaneous Payables				
Marketable Securities Issued		5.30		9.27
Funds Provided from Other Financial Institutions	2.15	1.89		7.51
<b>Prior Period</b>				
	%	%	%	%
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	0.42	0.25	0.02	5.00
Financial Assets at Fair Value through Profit/Loss	2.52	3.33		10.00
Money Market Placements				
Financial Assets Available for Sale	2.00	4.25		8.23
Loans	4.19	3.73	3.87	12.95
Investments Held to Maturity	1.00	7.53		12.74
<b>Liabilities</b>				
Banks Deposits	1.16	2.24		6.96
Other Deposits	2.06	2.26	0.01	7.13
Money Market Funds	2.81	1.62		6.74
Miscellaneous Payables				
Marketable Securities Issued				
Funds Provided from Other Financial Institutions	1.77	1.50		7.61

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## VII. Explanations on Liquidity Risk

Liquidity risk can arise as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms.

The Bank's principal source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of the market conditions, the Bank's wide network of branches and steady core deposit base are its most important safeguards of the supply of funds. On the other hand, medium and long-term funds are acquired from institutions abroad.

In order to meet the liquidity requirements that may emerge from market fluctuations, considerable attention is paid to preserve liquid assets; efforts in this framework are supported by TL and FC cash flows projections. The term structure of TL and FC deposits, their costs and movements in the total amounts are monitored on a daily basis, also accounting for developments in former periods and expectations for the future. Based on cash flow projections, prices are differentiated for different maturities and thereby measures are taken to meet liquidity requirements; moreover liquidity that may be required for extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilization.

Furthermore, foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and the liquidity adequacy ratios that are calculated based on the stress scenarios built internally by the Bank, are used effectively to manage the liquidity risk.

Evaluated within the framework of the Bank's asset-liability management risk policy, the limits determined related to the liquidity risk management are monitored by the Risk Committee and in case of extraordinary situations where a quick action should be taken due to the unfavorable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

As per the Communiqué on "Measurement and Assessment of the Adequacy of Banks' Liquidity", the liquidity ratios that are measured for terms of 7 and 31 days should not be less than 80% and 100%, respectively. Foreign currency liquidity adequacy ratio means the ratio of foreign currency assets to foreign currency liabilities and the total liquidity adequacy ratio means the ratio of total assets to total liabilities. The highest, lowest and average liquidity adequacy ratios in the year 2011 with their prior year comparatives are given below.

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	153.51	179.24	97.51	130.64
Highest (%)	213.52	271.05	116.48	170.87
Lowest (%)	115.11	122.44	82.60	107.70

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	207.03	272.95	121.08	165.93
Highest (%)	325.24	394.48	145.69	219.33
Lowest (%)	157.78	209.63	100.40	142.41

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	6,920,592	6,816,313						13,736,905
Banks	649,508	1,548,087	1,142	55,100	499			2,254,336
Financial Assets at Fair Value through Profit/Loss	54	300,219	351,777	202,034	613,764	108,163		1,576,011
Money Market Placements		43,141						43,141
Financial Assets Available for Sale	71,503	1,999,046	650,391	3,658,666	10,454,941	11,818,301		28,652,848
Loans	9,488,164	11,814,508	6,865,730	21,845,288	33,060,730	8,546,218		91,620,638
Investments Held to Maturity			1,932,600	981,113	10,551,989			13,465,702
Other Assets		864,277	26,288	4,132	106,778		9,317,448	10,318,923
<b>Total Assets</b>	<b>17,129,821</b>	<b>23,385,591</b>	<b>9,827,928</b>	<b>26,746,333</b>	<b>54,788,701</b>	<b>20,472,682</b>	<b>9,317,448</b>	<b>161,668,504</b>
<b>Liabilities</b>								
Bank Deposits	261,709	1,224,459	565,552	168,195	28,222			2,248,137
Other Deposits	18,365,072	57,137,222	15,229,617	5,170,904	162,182			96,064,997
Funds Provided from Other Financial Institutions		223,526	914,506	6,542,503	2,919,574	548,099		11,148,208
Money Market Funds		15,550,371	203,378	2,625,176	338,419	743,726		19,461,070
Marketable Securities Issued		596,484	612,904	1,489,469	1,082,564			3,781,421
Miscellaneous Payables		3,216,708	36,676	42,476	45,090			3,340,950
Other Liabilities		1,162,316	867,571	1,105,387	78,481	3,106	22,406,860	25,623,721
<b>Total Liabilities</b>	<b>18,626,781</b>	<b>79,111,086</b>	<b>18,430,204</b>	<b>17,144,110</b>	<b>4,654,532</b>	<b>1,294,931</b>	<b>22,406,860</b>	<b>161,668,504</b>
<b>Liquidity Gap</b>	<b>-1,496,960</b>	<b>-55,725,495</b>	<b>-8,602,276</b>	<b>9,602,223</b>	<b>50,134,169</b>	<b>19,177,751</b>	<b>-13,089,412</b>	
<b>Prior Period</b>								
Total Assets	12,667,663	18,888,556	6,204,243	22,093,611	51,248,972	11,693,348	9,000,101	131,796,494
Total Liabilities	15,691,861	62,977,035	17,203,540	10,917,789	2,878,857	1,006,866	21,120,546	131,796,494
<b>Liquidity Gap</b>	<b>-3,024,198</b>	<b>-44,088,479</b>	<b>-10,999,297</b>	<b>11,175,822</b>	<b>48,370,115</b>	<b>10,686,482</b>	<b>-12,120,445</b>	

(\*) Asset items, such as Tangible Assets, Subsidiaries and Associates, Office Supply Inventory, Prepaid Expenses and Non-Performing Loans, which are required for banking operations and which cannot be converted to cash in short-term, other liabilities such as Provisions which are not considered as payables and Shareholders' Equity, are shown in "Unallocated" column.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

In compliance with the Turkish Financial Reporting Standard no.7, the following table indicates the maturities of the Bank's major financial assets and liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of collections and payments without discounting the assets and liabilities. The interest to be collected from and paid to the related assets and liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The values of the related assets and liabilities registered in balance sheet do not include these amounts.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
<b>Assets</b>									
Financial Assets Held for Trading	54	4,065	15,387	67,631	651,327	111,114	849,578	190,101	659,477
Banks	649,508	1,548,169	1,146	55,751	510		2,255,084	748	2,254,336
Money Market Receivables		43,162					43,162	21	43,141
Financial Assets Available for Sale	71,503	2,268,357	847,919	4,763,741	13,892,619	15,636,690	37,480,829	8,827,981	28,652,848
Loans	9,488,164	12,108,431	7,525,840	25,096,584	39,576,961	9,720,272	103,516,252	11,895,614	91,620,638
Investments Held to Maturity		15,505	2,325,783	1,624,774	12,455,421		16,421,483	2,955,781	13,465,702
<b>Liabilities</b>									
Deposits	18,626,781	58,564,562	16,024,732	5,483,567	202,910		98,902,552	589,418	98,313,134
Funds Provided from Other Financial Institutions		230,442	935,549	6,646,705	3,205,843	617,016	11,635,555	487,347	11,148,208
Money Market Funds		15,563,407	207,513	2,695,244	427,397	779,808	19,673,369	212,299	19,461,070
Marketable Securities Issued		600,000	628,132	1,573,970	1,257,790		4,059,892	278,471	3,781,421
<b>Prior Period</b>									
<b>Assets</b>									
Financial Assets Held for Trading	54	3,006	26,279	96,734	328,376	132,907	587,356	115,198	472,158
Banks	305,689	2,879,505					3,185,194	76	3,185,118
Financial Assets Available for Sale	78,277	3,407,695	1,258,498	7,399,934	17,570,061	6,178,144	35,892,609	4,532,195	31,360,414
Loans	6,616,302	9,542,637	4,998,724	17,705,381	26,496,676	6,461,566	71,821,286	7,589,608	64,231,678
Investments Held to Maturity		15,344	1,024,557	832,878	16,330,588	155,110	18,358,477	4,754,492	13,603,985
<b>Liabilities</b>									
Deposits	14,468,760	55,180,838	15,064,698	3,841,102	115,713		88,671,111	410,954	88,260,157
Funds Provided from Other Financial Institutions		127,763	535,562	4,668,762	2,541,098	403,871	8,277,056	234,614	8,042,442
Money Market Funds		6,366,462	1,102,259	1,864,902	300,997	698,021	10,332,641	173,751	10,158,890

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

The following table shows the remaining maturities of non-cash loans.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	2,894,169	261,317	468,377	44,326	1,502,279		5,170,468
Endorsements		38,320	118,474		219,075		375,869
Letters of Guarantee	11,109,755	235,171	1,380,447	2,381,053	3,785,303	289,605	19,181,334
Acceptances	15,700	53,538	50,000	36,982	340,902		497,122
Other	21,016	3,678	1,690	81,141	50,861	466,826	625,212
<b>Total</b>	<b>14,040,640</b>	<b>592,024</b>	<b>2,018,988</b>	<b>2,543,502</b>	<b>5,898,420</b>	<b>756,431</b>	<b>25,850,005</b>
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	1,207,868	160,538	457,023	293,999	986,515		3,105,943
Endorsements			24,433		6,149		30,582
Letters of Guarantee	7,121,205	239,135	771,152	1,007,482	2,327,656	158,705	11,625,335
Acceptances	10,698	17,141	64,861	8,752	110,086		211,538
Other	4,042	4,148	8,985	93,930	37,500	160,600	309,205
<b>Total</b>	<b>8,343,813</b>	<b>420,962</b>	<b>1,326,454</b>	<b>1,404,163</b>	<b>3,467,906</b>	<b>319,305</b>	<b>15,282,603</b>

The following table shows the remaining maturities of derivative financial assets and liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts-Buy	1,594,874	1,912,865	4,209,468	332,494		8,049,701
Forwards Contracts-Sell	1,629,158	1,904,442	4,180,110	332,318		8,046,028
Swaps Contracts-Buy	4,005,766	530,145	1,842,066	11,477,057	2,232,738	20,087,772
Swaps Contracts-Sell	4,255,959	740,154	1,896,200	11,070,793	2,232,738	20,195,844
Futures Transactions-Buy						
Futures Transactions-Sell						
Options-Call	696,314	107,522	1,478,198	845,843	525,782	3,653,659
Options-Put	696,314	107,522	1,478,198	845,843	525,782	3,653,659
Other	285,736	194,101	287,864			767,701
<b>Total</b>	<b>13,164,121</b>	<b>5,496,751</b>	<b>15,372,104</b>	<b>24,904,348</b>	<b>5,517,040</b>	<b>64,454,364</b>
Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	740,865	441,666	1,626,565	161,948		2,971,044
Forwards Contracts- Sell	737,277	438,362	1,626,009	161,883		2,963,531
Swaps Contracts-Buy	3,461,815		1,216,367	8,647,373	1,682,816	15,008,371
Swaps Contracts-Sell	3,432,539		1,234,211	8,589,823	1,682,816	14,939,389
Futures Transactions-Buy						
Futures Transactions-Sell						
Options-Call	738,368	866,302	607,527	454,635		2,666,832
Options-Put	745,468	856,302	601,027	454,635		2,657,432
Other						
<b>Total</b>	<b>9,856,332</b>	<b>2,602,632</b>	<b>6,911,706</b>	<b>18,470,297</b>	<b>3,365,632</b>	<b>41,206,599</b>

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## VIII. Explanations on Other Price Risks

The Bank is exposed to the equity share risk arising from its investments in companies which are traded on the ISE. Equity shares are generally obtained for investment purposes.

As of the reporting date, an analysis was made on the assessment of the Bank's sensitivity to equity shares price risk. In the analysis, it is assumed that all the other variables are constant and the data used in the valuation method (share prices) are 10% more/less. According to this assumption TL 425,018 (31.12.2010: TL 451,463) increase/decrease is expected in the Marketable Securities Revaluation Reserve account under the Shareholders' Equity. This, in fact, is arising from the increase/decrease in the fair values of the publicly-traded subsidiaries and associates.

## IX. Explanations on Presentation of Assets and Liabilities at Fair Value

## 1. Information on fair values of financial assets and liabilities

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>				
Money Market Placements	43,141		43,141	
Banks	2,254,336	3,185,118	2,255,204	3,185,207
Financial Assets Available for Sale	28,652,848	31,360,414	28,652,848	31,360,414
Investments Held to Maturity	13,465,702	13,603,985	14,145,880	15,258,935
Loans	91,620,638	64,231,678	91,315,884	64,498,611
<b>Financial Liabilities</b>				
Banks Deposits	2,248,137	2,469,384	2,245,736	2,471,769
Other Deposits	96,064,997	85,790,773	96,050,566	85,816,360
Funds Provided from Other Financial Institutions	11,148,208	8,042,442	11,132,274	8,039,143
Marketable Securities Issued	3,781,421		3,746,361	
Miscellaneous Payables	3,340,934	2,549,992	3,340,934	2,549,992

Fair values of investments held to maturity and the marketable securities issued are determined by using the market prices; in cases where market prices cannot be measured, quoted market prices of other securities that are subject to amortization having similar interest, maturity and other conditions are taken as the basis for the fair value determination.

Market prices are taken into account in determining the fair values of the securities available for sale. When the prices cannot be measured in an active market, fair values are not deemed to be reliably determined and amortized cost, calculated by the internal rate of return method, are taken into account as the fair values.

Fair values of banks, loans granted, deposits and funds borrowed from other financial institutions are calculated by discounting the amounts in each maturity bracket formed according to repricing periods, using the rate corresponding to relevant maturity bracket in the discount curves based on current market conditions.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 2. Information on fair value measurements recognized in the financial statements

"IFRS 7 - Financial Instruments: Disclosures" standard requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the balance sheet at their fair values, are shown below as classified according to the aforementioned principles of ranking.

Current Period	Level 1	Level 2 (*)	Level 3
<b>Financial Assets at Fair Value Through Profit and Loss</b>			
Debt Securities	654,700	4,241	482
Equity Securities	54		
Derivative Financial Assets Held for Trading		916,534	
Other			
<b>Financial Assets Available-for-Sale (**)</b>			
Debt Securities	16,323,600	5,905,679	6,352,066
Other		57,881	
<b>Investments in Subsidiaries and Associates (***)</b>	4,250,180		
<b>Derivative Financial Liabilities</b>		857,882	

(\*) Debt securities shown under level 2 include Eurobond securities, whose fair values are determined by taking into consideration the direct or indirect market data.

(\*\*) Since they are not traded in an active market, the equity securities (TL 13,622) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

(\*\*\*) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of "TAS 39", these companies are not included in the table.

Prior Period	Level 1	Level 2	Level 3
<b>Financial Assets at Fair Value Through Profit and Loss</b>			
Debt Securities	472,083		
Equity Securities	54		
Derivative Financial Assets Held for Trading		260,708	
Other		21	
<b>Financial Assets Available-for-Sale (*)</b>			
Debt Securities	23,000,414		8,281,723
Other		65,655	
<b>Investments in Subsidiaries and Associates (**)</b>	4,514,626		
<b>Derivative Financial Liabilities</b>		717,276	

(\*) Since they are not traded in an active market, the equity securities (TL 12,622) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

(\*\*) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

The movement table of financial assets at level 3 is given below.

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	8,281,723	10,508,267
Purchases	1,921,320	9,611,772
Redemption or Sales	-3,265,512	-10,506,305
Valuation Difference	1,338,235	137,214
Transfers	-1,923,218	-1,469,225
<b>Balance at the end of the Period</b>	<b>6,352,548</b>	<b>8,281,723</b>



## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**X. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions**

The Bank gives trading, custody, fund management services in the name and on the account of its customers. The Bank has no fiduciary transactions.

**XI. Explanations on Business Segmentation**

The Bank's operations are classified as corporate, commercial, retail and private banking, as well as treasury/investment banking.

The Bank provides services to the large corporations, SMEs and other trading companies through various financial media within the course of its corporate and commercial operations. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantee, letter of credit, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are provided for the aforementioned customer segments.

By retail banking, the needs of individuals are met by performing banking services such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, investment accounts and by other banking services. For the private banking category, any kind of financial and cash management related services are provided for individuals within the high-income segment.

Within the context of treasury transactions, medium and long term funding is being fulfilled by tools such as securities trading, money market transactions, spot and forward TL and foreign currency trading, and derivative transactions such as forwards, swaps, futures and options, as well as syndications and securitizations.

The Bank's investments in associates and subsidiaries operating in the financial and non-financial sector are evaluated within the context of investment banking. The details about the aforementioned investments are stated in note I.7 and I.8 section of Part Five.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Statement of information related to business segmentation is given below.

Current Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
<b>OPERATING INCOME/EXPENSE</b>							
<i>Interest Income</i>							10,898,384
Interest Income from Loans	1,649,852	3,111,744	2,140,921	59,886		171,222	7,133,625
Interest Income from Banks					17,570		17,570
Interest Income from Securities					3,721,515		3,721,515
Other Interest Income					68	25,606	25,674
<i>Interest Expense</i>							6,336,584
Interest Expense on Deposits	1,119,596	660,457	1,264,055	1,838,853		94,271	4,977,232
Interest Expense on Funds Borrowed					229,383		229,383
Interest Expense on Money Market Transactions					883,289		883,289
Interest Expense on Securities Issued					208,048		208,048
Other Interest Expense						38,632	38,632
Net Interest Income							4,561,800
Net Fees and Commissions Income							1,428,583
Fees and Commissions Received	138,514	372,673	507,099	42,407		533,674	1,594,367
Fees and Commissions Paid						165,784	165,784
Dividend Income					555,702		555,702
Trading Income/Loss (Net)					306,073		306,073
Other Income	23,339	404,328	424,917	212	62,484	395,834	1,311,114
Prov. For Loans and Other Receivables	52,172	455,254	201,205	122	21,730	653,310	1,383,793
Other Operating Expense	209,172	828,061	1,494,299	138,511		811,156	3,481,199
Income Before Tax							3,298,280
Tax Provision							630,793
Net Period Profit							2,667,487
<b>SEGMENT ASSETS</b>							
Fin. Assets At Fair Value Through P/L					1,576,011		1,576,011
Banks and Other Financial Institutions					2,297,477		2,297,477
Financial Assets Available for Sale					28,652,848		28,652,848
Loans	34,371,428	33,365,590	20,797,619	646,719		2,439,282	91,620,638
Investments Held to Maturity					13,465,702		13,465,702
Associates and Subsidiaries					6,275,017		6,275,017
Other						17,780,811	17,780,811
							<b>161,668,504</b>
<b>SEGMENT LIABILITIES</b>							
Deposits	22,190,859	15,866,143	31,782,919	26,724,791		1,748,422	98,313,134
Derivative Financial Liabilities Held for Trading					857,882		857,882
Funds Borrowed					11,148,208		11,148,208
Money Market Funds					19,461,070		19,461,070
Securities Issued					3,781,421		3,781,421
Other Liabilities						5,980,499	5,980,499
Provisions						4,204,926	4,204,926
Shareholders' Equity						17,921,364	17,921,364
							<b>161,668,504</b>

Real person merchants and the institutions and enterprises without corporate and commercial qualities, which were classified under the retail segment in prior periods, have started to be followed under the commercial segment, beginning from the current period.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Prior Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
<b>OPERATING INCOME/EXPENSE</b>							
<i>Interest Income</i>							9,797,839
Interest Income from Loans	1,168,875	2,056,063	2,263,164	49,947		409,739	5,947,788
Interest Income from Banks					148,431		148,431
Interest Income from Securities					3,667,042		3,667,042
Other Interest Income					5,752	28,826	34,578
<i>Interest Expense</i>							5,215,964
Interest Expense on Deposits	1,004,658	243,692	1,431,447	1,578,893			4,258,690
Interest Expense on Funds Borrowed					511,177		511,177
Interest Expense on Money Market Transactions					434,702		434,702
Other Interest Expense						11,395	11,395
Net Interest Income							4,581,875
Net Fees and Commissions Income							1,236,425
Fees and Commissions Received	113,661	354,439	521,566	52,791		309,122	1,351,579
Fees and Commissions Paid						115,154	115,154
Dividend Income					369,210		369,210
Trading Income/Loss (Net)					134,630		134,630
Other Income	11,826	423,502	462,105	1,405	134,574	535,872	1,569,284
Prov. For Loans and Other Receivables	12,604	351,953	465,050	564	100	305,178	1,135,449
Other Operating Expense	171,709	556,555	1,489,546	62,416		922,897	3,203,123
Income Before Tax							3,552,852
Tax Provision							570,642
Net Period Profit							2,982,210
<b>SEGMENT ASSETS</b>							
Fin. Assets At Fair Value Through P/L					732,866		732,866
Banks and Other Financial Institutions					3,185,118		3,185,118
Financial Assets Available for Sale					31,360,414		31,360,414
Loans	23,563,865	19,575,315	18,615,880	610,448		1,866,170	64,231,678
Investments Held to Maturity					13,603,985		13,603,985
Associates and Subsidiaries					6,264,039		6,264,039
Other						12,418,394	12,418,394
							<b>131,796,494</b>
<b>SEGMENT LIABILITIES</b>							
Deposits	20,512,762	9,519,267	31,589,933	25,718,143		920,052	88,260,157
Derivative Financial Liabilities Held for Trading					717,276		717,276
Funds Borrowed					8,042,442		8,042,442
Money Market Funds					10,158,890		10,158,890
Other Liabilities						3,972,336	3,972,336
Provisions						3,631,589	3,631,589
Shareholders' Equity						17,013,804	17,013,804
							<b>131,796,494</b>

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## PART FIVE: EXPLANATIONS AND FOOTNOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## I. EXPLANATIONS AND FOOTNOTES ON ASSETS

## 1. Cash and Central Bank of Turkey:

## a. Information on Cash and Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	796,329	324,116	670,166	253,543
Central Bank of Turkey	4,267,773	8,237,668	3,320,095	3,948,880
Other		111,019		329,941
<b>Total</b>	<b>5,064,102</b>	<b>8,672,803</b>	<b>3,990,261</b>	<b>4,532,364</b>

## b. Information on Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4,267,773	1,421,355	3,320,095	1,079,091
Unrestricted Time Deposit				
Restricted Time Deposit				
Other (*)		6,816,313		2,869,789
<b>Total</b>	<b>4,267,773</b>	<b>8,237,668</b>	<b>3,320,095</b>	<b>3,948,880</b>

(\*) The amount of reserve deposits held at the Central Bank of Turkey regarding the foreign currency liabilities

## c. Information on reserve requirements:

As per the Communiqué no. 2005/1 "Reserve Deposits" of the Central Bank of Turkey (CBT), banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11% for TL deposits, between 5%-11% for other TL liabilities, between 9%-11% for FC deposits and between 6%-11% for other FC liabilities. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

## 2. Information on Financial Assets at Fair Value through Profit and Loss:

## a. Financial assets at fair value through profit and loss, which are given as collateral or blocked:

Financial assets at fair value through profit and loss, which are given as collateral or blocked as of 31 December 2011 are amounting to TL 68 (31 December 2010: TL 64).

## b. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as of 31 December 2011 are amounting to TL 468,125 (31 December 2010: TL 423,401).

## c. Positive differences on derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	22,758	123,792	7,385	59,960
Swap Transactions	5,214	735,118	11,866	169,889
Futures				
Options	262	26,534	622	10,986
Other		2,856		
<b>Total</b>	<b>28,234</b>	<b>888,300</b>	<b>19,873</b>	<b>240,835</b>

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 3. Banks:

## a. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	147,221	403,078	12	596,283
Foreign Banks	92,874	1,611,163	184,277	2,404,546
Foreign Head Office and Branches				
<b>Total</b>	<b>240,095</b>	<b>2,014,241</b>	<b>184,289</b>	<b>3,000,829</b>

## b. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	781,594	1,678,618		
USA, Canada	194,698	79,219	94	77
OECD Countries (*)	446,841	557,068		
Off-shore Banking Regions				
Other	219,099	219,385	61,711	54,456
<b>Total</b>	<b>1,642,232</b>	<b>2,534,290</b>	<b>61,805</b>	<b>54,533</b>

(\*) OECD countries other than the EU countries, USA and Canada

## 4. Information on Financial Assets Available for Sale:

## a. Information on financial assets available for sale, which are given as collateral or blocked:

Financial assets available for sale, which are given as collateral or blocked, amount to TL 999,533 as of 31 December 2011. (31 December 2010: TL 769,385).

## b. Information on financial assets available for sale, which are subject to repurchase agreements:

Financial assets available for sale, which are subject to repurchase agreements amount to TL 16,798,951 as of 31 December 2011. (31 December 2010: TL 8,439,302).

## c. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	28,791,593	31,282,151
Traded on the Stock Exchange	16,511,612	23,000,428
Not Traded on the Stock Exchange (*)	12,279,981	8,281,723
Equity Securities	13,622	12,622
Traded on the Stock Exchange		
Not Traded on the Stock Exchange	13,622	12,622
Value Increase/Impairment Losses (-)	210,248	14
Other	57,881	65,655
<b>Total</b>	<b>28,652,848</b>	<b>31,360,414</b>

(\*) It refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 5. Information related to loans:

## a. Information on 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 Lending to Shareholders				
Corporate Shareholders				
Individual Shareholders				
Indirect Lending to Shareholders				
Loans to Employees	455,535		397,449	
<b>Total</b>	<b>455,535</b>		<b>397,449</b>	

## b. Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled:

	Standard Loans and Other Receivables		Closely Monitored Loans and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Cash Loans</b>				
Non-Specialized Loans	89,381,673	806,199	966,259	466,507
Discount Notes	13,764			
Export Loans	5,891,472	16,118	105,370	9,854
Import Loans	630			
Loans Extended to Financial Sector	2,635,509			
Foreign Loans	1,377,719	8,356	2,777	75
Consumer Loans	17,723,787	685,241	363,707	59,866
Credit Cards	6,831,597		137,429	104,976
Precious Metal Loans	29,860	564		
Other	54,877,335	95,920	356,976	291,736
Specialized Loans				
Other Receivables				
<b>Total</b>	<b>89,381,673</b>	<b>806,199</b>	<b>966,259</b>	<b>466,507</b>

## c. Cash loans according to their maturity structures:

	Standard Loans and Other Receivables		Closely Monitored Loans and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	30,876,446	46,804	358,469	33,573
Non-Specialized Loans	30,876,446	46,804	358,469	33,573
Specialized Loans				
Other Receivables				
Medium and long-term Loans and Other Receivables	58,505,227	759,395	607,790	432,934
Non-Specialization Loans	58,505,227	759,395	607,790	432,934
Specialized Loans				
Other Receivables				

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## d. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Consumer Loans-TL	486,755	17,427,998	151,958	18,066,711
Real Estate Loans	15,375	7,612,135	85,015	7,712,525
Vehicle Loans	39,816	1,091,209	6,262	1,137,287
General Purpose Consumer Loans	279,728	6,387,821	44,740	6,712,289
Other Consumer Loans	151,836	2,336,833	15,941	2,504,610
Consumer Loans – FC Indexed		82,158	60,165	142,323
Real Estate Loans		81,296	59,942	141,238
Vehicle Loans		862	223	1,085
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans – FC				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Retail Credit Cards-TL	6,157,570	321,667	43,183	6,522,420
With Installments	2,476,072	321,667		2,797,739
Without Installments	3,681,498		43,183	3,724,681
Retail Credit Cards-FC				
With Installments				
Without Installments				
Personnel Loans-TL	16,150	322,550	3,739	342,439
Real Estate Loans	200	85,944	1,462	87,606
Vehicle Loans	266	10,030	73	10,369
General Purpose Consumer Loans	11,344	175,128	1,694	188,166
Other Consumer Loans	4,340	51,448	510	56,298
Personnel Loans- FC Indexed		914	587	1,501
Real Estate Loans		914	587	1,501
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans-FC				
Real Estate Loans				
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Credit Cards-TL	100,489		1,061	101,550
With Installments	39,250			39,250
Without Installments	61,239		1,061	62,300
Personnel Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (real persons)	271,088		8,539	279,627
Overdraft Accounts – FC (real persons)				
<b>Total</b>	<b>7,032,052</b>	<b>18,155,287</b>	<b>269,232</b>	<b>25,456,571</b>



## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## e. Installment based commercial loans and corporate credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Commercial Loans With Installments-TL	890,275	11,376,306	101,162	12,367,743
Real Estate Loans	6,102	482,276	3,285	491,663
Vehicle Loans	96,867	2,795,548	15,982	2,908,397
General Purpose Commercial Loans	779,584	7,839,748	77,173	8,696,505
Other Commercial Loans	7,722	258,734	4,722	271,178
Commercial Loans With Installments-FC Indexed	37,796	1,259,712	193,163	1,490,671
Real Estate Loans		73,122	16,956	90,078
Vehicle Loans	4,147	586,346	74,543	665,036
General Purpose Commercial Loans	33,649	583,627	97,799	715,075
Other Commercial Loans		16,617	3,865	20,482
Commercial Loans With Installments-FC		221,018	539	221,557
Real Estate Loans				
Vehicle Loans				
General Purpose Commercial Loans				
Other Commercial Loans		221,018	539	221,557
Corporate Credit Cards-TL	448,415	1,428	189	450,032
With Installments	63,262	1,428		64,690
Without Installments	385,153		189	385,342
Corporate Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (Corporate)	576,769		18,079	594,848
Overdraft Accounts – FC (Corporate)				
<b>Total</b>	<b>1,953,255</b>	<b>12,858,464</b>	<b>313,132</b>	<b>15,124,851</b>

## f. Allocation of loans by borrowers:

	Current Period	Prior Period
Public Sector	2,165,724	1,866,916
Private Sector	89,454,914	62,364,762
<b>Total</b>	<b>91,620,638</b>	<b>64,231,678</b>

## g. International and domestic loans:

	Current Period	Prior Period
Domestic Loans	90,231,711	63,149,909
International Loans	1,388,927	1,081,769
<b>Total</b>	<b>91,620,638</b>	<b>64,231,678</b>

## h. Loans to subsidiaries and associates:

	Current Period	Prior Period
Direct Lending to Subsidiaries and Associates	538,653	300,597
Indirect Lending to Subsidiaries and Associates		
<b>Total</b>	<b>538,653</b>	<b>300,597</b>

## i. Specific provisions provided against loans:

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables with Limited Collectibility	172,457	121,909
Loans and Receivables with Doubtful Collectibility	198,775	303,735
Uncollectible Loans and Receivables	1,612,688	1,981,844
<b>Total</b>	<b>1,983,920</b>	<b>2,407,488</b>

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## j. Information on non-performing loans (Net):

## j.1. Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled:

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Other Receivables
<b>Current Period</b>			
(Gross amounts before the specific provisions)	3,747	4,521	17,602
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	3,747	4,521	17,602
<b>Prior Period</b>			
(Gross amounts before the specific provisions)	534	9,259	62,154
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	534	9,259	62,154

## j.2. Movement of total non-performing loans:

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Other Receivables
<b>Prior Period Ending Balance</b>	<b>121,909</b>	<b>303,735</b>	<b>1,981,844</b>
Corporate and Commercial Loans	62,387	128,216	1,201,473
Retail Loans	24,989	56,301	345,624
Credit Cards	34,533	75,589	434,747
Other		43,629	
<b>Additions (+)</b>	<b>827,717</b>	<b>33,093</b>	<b>86,797</b>
Corporate and Commercial Loans	585,003	15,682	63,933
Retail Loans	97,552	7,746	14,510
Credit Cards	145,162	6,499	8,354
Other		3,166	
<b>Transfers from Other NPL categories (+)</b>		<b>413,610</b>	<b>416,750</b>
Corporate and Commercial Loans		227,642	229,742
Retail Loans		75,846	76,993
Credit Cards		110,122	110,015
Other			
<b>Transfers to Other NPL categories (-)</b>	<b>413,610</b>	<b>416,750</b>	
Corporate and Commercial Loans	227,642	229,742	
Retail Loans	75,846	76,993	
Credit Cards	110,122	110,015	
Other			
<b>Collections (-) (*)</b>	<b>363,174</b>	<b>133,547</b>	<b>621,335</b>
Corporate and Commercial Loans	300,416	62,564	343,493
Retail Loans	25,359	31,348	156,358
Credit Cards	37,399	38,139	121,484
Other		1,496	
<b>Write-Offs (-) (*)</b>	<b>385</b>	<b>1,366</b>	<b>251,368</b>
Corporate and Commercial Loans	54	293	68,311
Retail Loans	287	264	49,904
Credit Cards	44	538	133,153
Other		271	
<b>Current Period Ending Balance</b>	<b>172,457</b>	<b>198,775</b>	<b>1,612,688</b>
Corporate and Commercial Loans	119,278	78,941	1,083,344
Retail Loans	21,049	31,288	230,865
Credit Cards	32,130	43,518	298,479
Other		45,028	
<b>Specific Provisions (-)</b>	<b>172,457</b>	<b>198,775</b>	<b>1,612,688</b>
Corporate and Commercial Loans	119,278	78,941	1,083,344
Retail Loans	21,049	31,288	230,865
Credit Cards	32,130	43,518	298,479
Other		45,028	
<b>Net Balance on Balance Sheet</b>			

(\*) During the current period, TL 88,464 of the NPL portfolio, TL 569 of which has formerly been written-off, were transferred to Standard Varlık Yönetimi A.Ş. in exchange for TL 13,905 in cash and TL 220,573 of the NPL portfolio, TL 1,128 of which has formerly been written-off, were transferred to Efes Varlık Yönetim A.Ş. in exchange for TL 42,055 in cash.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## j.3. Information on non-performing foreign currency loans and other receivables:

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Other Receivables
<b>Current Period:</b>			
Period Ending Balance			51,371
Specific Provisions (-)			51,371
Net Balance on Balance Sheet			
<b>Prior Period:</b>			
Period Ending Balance	2,042		49,447
Specific Provisions (-)	2,042		49,447
Net Balance on Balance Sheet			

## j.4. Information on gross and net non-performing loans and receivables as per customer categories:

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Other Receivables
<b>Current Period (Net)</b>			
Loans to Individuals and Corporates (Gross)	172,457	153,747	1,612,688
Specific Provisions (-)	172,457	153,747	1,612,688
Loans to Individuals and Corporates (Net)			
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)			
Other Loans and Receivables (Gross)		45,028	
Specific Provisions (-)		45,028	
Other Loans and Receivables (Net)			
<b>Prior Period (Net)</b>			
Loans to Individuals and Corporates (Gross)	121,909	260,106	1,981,844
Specific Provisions (-)	121,909	260,106	1,981,844
Loans to Individuals and Corporates (Net)			
Banks (Gross)			
Specific Provisions (-)			
Banks (Net)			
Other Loans and Receivables (Gross)		43,629	
Specific Provisions (-)		43,629	
Other Loans and Receivables (Net)			

## k. Main guidelines used in the liquidation policy on uncollectible loans and other receivables:

In order to ensure liquidation of non-performing loans, all possible alternatives within the existing legislation are evaluated in a way that repayments are maximized. First, administrative initiatives are taken to reach an agreement with the borrower; in case the negotiations for collection, liquidation or restructuring of receivables fail, legal action is taken for collection.

## l. Information on "Write-off" policies:

In case there is still a residual receivable despite all the borrowers' assets are liquidated in terms of legal follow-up, or a legal follow-up fails due to the fact that the borrowers do not have any assets to be liquidated, the Bank's receivables are reduced to one if an evidence of borrowers' insolvency is obtained; when no such evidence is available, totally uncollectible receivables are written-off.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 6. Investments Held to Maturity:

a. Information on investments held to maturity, which are given as collateral or blocked:

Investments held to maturity, which are given as collateral or blocked amount to TL 1,963,141 as of 31 December 2011. (31 December 2010: TL 2,010,165).

b. Information on investments held to maturity, which are subject to repurchase agreements:

Investments held to maturity, which are subject to repurchase agreements amount to TL 4,479,021 as of 31 December 2011. (31 December 2010: TL 2,415,107).

c. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	13,444,975	13,586,189
Treasury Bills		
Other Public Debt Securities		
<b>Total</b>	<b>13,444,975</b>	<b>13,586,189</b>

d. Information on investments held-to-maturity:

	Current Period	Prior Period
Debt Securities	13,465,702	13,603,985
Traded on a Stock Exchange	13,444,975	13,586,189
Not Traded	20,727	17,796
Impairment Losses (-)		
<b>Total</b>	<b>13,465,702</b>	<b>13,603,985</b>

e. Movement of the investments held to maturity during the year:

	Current Period	Prior Period
Beginning Balance	13,603,985	12,929,454
Foreign Exchange Differences Arising on Monetary Assets	2,415	-129,234
Purchases During the Year	14,227	2,640,303
Transfers		
Disposals through Sales and Redemption	-493,100	-2,182,708
Impairment Losses (-)		
Changes in Amortized Cost of the Investments	338,175	346,170
<b>Balance at the end of the Year</b>	<b>13,465,702</b>	<b>13,603,985</b>

## 7. Information on associates (Net):

a. General information on associates:

Seq. No.	Title	Address (City/Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Arap Türk Bankası A.Ş.	İstanbul/TURKEY	20.58	20.58
2-	Avea İletişim Hizmetleri A.Ş.	İstanbul/TURKEY	13.86	18.63
3-	Bankalararası Kart Merkezi A.Ş.	İstanbul/TURKEY	9.98	9.98
4-	Kredi Kayıt Bürosu A.Ş.	İstanbul/TURKEY	9.09	9.09

b. Information on financial statements of associates in the above order (\*):

Seq. No.	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income (**)	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1-	3,090,556	361,615	29,733	92,432	75	47,834	23,358	-
2-	10,701,426	5,616,756	9,524,353	32,037		-963,655	-1,242,167	-
3-	22,629	19,044	6,401	686		3,179	2,525	-
4-	33,294	28,668	3,163	1,904		12,969	9,899	-

(\*) Indicates the value of Arap Türk Bankası A.Ş. as of 31 December 2011, the values of Bankalararası Kart Merkezi A.Ş., Kredi Kayıt Bürosu A.Ş. as of 30 September 2011, the value of Avea İletişim Hizmetleri A.Ş. as of 31 December 2010.

(\*\*) Includes interest income on securities.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## c. Movement of investments in associates:

	Current Period	Prior Period
<b>Beginning balance</b>	743,262	743,262
Movements during the period		
Purchases (*)	653	
Bonus shares acquired		
Dividends received from the current year profit		
Sales		
Revaluation Increase		
Impairment		
Balance at the end of the period	743,915	743,262
Capital commitments		
Contribution in equity at the end of the period (%)		

(\*) Corresponds to the acquisitions related to capital increases through retained earnings.

## d. Sectoral information on financial associates and the related carrying amounts:

<b>Associates</b>	Current Period	Prior Period
Banks	85,295	85,295
Insurance Companies		
Factoring Companies		
Leasing Companies		
Finance Companies		
Other Financial Participations (*)		3,019

(\*) Bankalararası Kart Merkezi A.Ş. and Kredi Kayıt Bürosu A.Ş. are classified under non-financial associates in the current period.

e. Associates traded on a stock exchange: None.

f. Associates disposed of in the current period: None.

g. Associates acquired in the current period: None.

h. Other:

In order to carry out domestically the decisions made by the United Nations Security Council (UNSC) due to the incidents in Libya, for imposing various sanctions to the real persons and corporate bodies that are connected to the Libyan government, the BRSA decided that as per the Cabinet Decision dated 21 June 2011 and no. 2011/2001, the shareholder rights of Libyan Foreign Bank's (LFB), the majority shareholder residing in Libya, 62.37% share in Arap Türk Bankası A.Ş., except for the dividend rights, shall be used by the Savings Deposit Insurances Fund (SDIF) until the implementation of the related decisions are ended for LFB. Accordingly, all the directors representing Libyan Foreign Bank on the Board of Arap Türk Bankası A.Ş. were discharged and replaced by persons determined by the SDIF.

The abovementioned UNSC decisions on imposing various sanctions to the real persons and corporate bodies that are connected to the Libyan government have been cancelled by the UNSC decision dated 27 October 2011 and no. 2016. Within the framework of this development, the Cabinet Decisions dated 21 June 2011 and no. 2011/2001 on imposing sanctions to LFB, the majority shareholder of Arap Türk Bankası, have been abolished.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 8. Information on subsidiaries (Net):

## a. General information on subsidiaries:

Seq. No	Title	Address (City/Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1-	Anadolu Hayat Emeklilik A.Ş.	İstanbul/TURKEY	62.00	83.00
2-	Antgıda Gıda Tarım Turizm Enerji ve Demir Çelik Sanayi Ticaret A.Ş.	İzmir/TURKEY	99.89	99.99
3-	Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	Ankara/TURKEY	86.24	97.63
4-	Camiş Yatırım Holding A.Ş.	İstanbul/TURKEY	99.97	100.00
5-	Closed Joint stock Company İşbank	Moscow/RUSSIA	100.00	100.00
6-	İş Finansal Kiralama A.Ş.	İstanbul/TURKEY	27.79	57.39
7-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	42.23	58.04
8-	İş Merkezleri Yönetim ve İşletim A.Ş.	İstanbul/TURKEY	86.33	100.00
9-	İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	İstanbul/TURKEY	94.65	100.00
10-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	65.65	70.69
11-	İşbank GmbH	Frankfurt-Main/GERMANY	100.00	100.00
12-	Kültür Yayınları İş-Türk Limited Şirketi	İstanbul/TURKEY	99.17	100.00
13-	Milli Reasürans T.A.Ş.	İstanbul/TURKEY	76.64	77.06
14-	Mipaş Mümessilik İthalat İhracat ve Pazarlama A.Ş.	İstanbul/TURKEY	99.98	100.00
15-	Nemtaş Nemrut Liman İşletmeleri A.Ş.	İzmir/TURKEY	99.81	100.00
16-	Trakya Yatırım Holding A.Ş.	İstanbul/TURKEY	65.34	100.00
17-	Türkiye Sınai Kalkınma Bankası A.Ş.	İstanbul/TURKEY	40.52	50.00
18-	Türkiye Şişe ve Cam Fabrikaları A.Ş.	İstanbul/TURKEY	68.15	72.31

## b. Financial statement information related to subsidiaries in the above order:

Seq. No	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income (1)	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1-	5,651,031(2)	435,720(2)	23,023(2)	198,130(2)	20,178(2)	49,205(2)	58,617(3)	825,000
2-	49,415(4)	32,574(4)	7,161(4)	8(4)		-2,798(4)	480(5)	
3-	136,774(4)	2,572(4)	97,490(4)	6(4)	3(4)	-30,346(4)	-17,764(5)	
4-	121,208(6)	121,195(6)		380(6)	19,416(6)	18,995(6)	8,159(4)	
5-	311,944(6)	44,993(6)	41,611(6)	18,133(6)	3(6)	321(6)	79(4)	
6-	2,242,053(6)	520,018(6)	2,515(6)	155,531(6)	3,980(6)	54,266(6)	64,869(4)	389,850
7-	1,161,022(6)	1,034,472(6)	1,025,715(6)	5,199(6)	669(6)	66,954(6)	60,918(4)	600,000
8-	32,327(4)	13,179(4)	1,675(4)	1,131(4)	246(4)	4,510(4)	8,402(5)	
9-	35,339(4)	22,649(4)	15,681(4)	266(4)	926(4)	3,571(4)	1,496(5)	
10-	3,647,176(2)	678,366(2)	9,391(2)	98,207(2)	45,817(2)	70,889(2)	73,822(3)	361,400
11-	2,259,173(6)	259,744(6)	42,390(6)	92,178(6)	351(6)	13,969(6)	10,086(4)	
12-	9,927(4)	3,547(4)	358(4)		17(4)	761(4)	376(5)	
13-	1,594,892(6)	447,270(6)	46,842(6)	42,789(6)	44,166(6)	-144,737(6)	64,091(4)	
14-	22,739(4)	22,738(4)	1,147(4)	220(4)	86(4)	-2,177(4)	174(5)	
15-	371,713(4)	247,042(4)	220,675(4)	61(4)	433(4)	1,240(4)	13,496(5)	
16-	436,621(6)	436,621(6)			86(6)	57(6)	71(4)	
17-	9,821,491(2)	1,486,861(2)	235,859(2)	394,011(2)	11,772(2)	170,649(2)	182,805(3)	1,464,000
18-	8,137,041 (2)	4,989,333 (2)	3,825,634 (2)	47,214 (2)	64(2)	582,899 (2)	309,213 (3)	3,705,000

(1) Includes Interest Income on Securities. (2) Indicates value as of 30 September 2011. (3) Indicates values as of 30 September 2010. (4) Indicates values as of 31 December 2010. (5) Indicates value as of 31 December 2009. (6) Indicates value as of 31 December 2011.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## c. Movement of investments in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	5,520,777	4,287,817
Movements in the Period		
Purchases (*)	585,464	353,756
Bonus Shares Acquired		26,692
Dividends Received from the Current Year Profit		
Sales		-280,915
Revaluation Surplus (**)	-557,253	1,133,427
Impairment	-17,886	
Balance at the End of the Period	5,531,102	5,520,777
Capital Commitments		
Contribution in equity at the end of the period (%)		

(\*) As of reporting date; TL 585,464 recognized in current period, are comprised of TL 57,456 from the purchase of Closed Joint Stock Company İşbank; TL 44,304 and TL 62,910 are from the participation in the cash capital increases of Bayek Ted. Sağ. Hizm. ve İşl. A.Ş. and İşbank GmbH, respectively, and the remaining part resulted from the acquisitions related to the capital increases of subsidiaries through retained earnings.

(\*\*) The relevant amounts represent the increases and decreases in the market value of participations traded on the stock exchange.

## d. Sectoral information on financial subsidiaries and the related carrying amounts:

Subsidiaries	Current Period	Prior Period
Banks	793,824	790,240
Insurance Companies	968,185	1,209,520
Factoring Companies		
Leasing Companies	107,413	114,790
Finance Companies		
Other Financial Subsidiaries	500,041	677,797
<b>Total</b>	<b>2,369,463</b>	<b>2,792,347</b>

## e. Subsidiaries traded on stock exchange:

	Current Period	Prior Period
Traded on domestic stock exchanges	4,250,180	4,514,626
Traded on international stock exchanges		
<b>Total</b>	<b>4,250,180</b>	<b>4,514,626</b>

## f. Subsidiaries disposed of in the current period: None.

## g. Subsidiaries acquired in the current period:

Within the framework of the Share Purchase Agreement signed for the acquisition of 100% shares of Closed Joint Stock Company İşbank, operating in Russia, as per the resolution of the Bank's Board dated 25 October 2010, USD 36 million of the share value, which is USD 40 million in total, has been paid and the share transfer has been finalized as of 27 April 2011. Remaining amount of USD 4 million will be paid after one year within the framework of the Share Purchase Agreement.

## 9. Information on jointly controlled entities:

There are no jointly controlled entities of the Bank.

## 10. Information regarding finance lease receivables of the Bank (Net):

The Bank has no finance lease receivables.

## 11. Explanations on derivative financial assets held for risk management:

The Bank has no derivative financial assets held for risk management.



## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 12. Information on Tangible Assets (\*) (Net):

Current Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
<b>Acquisition Cost</b>					
Balance at the Beginning of the Period	3,538,392	11,566	15,305	1,142,648	4,707,911
Movements in the Period					
- Additions	39,296	6,848	297	248,514	294,955
- Disposals	-68,608	-86	-613	-53,134	-122,441
- Transfers	3,374	-9,561	472	-472	-6,187
- Impairment Release (-) (**)	53				53
Balance at End of Current Period	3,512,507	8,767	15,461	1,337,556	4,874,291
<b>Accumulated Depreciation</b>					
Balance at the Beginning of the Period	-2,148,556		-11,238	-716,232	-2,876,026
Movements in the Period					
- Depreciation Charge	-48,682		-2,046	-119,042	-169,770
- Disposals	14,246		549	16,544	31,339
- Transfers			76	-76	
- Impairment Release (-)					
Balance at the End of Current Period	-2,182,992		-12,659	-818,806	-3,014,457
Net Book Value at the End of Prior Period	1,389,836	11,566	4,067	426,416	1,831,885
<b>Net Book Value at the End of Current Period</b>	<b>1,329,515</b>	<b>8,767</b>	<b>2,802</b>	<b>518,750</b>	<b>1,859,834</b>

(\*) As of the balance sheet date the book value of tangible assets purchased through finance lease amounts to TL 5,544 (2010: TL 21,634) and there are no additions during the period. The book value of tangible assets acquired during the period due to receivables is TL 44,811 (2010: TL 89,935).

(\*\*) They are the impairment releases related to the real estates whose fair values have increased due to their renewed appraisals.

Prior Period (*)	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
<b>Acquisition Cost</b>					
Balance at the Beginning of the Period	3,561,040	61,540	15,531	1,075,893	4,714,004
Movements in the Period					
- Additions	103,507	21,528	8	188,850	313,893
- Disposals	-208,972	-25,370	-234	-122,095	-356,671
- Transfers	37,893	-46,132			-8,239
- Impairment Release (-) (**)	44,924				44,924
Balance at End of Current Period	3,538,392	11,566	15,305	1,142,648	4,707,911
<b>Accumulated Depreciation</b>					
Balance at the Beginning of the Period	-2,161,855		-8,641	-681,516	-2,852,012
Movements in the Period					
- Depreciation Charge	-48,246		-2,724	-99,738	-150,708
- Disposals	61,075		127	65,022	126,224
- Transfers	470				470
- Impairment Release (-)					
Balance at the End of Current Period	-2,148,556		-11,238	-716,232	-2,876,026
Net Book Value at the End of Prior Period	1,399,185	61,540	6,890	394,377	1,861,992
<b>Net Book Value at the End of Current Period</b>	<b>1,389,836</b>	<b>11,566</b>	<b>4,067</b>	<b>426,416</b>	<b>1,831,885</b>

(\*) The book value of tangible assets purchased through finance lease amounts to TL 21,634 (2009: TL 52,045). There are no additions in the current period (2009: TL 88). The book value of tangible assets acquired during the period due to receivables is TL 89,935 (2009: TL 62,956).

(\*\*) They are the impairment releases related to the real estates whose fair values have increased due to their renewed appraisals.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 13. Information on Intangible Assets:

	Current Period	Prior Period
<b>Acquisition Cost</b>		
Balance at the Beginning of the Period	179,560	133,618
Movements in the Period		
- Acquired	79,755	45,942
- Disposed (-)	-2,430	
- Impairment		
Balance at the End of the Period	256,885	179,560
<b>Accumulated Amortization</b>		
Balance at the Beginning of the Period	146,941	100,864
Movements in the Period		
- Amortization Charge (-)	46,358	46,077
- Disposed	-91	
- Impairment		
Balance at the End of the Current Period	193,208	146,941
Net Book Value at the End of the Prior Period	32,619	32,754
<b>Net Book Value at the End of the Period</b>	<b>63,677</b>	<b>32,619</b>

## 14. Information on investment property:

As of 31 December 2011, the Bank has not any investment properties.

## 15. Information on deferred tax asset:

The Bank has TL 488,613 deferred tax asset as of 31 December 2011. Such deferred tax asset is calculated based on the temporary differences between the book value of the Bank's assets and liabilities and their tax basis measured as per the prevailing tax regulation. When the items comprising the temporary differences are followed under equity, the related tax asset/liability is directly recognized under equity items. As of 31 December 2011, the Bank has no tax asset measured over the period loss or tax relief.

	Current Period	Prior Period
Deferred Tax (Asset)/Liability:		
Tangible Assets Base Differences	27,755	25,749
Provisions (*)	-417,880	-395,512
Valuation of Financial Assets	-80,559	-358,152
Other	-17,929	12,577
Net Deferred Tax (Asset)/Liability:	-488,613	-715,338

(\*) Comprised of employee termination benefits, actual and technical deficits of the pension fund, the provisions for credit card bonus points, and other provisions.

Movements of deferred tax asset:

	Current Period	Prior Period
Balance at the Beginning of the Period	715,338	510,519
Deferred Tax Benefit/(Charge) (Net)	-334,730	212,223
Deferred Tax Recognized under Equity	108,005	-7,404
Deferred Tax Asset	488,613	715,338

## 16. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Balance at the Beginning of the Period	53,955	27,273
Additions	65,988	54,525
Transfers (Net)	6,187	7,769
Disposals (Net)	-63,576	-35,042
Impairment Losses (-)		
Amortization	-2,751	-570
Balance at the End of the Period	59,803	53,955

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

The Bank has no discontinued operations. The assets classified as "Assets Held for Sale" consist of real estates. Those real estates subject to sale are announced on the Bank's web site. Announcements about the real estates subject to sale are also made by means of newspaper advertisements and similar media.

**17. Information on Other Assets:**

The "other assets" item of the balance sheet does not exceed 10% of total assets.

**II. EXPLANATIONS AND FOOTNOTES ON LIABILITIES****1. Information on Deposits:****a.1. The maturity structure of deposits (Current period):**

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	5,005,140		4,200,439	28,040,187	2,412,466	503,674	501,736		40,663,642
Foreign Currency Deposits	5,865,791		5,793,103	16,819,195	1,886,363	477,746	3,264,725		34,106,923
Residents in Turkey	5,517,429		5,415,771	16,155,581	1,768,775	394,110	1,664,104		30,915,770
Residents Abroad	348,362		377,332	663,614	117,588	83,636	1,600,621		3,191,153
Deposits of Public Institutions	208,535		419,186	398,015	5,457	168	678		1,032,039
Commercial Deposits	4,533,435		1,447,573	5,358,055	183,916	22,173	132,616		11,677,768
Other Institutions Deposits	273,119		607,730	2,949,255	664,662	1,609,254	1,553		6,105,573
Precious Metals Deposits	2,479,052								2,479,052
Interbank Deposits	261,709		488,743	836,900	166,647	148,420	345,718		2,248,137
The Central Bank of Turkey	83,478								83,478
Domestic Banks	2,075		48,085	291,269	97,408		2,067		440,904
Foreign Banks	172,787		440,658	545,631	69,239	148,420	343,651		1,720,386
Participations Banks	3,369								3,369
Other									
<b>Total</b>	<b>18,626,781</b>		<b>12,956,774</b>	<b>54,401,607</b>	<b>5,319,511</b>	<b>2,761,435</b>	<b>4,247,026</b>		<b>98,313,134</b>

**a.2. The maturity structure of deposits (Prior period):**

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	4,518,478		20,032,697	11,969,945	1,101,909	274,201	376,989		38,274,219
Foreign Currency Deposits	4,761,221		10,269,550	8,121,109	1,456,785	583,089	2,206,021		27,397,775
Residents in Turkey	4,498,713		9,599,862	7,896,837	1,327,397	475,167	1,389,626		25,187,602
Residents Abroad	262,508		669,688	224,272	129,388	107,922	816,395		2,210,173
Deposits of Public Institutions	336,578		145,950	66,418	3,184		6,887		559,017
Commercial Deposits	4,021,557		2,924,851	4,877,052	217,428	23,840	2,863		12,067,591
Other Institutions Deposits	222,342		1,358,093	4,359,227	1,214,386	1,092	782		7,155,922
Precious Metals Deposits	336,249								336,249
Interbank Deposits	272,335		677,218	1,198,992	86,719	55,247	178,873		2,469,384
The Central Bank of Turkey	74,276								74,276
Domestic Banks	10,351		276,579	641,487			3,155		931,572
Foreign Banks	186,137		400,639	557,505	86,719	55,247	175,718		1,461,965
Participations Banks	1,571								1,571
Other									
<b>Total</b>	<b>14,468,760</b>		<b>35,408,359</b>	<b>30,592,743</b>	<b>4,080,411</b>	<b>937,469</b>	<b>2,772,415</b>		<b>88,260,157</b>

**b.1. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund and which exceed the limit of deposit insurance:**

Savings Deposits	Under the Guarantee of Savings Deposits Insurance Fund		Exceeding the Limit of Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	16,344,278	16,526,269	24,004,306	21,470,358
Foreign Currency Savings Deposits	7,242,877	5,936,695	15,250,682	11,306,743
Other Deposits in the Form of Savings Deposits				
Foreign Branches' Deposits Under Foreign Authorities' Insurance	694,449	604,575	49,636	65,303
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			17,827	67,171

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## b.2. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Deposits Under Foreign Authorities Insurance	67,463	132,474
Deposits and Other Accounts held by Main Shareholders and their Relatives		
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	8,957	8,689
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004		
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey		

## 2. Information on Derivative Financial Liabilities Held for Trading:

Negative differences on derivative financial liabilities held for trading:

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	96,264	116,755	7,868	57,125
Swap Transactions	361,060	214,164	385,134	228,312
Futures				
Options	263	26,614	430	38,407
Other		42,762		
<b>Total</b>	<b>457,587</b>	<b>400,295</b>	<b>393,432</b>	<b>323,844</b>

## 3. Banks and Other Financial Institutions:

## a. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds borrowed from the Central Bank of Turkey				
Funds borrowed from Domestic Banks and Institutions	210,689	236,181	111,052	127,813
Funds borrowed from Foreign banks, institutions and funds		10,701,338		7,803,577
<b>Total</b>	<b>210,689</b>	<b>10,937,519</b>	<b>111,052</b>	<b>7,931,390</b>

## b. Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	186,621	5,599,202	108,183	4,036,524
Medium and Long-term	24,068	5,338,317	2,869	3,894,866
<b>Total</b>	<b>210,689</b>	<b>10,937,519</b>	<b>111,052</b>	<b>7,931,390</b>

## c. Information on funds borrowed:

Information on funds received through syndicated loans and securitization deals, which take a significant place among funds borrowed, are given below.

## Syndicated loans:

Date of Use	Funds Borrowed	Maturity
September 2010	USD 45,000,000 + EUR 115,000,000	2 years
May 2011	USD 290,000,000 + EUR 626,000,000	1 year (with 1 year extension option)
September 2011	USD 359,000,000 + EUR 603,000,000	1 year (with 1 year extension option)

## Securitization deals:

The Bank obtained funds by way of putting on securitization deals all its claims and receivables based on diversified payment rights in USD, EUR and GBP through TIB Diversified Payment Rights Finance Company, and all its claims and receivables based on FC debit and credit card receivables through TIB Card Receivables Funding Company Limited, both of which are special purpose vehicles established abroad.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Information on funds received through securitization are given below.

Date	Special Purpose Vehicle (SPV)	Amount	Final Maturity	Remaining Debt Amount as of 31.12.2011
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 89,600,000
May 2005	TIB Diversified Payment Rights Finance Company	USD 700,000,000	5-8 years	USD 118,750,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years	USD 127,561,065
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 344,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 430,000,000
October 2011	TIB Diversified Payment Rights Finance Company	USD 75,000,000	5 years	USD 75,000,000
October 2011	TIB Diversified Payment Rights Finance Company	EUR 160,000,000	5-7 years	EUR 160,000,000

## 4. Other Securities Issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1,809,005			
Bonds	1,019,442	952,974		
<b>Total</b>	<b>2,828,447</b>	<b>952,974</b>		

## 5. Concentration of the liabilities of the Bank:

61% of the Bank's liabilities are comprised of deposits, 12% are comprised of funds obtained through repurchase transactions and 7% are comprised of borrowings. Deposits are distributed among a large variety of customers with different characteristics. The borrowings, on the other hand, are comprised of various funds obtained from financial institutions through syndication, securitization, post-financing and money market operations. No risk concentration exists related to the Bank's liabilities.

## 6. Other Liabilities:

Other liabilities do not exceed 10% of the balance sheet total.

## 7. Information on lease payables (net):

Liabilities resulting from finance lease transactions:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	12	5	3,405	3,164
1-5 Years			9	4
More Than 5 Years				
<b>Total</b>	<b>12</b>	<b>5</b>	<b>3,414</b>	<b>3,168</b>

## 8. Information on derivative financial liabilities held for risk management:

The Bank does not have any derivative financial liabilities held for risk management purposes.

## 9. Information on provisions:

## a. Information on general loan loss provisions:

	Current Period	Prior Period
General Loan Loss Provisions	1,245,245	699,489
Provision for Group I Loans and Receivables	1,039,640	533,110
Provision for Group II Loans and Receivables(*)	38,077	29,786
Provision for Non-cash Loans	117,154	76,626
Other	50,374	59,967

(\*)Also includes general provision for Group II Non-cash Loans.

Within the framework of the "Regulation Regarding the Amendment of the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside", which was published in the Official Gazette dated 28 May 2011, no. 27947, TL 61,729 additional provision was set aside for 32,658 loans (7,914 group I loans/24,744 group II loans), whose maturities have been extended for up to one year and for 49,226 loans (37,144 group I loans/12,082 group II loans), whose maturities have been extended for more than a year.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**b. Reserves for employee benefits:**

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay employee termination benefits to employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. In accordance with the related regulations, the amount of employee termination benefits is TL 2,731.85 (full TL amount as of 31 December 2011), which is one month salary for each service year and cannot exceed the base salary ceiling for employee termination benefits. The provision amount resulting from liabilities for employee termination benefits has been determined in line with the actuarial report prepared by an independent valuation firm and within this context, as of 31 December 2011 TL 235,821 provision was set aside and reflected to the financial statements (31 December 2010: TL 202,048).

The main actuarial assumptions used in the calculation of the employee termination benefits are as follows:

- discount and inflation rates, which vary by years, were used for the calculation and the real rate of increase in salaries was taken as 2%.
- TL 2,731.85 (full TL amount) salary ceiling, which was effective as at 31 December 2011 was taken into account for the calculations.
- the age of retirement is considered as the earliest age possible that an individual can retire.
- CSO 1980 table is used for the mortality rate for female and male employees

The movements related to provision for employee termination benefits are given below.

	Current Period	Prior Period
Present value of defined benefit obligation at the beginning of the period	202,048	150,371
Service Cost	16,988	11,395
Interest Cost	18,007	14,135
Benefits paid	-18,262	-11,348
Loss/(Gain) due to Settlements/Reductions/Terminations	729	343
Actuarial loss/(gain)	16,311	37,152
Defined benefit obligation at the end of the period	235,821	202,048

In addition to the employee termination benefits, the Bank also allocates provision for the unused vacation pay. Provision for unused vacation pay for the year 2011 stands at TL 20,642 (31 December 2010: TL 18,059).

**c.** Provisions for exchange losses in the principal amount of foreign currency indexed loans: Since foreign currency indexed loans are followed based on the rates on the lending date, the Bank incurs a loss if the exchange rates decrease and makes profit if the exchange rate increases. As of 31 December 2011, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 2,989 and this amount is offset against foreign currency indexed loan balance in the financial statements.

**d.** Specific provisions for non-cash loans, which are not indemnified and not converted into cash: TL 85,388 provision (31 December 2010: TL 151,902) is allocated for the non-cash loans of companies whose loans are followed under "Non-performing Loans" accounts.

**e. Information on other provisions:**

**e.1.** Provisions for potential risks: Taking the potential risks in the economy and in the markets into account, provision amounting to TL 950,000 was all provided in accordance with the precautionary principle.

**e.2. Liabilities arising from retirement benefits:**

- Liabilities of pension funds founded as per the Social Security Act:

Within the scope of the explanations given in Part Three Note XVII, in the actuarial report which was prepared as of 31 December 2011 for Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each Bank employee is a member, and which has been established according to the provisional Article 20 of the Social Security Act No. 506, the amount of actuarial and technical deficit stands at TL 1,338,159. Additional TL 19,914 provision was set aside for the difference between and the newly determined deficit amount and the TL 1,318,245 provision amount set aside by the Bank for the related pension fund until the current period.

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as of 31 December 2011, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. CSO 1980 mortality table, 9.8% technical deficit interest rate and 33.5% premium rate were taken into account in calculations. Below table shows the cash values of premium and salary payments as of 31 December 2011, taking the health expenses within the Social Security Institution limits into account.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	-3,666,014	-3,401,547
Net Present Value of Long Term Insurance Line Premiums	1,562,338	1,437,212
<b>Net Present Value of Total Liabilities Other Than Health</b>	<b>-2,103,676</b>	<b>-1,964,335</b>
Net Present Value of Health Liabilities	-482,099	-438,786
Net Present Value of Health Premiums	929,964	855,484
<b>Net Present Value of Health Liabilities</b>	<b>447,865</b>	<b>416,698</b>
<b>Pension Fund Assets</b>	<b>317,652</b>	<b>229,392</b>
<b>Amount of Actuarial and Technical Deficit</b>	<b>-1,338,159</b>	<b>-1,318,245</b>

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash	196,541	164,851
Securities Portfolio	94,007	52,569
Other	27,104	11,972
<b>Total</b>	<b>317,652</b>	<b>229,392</b>

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

**10. Information on Tax Liability:**

a. Explanations related to current tax liability:

a.1. Information on tax provision:

Explanations in relation to taxation and tax calculations were stated in Note XVIII of Part 3. The remaining corporate tax liability after the deduction of the temporary tax amount stands at TL 186,206 as of 31 December 2011.

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	186,206	221,008
Tax on Securities Income	110,023	73,024
Tax on Real Estate Income	1,717	1,516
Banking Insurance Transaction Tax	52,361	36,466
Foreign Exchange Transaction Tax	28	22
Value Added Tax Payable	529	553
Other	21,045	17,830
<b>Total</b>	<b>371,909</b>	<b>350,419</b>

a.3. Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employees	46	35
Social Security Premiums - Employer	53	41
Bank Pension Fund Premiums - Employees		
Bank Pension Fund Premiums - Employer		
Pension Fund Membership Fees and Provisions-Employees		
Pension Fund Membership Fees and Provisions-Employer		
Unemployment Insurance - Employees	1,618	600
Unemployment Insurance - Employer	3,237	1,202
Others		
<b>Total</b>	<b>4,954</b>	<b>1,878</b>

b. Information on deferred tax liabilities: None.

**11. Information on payables for assets held for sale and discontinued operations:**

The Bank has no payables for assets held for sale and discontinued operations.

**12. Subordinated loans used by the Bank:**

There are no subordinated loans used by the Bank.

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

a. Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,499,970	4,499,970
Preferred shares	30	30
<b>Total</b>	<b>4,500,000</b>	<b>4,500,000</b>

b. Explanation as to whether the registered share capital system ceiling is applicable at the Bank, if so, the amount of registered share capital:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	4,500,000	7,000,000

c. The capital increase made in current period: None.



## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**d.** Information on capital increase through transfer from capital reserves during the current period: None.**e.** Significant commitments of the Bank related to capital expenditures within the last year and the following quarter, the general purpose thereof, and the estimation of funds required for them: There are no capital commitments.**f.** Previous periods' indicators related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Bank's equity: The Bank's balance sheet is managed in a prudent way to ensure that the effect of risks arising from interest rates, exchange rates and loans is at the lowest level. This contributes to the development of the Bank's income within a regularly increasing trend.**g.** Privileges Granted to Shares:

Group (A) shares each with a nominal value of 1 Kurus have the privileges of;

- receiving 20 times the number of shares in the distribution of bonus shares issued from conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation)
- exercising the preference rights as 20 times (Article 19 of the Articles of Incorporation), and
- 20 voting rights (Article 49 of the Articles of Incorporation)

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 1 Kurus, have the same rights with the Group (C) shares having a nominal value of 4 Kurus each. Furthermore, Group (A) and (B) shares, each with a nominal value of 1 Kurus, are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Associates, Subsidiaries and Jointly Controlled Entities</b>	<b>1,728,832</b>		<b>2,286,085</b>	
Valuation Difference	1,728,832		2,286,085	
Foreign Exchange Differences				
<b>Financial Assets Available for Sale</b>	<b>-385,877</b>	<b>137,501</b>	<b>173,694</b>	<b>55,435</b>
Valuation Difference	-452,438	137,501	215,138	55,435
Deferred Tax Effect on Valuation	66,561		-41,444	
Foreign Exchange Differences				
<b>Total</b>	<b>1,342,955</b>	<b>137,501</b>	<b>2,459,779</b>	<b>55,435</b>

## III. EXPLANATIONS AND FOOTNOTES ON OFF BALANCE SHEET ITEMS

## 1. Explanations to liabilities related to off-balance items:

**a.** Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 13,172,835 and commitment to pay for check leaves amounts to TL 4,914,758. The amount of commitment for the forward purchase of assets is TL 575,182 and for the forward sale of assets is TL 577,788.

**b.** The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

There are no probable losses related to off-balance sheet items, Commitments are shown in the table of "Off-Balance Sheet Items".

**b.1.** Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period	Prior Period
Bank Acceptances	497,122	211,538
Letters of Credit	5,170,468	3,105,943
Other Guarantees	1,001,081	339,787
<b>Total</b>	<b>6,668,671</b>	<b>3,657,268</b>

**b.2.** Definite guarantees, provisional guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Tentative Letters of Guarantee	1,201,212	531,378
Certain Letters of Guarantee	13,702,059	8,746,294
Advance Letters of Guarantee	3,005,909	1,629,506
Letters of Guarantee Addressed to Customs	905,572	523,800
Other Letters of Guarantee	366,582	194,357
<b>Total</b>	<b>19,181,334</b>	<b>11,625,335</b>

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## c. 1. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	347,699	178,890
With Original Maturity of 1 Year or Less	37,121	65,655
With Original Maturity More Than 1 Year	310,578	113,235
Other Non-cash Loans	25,502,306	15,103,713
<b>Total</b>	<b>25,850,005</b>	<b>15,282,603</b>

## c. 2. Sectoral Risk Concentration of Non-cash Loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	114,202	1.15	40,730	0.26	85,956	1.32	21,708	0.25
Farming and Raising Livestock	56,855	0.57	34,295	0.22	41,670	0.64	21,708	0.25
Forestry	56,233	0.57	6,088	0.04	42,884	0.66		
Fishery	1,114	0.01	347	0.00	1,402	0.02		
Industry	3,093,213	31.12	9,217,883	57.93	2,029,583	31.03	4,216,454	48.24
Mining and Quarrying	100,355	1.01	120,057	0.75	68,219	1.04	72,721	0.83
Manufacturing	2,381,402	23.96	7,468,821	46.94	1,613,587	24.67	3,244,855	37.12
Electricity, Gas, Water	611,456	6.15	1,629,005	10.24	347,777	5.32	898,878	10.29
Construction	1,959,406	19.71	1,990,183	12.50	764,308	11.68	1,022,071	11.69
Services	4,663,229	46.91	3,028,888	19.05	3,597,477	54.99	2,206,153	25.24
Wholesale and Retail Trade	2,971,252	29.89	1,596,846	10.04	2,410,990	36.86	1,345,446	15.39
Hotel and Restaurant Services	100,326	1.01	17,434	0.11	85,046	1.30	12,157	0.14
Transportation and Communication	261,017	2.63	844,742	5.31	231,230	3.53	359,364	4.11
Financial Institutions	809,012	8.14	262,107	1.65	518,305	7.92	251,770	2.88
Real Estate and Rental Services	247,980	2.49	187,276	1.18	163,514	2.50	174,031	1.99
Self-Employed Services	205,340	2.07	104,368	0.66	135,109	2.07	43,521	0.50
Educational Services	16,043	0.16	6,926	0.04	12,706	0.19	10,116	0.12
Health and Social Services	52,259	0.52	9,189	0.06	40,577	0.62	9,748	0.11
Others	110,221	1.11	1,632,050	10.26	64,346	0.98	1,274,547	14.58
<b>Total</b>	<b>9,940,271</b>	<b>100.00</b>	<b>15,909,734</b>	<b>100.00</b>	<b>6,541,670</b>	<b>100.00</b>	<b>8,740,933</b>	<b>100.00</b>

## c. 3. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash Loans</b>	<b>9,880,158</b>	<b>15,735,113</b>	<b>60,113</b>	<b>174,621</b>
Letters of Guarantee	9,855,935	9,114,160	60,113	151,126
Bank Acceptances	3,628	491,219		2,275
Letters of Credit		5,154,448		16,020
Endorsements		375,869		
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees				
Other Guaranties and Warranties	20,595	599,417		5,200

## 2. Information on Derivative Financial Instruments:

Majority of the Bank's derivative transactions comprise currency and interest rate swaps, forward foreign exchange trading as well as currency and interest rate options. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognized as "held for trading purposes" within the framework of "TAS 39 - Financial Instruments: Recognition And Measurement".

## 3. Explanations Related to Contingencies and Commitments:

The balance of the "Other Irrevocable Commitments" account, under which the amount of letters of guarantees, guarantees and commitments submitted by the Bank pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favor of the Bank and the commitments due to housing loans extended within the scope of unfinished house projects are followed, stands at TL 4,564,163. TL 4,914,758 liability of the Bank regarding the checks given to customers is presented under off balance sheet commitments, as per the related regulations. In case the cheques presented for payment to beneficiaries are not covered, the Bank will be obliged to pay the uncovered amount up to TL 600 (exact amount) for the cheques that are subject to the Law no. 3167 on "the Regulation of Payments by Cheque and Protection of Cheque Holders", within the framework of the Law no. 6273 on "Amendments in the Cheque Law", which came into effect after being published in the Official Gazette dated 3 February 2012, and up to TL 1,000 (exact amount) for the cheques that are subject to the "Cheque Law" no. 5941. The Bank will try to collect the amount paid from the customer and the uncollected amount will be followed under "Indemnified Non-Cash Loans".

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 4. Explanations related to transactions made on behalf of or on the account of others:

It is explained in Note X under Part Four.

## IV. EXPLANATIONS AND FOOTNOTES ON THE INCOME STATEMENT

## 1.a. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Loans <sup>(*)</sup>				
Short-term Loans	2,385,234	222,351	2,116,537	135,680
Medium and Long-term Loans	3,282,183	983,467	2,909,977	545,832
Interest on Non-performing Loans	260,389	1	239,703	59
Premiums Received from State Resource Utilization Support Fund				
<b>Total</b>	<b>5,927,806</b>	<b>1,205,819</b>	<b>5,266,217</b>	<b>681,571</b>

(\*) Includes fee and commission income on cash loans.

## 1.b. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey			104,265	
Domestic Banks	373	832	342	466
Foreign Banks	5,722	10,643	9,936	33,422
Foreign Head Offices and Branches				
<b>Total</b>	<b>6,095</b>	<b>11,475</b>	<b>114,543</b>	<b>33,888</b>

## 1.c. Information on interest income from securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Financial Assets Held for Trading	35,548	121	40,601	97
Interest Income on Financial Assets at Fair Value through Profit and Loss				
Interest Income on Financial Assets Available for Sale	1,575,705	397,789	1,549,519	444,629
Investments Held to Maturity	1,711,870	482	1,629,316	2,880
<b>Total</b>	<b>3,323,123</b>	<b>398,392</b>	<b>3,219,436</b>	<b>447,606</b>

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	19,658	7,154

## 2.a. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	10,891	175,407	356,510	115,475
Central Bank of Turkey				
Domestic Banks	10,891	4,106	10,494	4,382
Foreign Banks		171,301	346,016	111,093
Foreign Head Offices and Branches				
Other Institutions		43,085		39,192
<b>Total<sup>(*)</sup></b>	<b>10,891</b>	<b>218,492</b>	<b>356,510</b>	<b>154,667</b>

(\*) Includes fee and commission expenses regarding to cash loans.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 2.b. Information on interest paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	75,494	95,190

## 2.c. Information on interest paid to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid to Securities Issued	166,065	41,983		

## 2.d. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year		
<b>TL</b>								
Bank Deposits	3	8,589	32,879	6,043	2,244	3,060		52,818
Savings Deposits	8	724,326	1,917,244	166,770	34,497	34,021		2,876,866
Public Sector Deposits	18	7,495	13,466	825	2	483		22,289
Commercial Deposits	119	146,430	400,254	76,510	7,719	3,992		635,024
Other Institutions Deposits		72,943	206,982	183,437	104,802	58		568,222
Deposits with 7 Days Notice								
<b>Total</b>	<b>148</b>	<b>959,783</b>	<b>2,570,825</b>	<b>433,585</b>	<b>149,264</b>	<b>41,614</b>		<b>4,155,219</b>
<b>FC</b>								
Foreign Currency Deposits	62	184,227	424,342	84,772	11,320	93,440		798,163
Bank Deposits	36	3,006	9,806	5,723	1,686	3,593		23,850
Deposits with 7 Days Notice								
Precious Metals Deposits								
<b>Total</b>	<b>98</b>	<b>187,233</b>	<b>434,148</b>	<b>90,495</b>	<b>13,006</b>	<b>97,033</b>		<b>822,013</b>
<b>Grand Total</b>	<b>246</b>	<b>1,147,016</b>	<b>3,004,973</b>	<b>524,080</b>	<b>162,270</b>	<b>138,647</b>		<b>4,977,232</b>

## 3. Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading		
Financial Assets at Fair Value Through Profit and Loss		
Financial Assets Available for Sale	1,191	543
Other	554,511	368,667
<b>Total</b>	<b>555,702</b>	<b>369,210</b>

## 4. Information on trading income/losses (Net):

	Current Period	Prior Period
<b>Profit</b>		
Securities Trading Gains	126,758	515,302
Gains on Derivative Financial Instruments	3,875,154	2,753,087
Foreign Exchange Gains	78,524,978	51,117,861
<b>Losses (-)</b>		
Securities Trading Losses	10,771	892
Losses on Derivative Financial Instruments	3,543,391	2,824,133
Foreign Exchange Losses	78,666,655	51,426,595
<b>Trading Income/Losses (Net)</b>	<b>306,073</b>	<b>134,630</b>

The profit amount arising from foreign currency changes related to derivative transactions stands at TL 3,047,210, the loss amount stands at TL 2,614,733 and the amount of net profit is TL 432,477 (31 December 2010 profit: TL 2,362,784, loss: TL 1,801,277).

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**5. Information on other operating income:**

81% of the other operating income arises from the collections or reversals of the provisions set aside in prior years for various reasons mainly for non-performing loans. The share of income from fixed assets sale in other operating income is 12%. The fixed asset sale includes TL 62,478 sales profit from the sale of the shares of Visa and Mastercard, which are qualified as available-for-sale securities. The remaining part of the other operating income is composed of the fee income received from customers on various banking services.

**6. Information on provision for loans and other receivables:**

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	597,457	769,520
Group III Loans and Receivables	438,637	568,535
Group IV Loans and Receivables	15,376	33,590
Group V Loans and Receivables	143,444	167,395
General Loan Provision Expenses	545,756	234,456
Provision Expenses for Potential Risks		
Marketable Securities Impairment Losses	3,844	100
Financial Assets at Fair Value through Profit and Loss	3,844	100
Financial Assets Available for Sale		
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity	17,886	
Investment in Associates		
Subsidiaries	17,886	
Jointly Controlled Entities		
Investments Held to Maturity		
Others	218,850	131,373
<b>Total</b>	<b>1,383,793</b>	<b>1,135,449</b>

**7. Other operating expenses:**

	Current Period	Prior Period
Personnel Expenses	1,819,222	1,625,420
Reserve for Employee Termination Benefits	33,773	51,677
Bank Pension Fund Deficit Provisions	19,914	22,260
Impairment Losses on Tangible Assets		36,433
Depreciation Expenses of Tangible Assets	165,487	145,245
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	46,358	46,077
Impairment Losses on Share of Participations Accounted for Using the Equity Method		
Impairment Losses on Assets to be Disposed	1,147	1,039
Depreciation Expenses of Assets to be Disposed	7,034	6,033
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations		
Other Operating Expenses	1,092,965	905,425
Operating Lease Expenses	156,120	128,237
Repair and Maintenance Expenses	19,758	16,852
Advertisement Expenses	144,643	133,191
Other Expenses	772,444	627,145
Loss on Sale of Assets	1,904	30,650
Other	293,395	332,864
<b>Total</b>	<b>3,481,199</b>	<b>3,203,123</b>

**8. Information on profit/loss before taxes including profit/loss from continuing and discontinued operations:**

The Bank's profit before tax is generated from its continuing operations. The profit before tax consists of net interest income of TL 4,561,800, net fee and commission income of TL 1,428,583 and the other operation expenses amount to TL 3,481,199.

**9. Information on provision for taxes including taxes from continuing and discontinued operations:**

As of 31 December 2011 the Bank's total tax provision of TL 630,793 consists of current tax expense of TL 296,063 and deferred tax expense of TL 334,730.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**10. Information on net operating profit/loss after taxes including net profit/loss from continuing and discontinued operations:**

The Bank's net profit generated from its continuing operations amounts to TL 2,667,487.

**11 . Explanation on Net Period Profit/Loss:**

a. Income and expense resulting from regular banking activities: No further explanation on operating results is needed for better understanding of the Bank's performance in the period 1 January 2011 - 31 December 2011.

b. Any changes in estimations that might have a material effect on current and subsequent period results: No disclosure is required.

c. "Other" item under "Fees and Commissions Received" in the Income Statement is composed of fees and commissions received from various banking operations, mainly from credit card operations and capital market operations.

d. Other items do not exceed 10% of the total amount of the income statement.

**V. EXPLANATIONS AND NOTES ON THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

The paid-in capital is TL 4,500,000 in legal records. As of balance sheet date, the balance of legal reserves is TL 1,646,564 and the balance of extraordinary reserves is TL 5,890,766.

In the current period, the change in other reserves item is a result of the conversion profit of foreign branches.

The details of revaluation surplus of securities are shared in the Note no. V-II-13-h. TL 66,561 of this amount is the deferred tax effect on available for sale securities (31 December 2010: TL -41,444).

**VI. EXPLANATIONS AND NOTES ON THE STATEMENT OF CASH FLOWS**

The operating profit of TL 3,227,392 before the changes in operating assets and liabilities consists of TL 10,738,853 of interest received predominantly from loans and securities, and TL 6,056,019 of interest predominantly paid on mainly deposits, money market operations and funds borrowed by the Bank.

The effect of changes in foreign exchange rates on cash and cash equivalents is approximately TL 652,811 as of 31 December 2011 (31 December 2010: TL -70,624).

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, precious metals, money market operations as well as demand deposits and time deposits up to 3 months are defined as cash and cash equivalents.

**Cash and cash equivalents at the beginning of the period:**

	Current Period 31.12.2010	Prior Period 31.12.2009
<b>Cash</b>	<b>5,647,529</b>	<b>6,967,878</b>
Cash in TL and Foreign Currency	923,709	777,586
Central Bank of Turkey and Other	4,723,820	6,190,292
<b>Cash Equivalents</b>	<b>3,130,509</b>	<b>6,132,582</b>
Banks' Demand Deposits and Time Deposits Up to 3 Months	3,130,509	6,132,582
Money Market Receivables		
<b>Total Cash and Cash Equivalents</b>	<b>8,778,038</b>	<b>13,100,460</b>

The total amount resulting from the transactions made in the previous period, shows the total cash and cash equivalents as of the beginning of the current period.

**Cash and cash equivalents at the end of the period:**

	Current Period 31.12.2011	Prior Period 31.12.2010
<b>Cash</b>	<b>6,920,592</b>	<b>5,647,529</b>
Cash in TL and Foreign Currency	1,120,445	923,709
Central Bank of Turkey and Other	5,800,147	4,723,820
<b>Cash Equivalents</b>	<b>2,178,731</b>	<b>3,130,509</b>
Banks' Demand Deposits and Time Deposits Up to 3 Months	2,135,604	3,130,509
Money Market Receivables	43,127	
<b>Total Cash and Cash Equivalents</b>	<b>9,099,323</b>	<b>8,778,038</b>

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## VII. EXPLANATIONS AND FOOTNOTES ON THE BANK'S RISK GROUP

## 1. Information on the volume of transactions relating to the Bank's risk group, incomplete loan and deposit transactions and period's profit and loss:

## a. Current Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	300,597	1,506,659		19	552,895	107,985
Balance at the end of the period	538,591	2,188,952	2	19	892,899	148,663
Interest and commission income received	19,658	175			41,745	1,042

## b. Prior Period:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	162,500	1,381,322		10	444,192	102,324
Balance at the end of the period	300,597	1,506,659		19	552,895	107,985
Interest and commission income received	7,154	286			25,523	1,107

## c.1. Information on deposits held by the Bank's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	1,218,847	1,514,269	840,520	237,295	1,370,925	882,232
Balance at the end of the period	1,430,686	1,218,847	549,679	840,520	1,725,317	1,370,925
Interest expense on deposits	67,370	91,290	63,241	37,588	79,389	59,023

## c.2. Information on forward and option agreements and other similar agreements made with the Bank's risk group:

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit and Loss						
Beginning of the period		3,581			10,200	
End of the period	557,190				188,145	10,200
Total Profit/Loss	13,438	95			2,609	539
Transactions for hedging purposes						
Beginning of the period						
End of the period						
Total Profit/Loss						



## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**2. In connection with the Bank's risk group****a.** The relationship of the Bank with corporations in its risk group and under its control regardless of any transactions between the parties:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

**b.** The type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items in addition to the structure of the relationship:

The transactions carried out are mainly loan and deposit transactions. The ratio of loans extended to the risk group to the overall loans is 1.56%, while the ratio to the overall assets is 0.89%; the ratio of deposits of the risk group corporations to the overall deposits is 3.77%, while the ratio to overall liabilities is 2.29%. Comparable price method is used in pricing the transactions.

**c.** Purchase and sale of real estates, other assets and services, agency agreements, finance lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and provision of support as cash capital or capital-in-kind), guarantees and collaterals, and management agreements:

The Bank acquires its properties through its associate, İş Finansal Kiralama A.Ş., when required. The Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Furthermore, through its branches the Bank also acts as agent for İş Yatırım Menkul Değerler A.Ş. Of the 38 mutual funds, which were founded by the Bank, 26 of them are managed by İş Portföy Yönetimi A.Ş. and 12 of them are managed by İş Yatırım Menkul Değerler A.Ş.

If requested, cash and non-cash loan requirements of corporations within the risk group are met in accordance with the limits imposed by the Banking Law and the prevailing market conditions.

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

Benefits paid to key management personnel in the year 2011 amount to TL 14,692 (31 December 2010: TL 13,740).

**VIII. EXPLANATIONS ON THE BANK'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND REPRESENTATIVE OFFICES**

	Number	Employees			
<b>Domestic Branches(*)</b>	1,184	24,667			
			<b>Country of Incorporation</b>		
<b>Foreign Representative Offices</b>	1	1	People's Republic of China		
	1	1	Egypt		
				<b>Total Assets</b>	<b>Legal Capital</b>
<b>Foreign Branches</b>	1	24	England	6,016,844	291
	14	176	TRNC	893,104	80,000
	1	10	Iraq	29,345	13,327
<b>Off-Shore Branches</b>	1	8	Bahrain	18,735,932	

(\*) The Branches located in Free Trade Zones in Turkey are included among domestic branches.

**IX. ISSUES WHICH OCCURED AFTER DATE OF THE BALANCE SHEET DATE**

1. Within the framework of the resolution made by İşbank Board of Directors on 30 November 2010 and 23 December 2011 regarding the issuance of borrowing instrument, the Bank has issued bank bills with a nominal value of TL 1,000,000 and a maturity of 175 days; in January 2012. The interest rate for the related bills with the redemption date 18 July 2012 was at 11.14% (annual simple interest).

2. On 1 February 2012, the Bank's Board of Directors made a resolution to raise the registered capital ceiling of İşbank to TL 10,000,000 from TL 7,000,000 and to amend the articles 5, 18, 19, 49, 58, 62 and provisional article 17 of İşbank's Articles of Incorporation and on the same date it was publicly disclosed.

3. On 13 February 2012, the Bank's Board of Directors decided to increase the paid-in capital of Closed Joint Stock Company İşbank, a subsidiary of İşbank, from 523 million Rubles to 1,723 million Rubles by 1,200 million Rubles (approximately USD 40.2 million) in cash and to exercise İşbank's preferential rights amounting to 1,200 million Rubles due to the related capital increase and on the same date it was publicly disclosed.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## PART SIX: OTHER EXPLANATIONS

## I. The Bank's Credit Ratings and Related Explanations:

	Rating	Outlook (*)	Explanation
<b>MOODY'S</b>			
Bank Financial Strength	C-	Stable	Indicates that the Bank's stand-alone financial strength is adequate.
Long-Term Foreign Currency Deposit	Ba3	Positive	Same as the rating for Turkey.
Long-Term Local Currency Deposit	Baa2	Stable	Indicates that the Bank's credibility is adequate.
Short-Term Foreign Currency Deposit	NP	-	Same as the rating for Turkey.
Short-Term Local Currency Deposit	P-2	-	Indicates that the Bank's credibility is high.
<b>FITCH RATINGS</b>			
Long-Term Foreign Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is "good". It is one notch above the country rating.
Long-Term Local Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is "good". It is one notch above the country rating.
Short-Term Foreign Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
Short-Term Local Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
National Long-Term Rating	AAA (tur)	Stable	Shows highest credit quality (national).
Viability Rating	bbb-	-	Shows that the Bank's credibility is "good". Basic financial indicators are adequate.
Support Rating	3	-	There is a moderate probability of support.
<b>STANDARD &amp; POOR'S</b>			
Long-Term Counterparty Credit Rating	BB	Positive	Same as the FC country rating given for Turkey.
Long-Term Certificate of Deposit	BB	-	Same as the FC country rating given for Turkey.
Short-Term Counterparty Credit Rating	B	-	Indicates that it has the capacity to meet its financial commitment on the obligation.
Short-Term Certificate of Deposit	B	-	Indicates that it has the capacity to meet its financial commitment on its obligations.
Long-Term National Scale Rating	trAA	-	Indicates that its capacity to meet its financial commitments on the obligation is strong.
Short-Term National Scale Rating	trA-1	-	It is the highest rating in this category and indicates that the Bank's capacity to pay its short-term debt is higher than the other institutions in the country.

## The dates below given are on which the Bank's credit ratings/outlook was last updated:

Moody's: 7 October 2010, Fitch Ratings: 28 November 2011, Standard &amp; Poor's: 22 February 2010

## (\*) Outlook:

"Stable" indicates that the current rating will not be changed in the short term, "positive" indicates that the current rating is very likely to be upgraded and "negative" indicates that the current rating is very likely to be downgraded.

## Türkiye İş Bankası A.Ş.

## Unconsolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**PART SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT****I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT:**

The Bank's unconsolidated financial statements and footnotes to be disclosed to public as of 31 December 2011 are audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and except for the effect of the matter on the financial statements described in the fourth paragraph of the report dated 14 February 2012, it is stated that the accompanying unconsolidated financial statements give a true and fair view of the Bank's financial position and results of its operations as of 31 December 2011.

**II. EXPLANATIONS AND FOOTNOTES OF THE INDEPENDENT AUDITORS**

There are no significant issues or necessary disclosures or notes in relation to the Bank's operations other than those mentioned above.

Türkiye İş Bankası A.Ş.  
Consolidated Financial Statements  
as of and for the Year Ended 31 December 2011  
with Independent Auditors' Report Thereon  
(Convenience Translation of Consolidated Financial Statements and  
Related Disclosures and Footnotes Originally Issued in Turkish)



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
Kavacık Rüzgarlı Bahçe Mah.  
Kavak Sok. No: 3  
Beykoz 34805 İstanbul

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

*Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish (See Note 1 in Part Three)*

#### To the Board of Directors of Türkiye İş Bankası AŞ;

We have audited the consolidated balance sheet of Türkiye İş Bankası AŞ ("the Bank") its financial affiliates (together "the Group") as of 31 December 2011 and the related consolidated income statement, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the consolidated financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no.26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the statements, communiqués and guidance published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no. 26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

Accompanying financial statements include a general reserve amounting to TL 950,000 thousands provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in economy or market conditions, and full amount of such provision had been recognized as expense in the prior periods.

In our opinion, except for the effect on the consolidated financial statements of the matter described in the fourth paragraph above, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye İş Bankası AŞ as of 31 December 2011 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and Article 38 of (Turkish) Banking Law No 5411 and the statements, communiqués and guidances published by the BRSA on accounting and financial reporting principles.

İstanbul  
14 February 2012

Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Murat ALSAN  
Partner, Certified Public Accountant

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

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

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Headquarters Address: İş Kuleleri, 34330, Levent/İstanbul  
 Telephone: 0212 316 00 00  
 Fax: 0212 316 09 00  
 Web site: www.isbank.com.tr  
 E-mail: 4440202@isbank.com.tr

The Consolidated Financial Report for the year ended 31 December 2011 prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency (BRSA), comprises the following sections:

GENERAL INFORMATION ABOUT THE PARENT BANK  
 CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK  
 EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD  
 INFORMATION ON THE FINANCIAL STRUCTURE OF THE GROUP CONSOLIDATED  
 DISCLOSURES AND FOOTNOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS  
 OTHER EXPLANATIONS  
 INDEPENDENT AUDITORS' REPORT

Associates and subsidiaries whose financial statements have been consolidated in this financial report are as follows:

Subsidiaries	Associates
ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ ANADOLU HAYAT EMEKLİLİK A.Ş. CAMİŞ MENKUL DEĞERLER A.Ş. CLOSED JOINT STOCK COMPANY İŞBANK (CJSC İŞBANK) EFES VARLIK YÖNETİM A.Ş. İS INVESTMENT GULF LTD. İŞ FACTORİNG HİZMETLERİ A.Ş. İŞ FİNANSAL KİRALAMA A.Ş. İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. İŞ PORTFÖY YÖNETİMİ A.Ş. İŞ YATIRIM MENKUL DEĞERLER A.Ş. İŞ YATIRIM ORTAKLIĞI A.Ş. İŞBANK GMBH MAXIS SECURITIES LTD. MİLLİ REASÜRANS T.A.Ş. TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. TSKB YATIRIM ORTAKLIĞI A.Ş. TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş. YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.	ARAP-TÜRK BANKASI A.Ş.

Although they are neither subsidiaries nor associates of Türkiye İş Bankası A.Ş., TIB Diversified Payment Rights Finance Company and TIB Card Receivables Funding Company Limited have been consolidated within the framework of Turkish Accounting Standards.

The consolidated financial statements and, related disclosures and footnotes in this report are prepared, unless otherwise indicated, in thousands of the Turkish Lira (TL), in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and the Bank's financial records, and they have been subject to independent audit and presented as the attached.

					
Aziz Ferit Eraslan Head of Financial Management Division,	Mahmut Magemizoğlu Deputy Chief Executive in Charge of Financial Reporting	Adnan Bali Chief Executive Officer	Prof. Dr. Savaş Taşkent Member of the Board and the Audit Committee	Füsün Tümsavaş Vice Chairman of the Board of Directors and Chairman of the Audit Committee	H. Ersin Özince Chairman of the Board of Directors

Information on the authorized personnel to whom questions related to this financial report may be directed.

Name – Surname/Title: Süleyman H. Özcan/Head of Investor Relations Division

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# Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

	Page:
<b>PART I</b>	
<b>General Information about the Parent Bank</b>	
I. Explanations on the Establishment Date and Initial Status of the Parent Bank, and History Including the Changes in the Former Status	170
II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Parent Bank, any Changes in the Period, and Information on the Bank's Risk Group	170
III. Explanations on the shares, if any, held by Chairman of the Board, Directors, Auditors, Chief Executive Officer and Deputy Chief Executives of the Parent Bank and on the Areas of their Responsibilities	170
IV. Information on the Parent Bank's Qualified Shareholders	171
V. Summary Information on the Parent Bank's Functions and Business Lines	171
VI. Explanations on the Consolidated Companies	171
<b>PART II</b>	
<b>Consolidated Financial Statements</b>	
I. Consolidated Balance Sheet (Statement of Financial Position) – Assets	174
II. Consolidated Balance Sheet (Statement of Financial Position) – Liabilities	175
III. Consolidated Off-Balance Sheet Items	176
IV. Consolidated Income Statement	178
V. Consolidated Statement of Income and Expense Items Accounted under Shareholders' Equity	179
VI. Consolidated Statement of Changes in the Shareholders' Equity	180
VII. Consolidated Statement of Cash Flows	182
VIII. Statement of Profit Distribution Table	183
<b>PART III</b>	
<b>Explanations on Accounting Policies</b>	
I. Explanations on the Basis of Presentation	184
II. Explanations on the Usage Strategy of Financial Instruments and on Foreign Currency Transactions	184
III. Presentation of Information on the Consolidated Companies	185
IV. Explanations on Forward and Option Contracts and Derivative Instruments	186
V. Explanations on Interest Income and Expenses	186
VI. Explanations on Fee and Commission Income and Expenses	186
VII. Explanations on Financial Assets	186
VIII. Explanations on Impairment of Financial Assets	188
IX. Explanations on Offsetting Financial Instruments	188
X. Explanations on Sale and Repurchase Agreements and Securities Lending Transactions	189
XI. Explanations on Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities	189
XII. Explanations on Goodwill and Other Intangible Assets	189
XIII. Explanations on Tangible Assets	190
XIV. Explanations on Investment Property	190
XV. Explanations on Leasing Transactions	190
XVI. Explanations on Insurance Technical Income and Expense	190
XVII. Explanations on Insurance Technical Provisions	191
XVIII. Explanations on Provisions and Contingent Liabilities	191
XIX. Explanations on Contingent Assets	191
XX. Explanations on Liabilities Regarding Employee Benefits	192
XXI. Explanations on Taxation	193
XXII. Additional Explanations on Borrowings	195
XXIII. Explanations on Share Certificates and Issues	195
XXIV. Explanations on Bank Acceptances and Bills of Guarantee	195
XXV. Explanations on Government Incentives	195
XXVI. Explanations on Segment Reporting	195
XXVII. Explanations on Other Issues	195
<b>PART IV</b>	
<b>Information About the Financial Structure of the Group</b>	
I. Explanations on Consolidated Capital Adequacy Standard Ratio	196
II. Explanations on Consolidated Credit Risk	199
III. Explanations on Consolidated Market Risk	203
IV. Explanations on Consolidated Operational Risk	204
V. Explanations on Consolidated Currency Risk	204
VI. Explanations on Consolidated Interest Rate Risk	206
VII. Explanations on Consolidated Liquidity Risk	209
VIII. Explanations on Other Price Risks	212
IX. Explanations on the Presentation of Assets and Liabilities at Fair Value	212
X. Explanations on Transactions Carried out on Behalf of Third Parties and Fiduciary Transactions	213
XI. Explanations on Business Segmentation	213
<b>PART V</b>	
<b>Explanations and Footnotes on the Consolidated Financial Statements</b>	
I. Explanations and Footnotes on Consolidated Assets	216
II. Explanations and Footnotes on Consolidated Liabilities	230
III. Explanations and Footnotes on Consolidated Off-Balance Sheet Items	239
IV. Explanations and Footnotes on Consolidated Income Statement	241
V. Explanations and Footnotes on Consolidated Statement of Changes in the Shareholders' Equity	245
VI. Explanations and Footnotes on Consolidated Statement of Cash Flows	245
VII. Explanations and Footnotes on the Group's Risk Group	247
VIII. Explanations on the Group's Domestic, Foreign, Off-shore Branches or Participations and Representative Offices	248
IX. Issues which Occurred After the Date of the Balance Sheet	251
<b>PART VI</b>	
<b>Other Explanations</b>	
I. The Group's Credit Ratings and Related Explanations	251
<b>PART VII</b>	
<b>Explanations on the Independent Auditors' Report</b>	
I. Explanations on the Independent Auditors' Report	253
II. Explanations and Footnotes of the Independent Auditors	253



## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## PART ONE: GENERAL INFORMATION ABOUT THE PARENT BANK

## I. Explanations on the Establishment Date and Initial Status of the Parent Bank, and History Including the Changes in the Former Status

TÜRKİYE İŞ BANKASI A.Ş. ("the Bank" or "the Parent Bank") was established on 26 August 1924 to operate in all kinds of banking activities and to initiate and/or participate in all kinds of financial and industrial sector undertakings when necessary. There is no change in the Bank's status since its establishment.

## II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Parent Bank, any Changes in the Period, and Information on the Bank's Risk Group

According to the Central Registry Agency data as of 31 December 2011, 40.43% of the Bank's shares are owned by T. İş Bankası A.Ş. Pension Fund, 28.09% are owned by the Republican People's Party (Atatürk's shares) and 31.48% are on free float.

## III. Explanations on the shares, if any, held by Chairman of the Board, Directors, Auditors, Chief Executive Officer and Deputy Chief Executives of the Parent Bank and on the Areas of their Responsibilities

## Board of Directors and Auditors:

Name and Surname	Areas of Responsibility
H. Ersin Özince	Chairman of the Board and the Remuneration Committee
Fusun Tümsavaş	Deputy Chairman, Chairman of the Audit Committee, TRNC Internal Systems Committee and the Risk Committee, Member of the Credit Committee
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of the Executive Committee
Prof. Dr. Savaş Taşkent	Director, Member of the Audit Committee, TRNC Internal Systems Committee and the Remuneration Committee
Hasan Koçhan	Director, Member of the Credit Committee
Aynur Dülger Ataklı	Director, Member of the Social Responsibility Committee
M. Mete Başol	Director, Alternate Member of the Credit Committee
Mustafa Kıcaloğlu	Director
Aysel Tacer	Director, Member of the Social Responsibility Committee, Alternate Member of the Credit Committee
Hüseyin Yalçın	Director
Murat Vulkan	Director
A. Taciser Bayer	Auditor
Kemal Ağanoğlu	Auditor

## Chief Executive Officer and Deputy Chief Executives:

Name and Surname	Administrative Position
Adnan Bali	Chief Executive Officer and Director, Chairman of the Credit Committee, Member of the Risk Committee, Chairman of Executive Committee
Özcan Türkakın	Equity Participations, Corporate Communications Management, Member of the Social Responsibility Committee and the Risk Committee (*)
Mahmut Magemizoğlu	Financial Management, Investor Relations, Managerial Reporting and Internal Accounting
Suat İnce	Corporate and Commercial Banking Marketing, Sales and Product Management, Free Zone Branches
Serdar Gençer	Banking Operations and Payment Operations, Retail Loan and Card Operations, Foreign Trade and Commercial Loan Operations, Internal Operations Management
Hakan Aran	Alternative Distribution Channels Operations, Alternative Distribution Channels Strategy, IT Architecture & Security, IT System and Service Delivery Management
Aydın Süha Önder	Legal Counsellorship, Credit Information and Financial Analysis, Commercial and Corporate Loans and Retail Loans Monitoring and Recovery Management
Levent Korba	Support Services and Purchasing, Construction and Real Estate Management, Branch Network Development
Ertuğrul Bozgedik	Corporate Loans, SME Loans, Commercial Loans and Consumer Loans Underwriting, Credit Risk Management and Portfolio Monitoring, Member of the Risk Committee
Yalçın Sezen	Consumer Loans, Card Payment Systems, Retail Banking Marketing, Sales and Product Management, Private Banking Marketing and Sale Management, Member of the Social Responsibility Committee
Rıza İhsan Kutlusoy	Human Resources, Enterprise Architecture, Strategy and Corporate Performance Management and Talent Management
A. Erdal Aral	International Banking, Branches Abroad and Foreign Representative Offices, Capital Markets Management
Senar Akkuş	Economic Research, Treasury Management, Member of the Risk Committee

(\*) Mr. Özcan Türkakın attends the meetings of the Risk Committee that are held on a consolidated basis.

The Bank's shares attributable to the Directors and members of the Audit Committee, to the CEO and the Deputy Chief Executives are of minor importance.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## IV. Information on the Parent Bank's Qualified Shareholders

Name Surname/Company	Shares	Ownership	Paid-in Capital	Unpaid Capital
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund)	1,819,149	40.43%	1,819,149	
Cumhuriyet Halk Partisi – Republican People's Party -(Atatürk's Shares)	1,264,142	28.09%	1,264,142	

Source: Central Registry Agency

## V. Summary Information on the Parent Bank's Functions and Business Lines

In line with the relevant legislation and principles stated in the Articles of Incorporation of the Bank, the Parent Bank's activities include operating in retail, commercial, corporate and private banking, foreign currency and money market operations, marketable securities operations, international banking services and other banking operations, as well as initiating or participating in all kinds of financial and industrial sector corporations as may be required.

## VI. Explanations on the Consolidated Companies

The Parent Bank and its subsidiaries;

- ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ
- ANADOLU HAYAT EMEKLİLİK A.Ş.
- CAMİŞ MENKUL DEĞERLER A.Ş.
- CJSC İŞBANK
- EFES VARLIK YÖNETİMİ A.Ş.
- IS INVESTMENT GULF LTD.
- İŞ FACTORİNG FİNANSMAN HİZMETLERİ A.Ş.
- İŞ FİNANSAL KİRALAMA A.Ş.
- İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.
- İŞ PORTFÖY YÖNETİMİ A.Ş.
- İŞ YATIRIM MENKUL DEĞERLER A.Ş.
- İŞ YATIRIM ORTAKLIĞI A.Ş.
- İŞBANK GMBH
- MAXIS SECURITIES LTD.
- MİLLİ REASÜRANS T.A.Ş.
- TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
- TSKB YATIRIM ORTAKLIĞI A.Ş.
- TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.
- YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.

are fully consolidated,

Its subsidiary;

- ARAP-TÜRK BANKASI A.Ş.

is accounted under equity accounting method.

At the same time, special purpose entities established for the Bank's securitization debt transactions

- TIB Diversified Payment Rights Finance Company
- TIB Card Receivables Funding Company Limited

are consolidated in the consolidated financial statements in accordance with the Interpretation Nr: 12 to Turkish Accounting Standards "Consolidation – Special Purpose Entities".

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

The explanations related to the consolidated companies that provide service in banking, insurance and reinsurance, private pension, reinsurance, financial leasing, factoring, real estate investment, brokerage, investment consulting, portfolio and asset management are given below.

[Anadolu Anonim Türk Sigorta Şirketi](#)

The Company whose main field of activity is to conduct non-life insurance activities was founded in 1925. The headquarters of the company is in İstanbul. The company's shares are traded in the İstanbul Stock Exchange (ISE).

[Anadolu Hayat Emeklilik A.Ş.](#)

The Company was founded in 1990 and its headquarter is in İstanbul. The company's main activities are private individual or group pension and life insurance. There are 19 private pension funds founded by the company. The company's shares are traded in the İstanbul Stock Exchange (ISE).

[Camiş Menkul Değerler A.Ş.](#)

Founded in 1984, the Company operates in the capital market as a brokerage house.

[CJSC İşbank](#)

The Bank, which was founded in 1998 and headquartered in Moscow, has also branches in Balakov, Samara, Saint-Petersburg, Saratov and in Novosibirsk. The Bank gives commercial banking services in the Russian Federation, which mainly consists of deposit, loan and brokerage operations.

[Efes Varlık Yönetimi A.Ş.](#)

The field of activity of the company, which was founded in February 2011 is to purchase and sell the receivables and other assets of deposit banks, participation banks and other financial institutions. The Company's headquarter is in İstanbul.

[Is Investment Gulf Ltd.](#)

The purpose of the Company, which was founded in Dubai in the year 2011, is to operate in capital markets in the gulf region.

[İş Factoring Finansman Hizmetleri A.Ş.](#)

The field of operation of the Company, which operates in the factoring sector since 1993, is domestic and foreign factoring operations. The Company's headquarter is in İstanbul.

[İş Finansal Kiralama A.Ş.](#)

The Company, whose field of activity is financial leasing within the country and abroad started its business in 1988. The headquarters of the Company is in İstanbul. The Company's shares are traded in the İstanbul Stock Exchange (ISE).

[İş Gayrimenkul Yatırım Ortaklığı A.Ş.](#)

The Company whose main field of activity is investing in real estate, capital market instruments backed by real estate, real estate projects and capital market instruments is conducting its business in the sector as a real estate investment trust since 1999. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since its establishment.

[İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.](#)

Having started its venture capital business in the year 2000, the Company operates in two fields, venture capital and information, sound and communication systems. The company's shares are traded in the İstanbul Stock Exchange (ISE) since the year 2004.

[İş Portföy Yönetimi A.Ş.](#)

The purpose of the Company, which was founded in 2000, is to engage in capital market operations stated in its articles of association. Among the capital market operations, the company offers portfolio management and investment consulting services only to corporate investors.

## Türkiye İş Bankası A.Ş.

### Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

#### İş Yatırım Menkul Değerler A.Ş.

The Company's main field of activity is composed of intermediary, corporate finance, investment consulting and private portfolio management services. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since May 2007.

#### İş Yatırım Ortaklığı A.Ş.

The field of activity of the Company, which was founded in İstanbul in the year 1995, is portfolio management. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since April 1996.

#### İşbank GmbH

İşbank GmbH was founded to conduct the Parent Bank's banking business in Europe. As of 31 December 2011, İşbank GmbH has 16 branches in total, 12 branches in Germany, 1 branch in the Netherlands, 1 branch in France and 1 branch in Switzerland. Also, as of 1 August 2011, its Sofia/Bulgaria branch began to operate.

#### Maxis Securities Ltd.

The purpose of the Company, which was founded in England in the year 2005, is to operate in activities in foreign capital markets.

#### Milli Reasürans T.A.Ş.

The Company, which was founded in 1929 to provide reinsurance services is located in İstanbul.

#### TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

The major field of activity of the Company, which was founded in 2006, is to create and develop an investment property portfolio and to invest in capital market instruments that are based on investment properties. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since April 2010.

#### TSKB Yatırım Ortaklığı A.Ş.

The purpose of the Company, which was founded in İstanbul in 2000, is to manage capital market instruments and a portfolio of gold and other precious metals that are traded in national and international stock exchanges or in organized over the counter markets. The Company's shares are traded in the İstanbul Stock Exchange (ISE) since the year 2001.

#### Türkiye Sınai Kalkınma Bankası A.Ş.

Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) which is an industrial development and an investment bank is founded especially to support private sector investments in industry and to provide domestic and foreign capital to Turkish companies. The Bank's shares are traded in the İstanbul Stock Exchange.

#### Yatırım Finansman Menkul Değerler A.Ş.

The Company, which was founded in İstanbul in 1976 has merged with TSKB Menkul Değerler A.Ş. The purpose of the Company is to engage in capital market operations stated in its articles of association.

## Türkiye İş Bankası A.Ş.

## Consolidated Balance Sheet (Statement of Financial Position)

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

THOUSAND TL

ASSETS	Footnotes	CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	V-I-1	5,070,089	8,816,488	13,886,577	3,996,122	4,599,784	8,595,906
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	V-I-2	1,436,801	981,320	2,418,121	1,498,561	338,549	1,837,110
2.1 Financial Assets Held for Trading		1,436,801	981,320	2,418,121	1,498,561	338,549	1,837,110
2.1.1 Government Debt Securities		964,169	12,024	976,193	1,005,232	46,909	1,052,141
2.1.2 Equity Securities		153,621	0	153,621	245,927	1	245,928
2.1.3 Derivative Financial Assets Held for Trading		40,368	921,321	961,689	22,695	251,920	274,615
2.1.4 Other Marketable Securities		278,643	47,975	326,618	224,707	39,719	264,426
2.2 Financial Assets at Fair Value Through Profit and Loss		0	0	0	0	0	0
2.2.1 Government Debt Securities		0	0	0	0	0	0
2.2.2 Equity Securities		0	0	0	0	0	0
2.2.3 Loans		0	0	0	0	0	0
2.2.4 Other Marketable Securities		0	0	0	0	0	0
<b>III. BANKS</b>	V-I-3	602,461	4,145,445	4,747,906	2,630,341	3,745,457	6,375,798
<b>IV. MONEY MARKET PLACEMENTS</b>		128,472	43,141	171,613	10,194	0	10,194
4.1 Interbank Money Market Placements		0	43,141	43,141	0	0	0
4.2 Istanbul Stock Exchange Money Market Placements		120,520	0	120,520	1,247	0	1,247
4.3 Receivables from Reverse Repurchase Agreements		7,952	0	7,952	8,947	0	8,947
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	V-I-4	22,218,908	11,338,158	33,557,066	25,462,410	10,718,797	36,181,207
5.1 Equity Securities		67,930	2,957	70,887	69,250	2,957	72,207
5.2 Government Debt Securities		21,987,623	8,457,768	30,445,391	25,318,770	6,965,024	32,283,794
5.3 Other Marketable Securities		163,355	2,877,433	3,040,788	74,390	3,750,816	3,825,206
<b>VI. LOANS AND RECEIVABLES</b>	V-I-5	60,393,116	38,635,006	99,028,122	45,265,560	23,812,244	69,077,804
6.1 Loans and receivables		60,393,116	38,635,006	99,028,122	45,265,560	23,812,244	69,077,804
6.1.1 Loans to the Bank's Risk Group		124,842	577,347	702,189	101,156	359,125	460,281
6.1.2 Government Debt Securities		0	0	0	0	0	0
6.1.3 Other		60,268,274	38,057,659	98,325,933	45,164,404	23,453,119	68,617,523
6.2 Non-Performing Loans		1,986,423	122,996	2,109,419	2,367,012	96,585	2,463,597
6.3 Specific Provisions (-)		1,986,423	122,996	2,109,419	2,367,012	96,585	2,463,597
<b>VII. FACTORING RECEIVABLES</b>		401,882	2,771	404,653	312,189	19,131	331,320
<b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>	V-I-6	13,693,624	13,808	13,707,432	14,058,600	12,029	14,070,629
8.1 Government Debt Securities		13,686,705	0	13,686,705	14,052,833	0	14,052,833
8.2 Other Marketable Securities		6,919	13,808	20,727	5,767	12,029	17,796
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	V-I-7	776,804	147	776,951	794,592	0	794,592
9.1 Associates Accounted for Using the Equity Method		74,405	0	74,405	64,563	0	64,563
9.2 Unconsolidated Associates		702,399	147	702,546	730,029	0	730,029
9.2.1 Financial Investments		0	0	0	3,150	0	3,150
9.2.2 Non-Financial Investments		702,399	147	702,546	726,879	0	726,879
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	V-I-8	3,202,087	0	3,202,087	2,746,829	0	2,746,829
10.1 Unconsolidated Financial Subsidiaries		0	0	0	0	0	0
10.2 Unconsolidated Non-Financial Subsidiaries		3,202,087	0	3,202,087	2,746,829	0	2,746,829
<b>XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)</b>	V-I-9	0	0	0	0	0	0
11.1 Jointly Controlled Entities Accounted for Using the Equity Method		0	0	0	0	0	0
11.2 Unconsolidated Jointly Controlled Entities		0	0	0	0	0	0
11.2.1 Jointly Controlled Financial Entities		0	0	0	0	0	0
11.2.2 Jointly Controlled Non-Financial Entities		0	0	0	0	0	0
<b>XII. LEASE RECEIVABLES</b>	V-I-10	224,157	1,152,233	1,376,390	175,518	787,747	963,265
12.1 Finance Lease Receivables		268,745	1,330,620	1,599,365	212,900	913,700	1,126,600
12.2 Operating Lease Receivables		2,278	0	2,278	968	0	968
12.3 Other		0	0	0	0	0	0
12.4 Unearned Income (-)		46,866	178,387	225,253	38,350	125,953	164,303
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT</b>	V-I-11	0	0	0	0	0	0
13.1 Fair Value Hedges		0	0	0	0	0	0
13.2 Cash Flow Hedges		0	0	0	0	0	0
13.3 Net Foreign Investment Hedges		0	0	0	0	0	0
<b>XIV. TANGIBLE ASSETS (Net)</b>	V-I-12	2,083,637	83,215	2,166,852	1,963,574	36,059	1,999,633
<b>XV. INTANGIBLE ASSETS (Net)</b>	V-I-13	119,841	511	120,352	55,330	784	56,114
15.1 Goodwill		29,590	0	29,590	7,170	0	7,170
15.2 Other		90,251	511	90,762	48,160	784	48,944
<b>XVI. INVESTMENT PROPERTY (Net)</b>	V-I-14	1,037,294	0	1,037,294	1,242,157	0	1,242,157
<b>XVII. TAX ASSETS</b>	V-I-15	651,686	4,233	655,919	836,031	26	836,057
17.1 Current Tax Asset		18,822	1,313	20,135	15,295	26	15,321
17.2 Deferred Tax Asset		632,864	2,920	635,784	820,736	0	820,736
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	V-I-16	60,256	0	60,256	54,233	0	54,233
18.1 Held for Sale		60,256	0	60,256	54,233	0	54,233
18.2 Discontinued Operations		0	0	0	0	0	0
<b>XIX. OTHER ASSETS</b>	V-I-17	5,404,327	1,213,912	6,618,239	4,706,338	931,550	5,637,888
<b>TOTAL ASSETS</b>		117,505,442	66,430,388	183,935,830	105,808,579	45,002,157	150,810,736

## Türkiye İş Bankası A.Ş.

## Consolidated Balance Sheet (Statement of Financial Position)

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

		THOUSAND TL						
LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-1	59,387,345	39,444,651	98,831,996	58,510,364	29,966,255	88,476,619
1.1	Deposits from the Bank's Risk Group		737,617	1,395,545	2,133,162	1,014,078	1,273,548	2,287,626
1.2	Other		58,649,728	38,049,106	96,698,834	57,496,286	28,692,707	86,188,993
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	V-II-2	471,036	445,050	916,086	396,394	334,916	731,310
III.	FUNDS BORROWED	V-II-3	542,151	18,237,124	18,779,275	908,138	13,374,727	14,282,865
IV.	MONEY MARKET FUNDS		16,425,130	6,047,852	22,472,982	9,077,523	3,892,063	12,969,586
4.1	Interbank Money Market Funds		0	0	0	0	0	0
4.2	Istanbul Stock Exchange Money Market Funds		1,975,830	0	1,975,830	1,539,620	0	1,539,620
4.3	Funds Provided Under Repurchase Agreements		14,449,300	6,047,852	20,497,152	7,537,903	3,892,063	11,429,966
V.	MARKETABLE SECURITIES ISSUED (Net)	V-II-4	2,822,425	943,451	3,765,876	195,954	0	195,954
5.1	Bills		1,888,329	0	1,888,329	195,954	0	195,954
5.2	Asset-backed Securities		0	0	0	0	0	0
5.3	Bonds		934,096	943,451	1,877,547	0	0	0
VI.	FUNDS		1,559	6,335	7,894	0	0	0
6.1	Funds Borrowed		1,559	6,335	7,894	0	0	0
6.2	Other		0	0	0	0	0	0
VII.	MISCELLANEOUS PAYABLES		6,477,050	684,671	7,161,721	5,491,198	455,054	5,946,252
VIII.	OTHER LIABILITIES	V-II-5	958,493	1,483,989	2,442,482	547,057	634,810	1,181,867
IX.	FACTORING PAYABLES		0	0	0	0	0	0
X.	LEASE PAYABLES (Net)	V-II-6	0	0	0	0	0	0
10.1	Finance Lease Payables		0	0	0	2	0	2
10.2	Operating Lease Payables		0	0	0	0	0	0
10.3	Other		0	0	0	0	0	0
10.4	Deferred Finance Lease Expenses (-)		0	0	0	2	0	2
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	V-II-7	0	0	0	0	0	0
11.1	Fair Value Hedges		0	0	0	0	0	0
11.2	Cash Flow Hedges		0	0	0	0	0	0
11.3	Net Foreign Investment Hedges		0	0	0	0	0	0
XII.	PROVISIONS	V-II-8	8,186,512	527,356	8,713,868	7,196,113	364,393	7,560,506
12.1	General Loan Loss Provision		1,309,809	6,126	1,315,935	744,573	749	745,322
12.2	Provision for Restructuring		0	0	0	0	0	0
12.3	Reserves for Employee Benefits		285,879	1,577	287,456	243,996	665	244,661
12.4	Insurance Technical Reserves (Net)		3,841,450	493,191	4,334,641	3,445,067	346,996	3,792,063
12.5	Other Provisions		2,749,374	26,462	2,775,836	2,762,477	15,983	2,778,460
XIII.	TAX LIABILITY	V-II-9	432,460	5,621	438,081	397,477	3,698	401,175
13.1	Current Tax Liability		429,620	4,371	433,991	393,954	2,409	396,363
13.2	Deferred Tax Liability		2,840	1,250	4,090	3,523	1,289	4,812
XIV.	LIABILITIES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	V-II-10	0	0	0	0	0	0
14.1	Held for Sale		0	0	0	0	0	0
14.2	Discontinued Operations		0	0	0	0	0	0
XV.	SUBORDINATED LOANS	V-II-11	0	95,000	95,000	0	77,947	77,947
XVI.	SHAREHOLDERS' EQUITY	V-II-12	20,087,861	222,708	20,310,569	18,841,314	145,341	18,986,655
16.1	Paid-in Capital		4,500,000	0	4,500,000	4,500,000	0	4,500,000
16.2	Capital Reserves		2,669,140	139,462	2,808,602	2,820,554	69,621	2,890,175
16.2.1	Share premium		33,937	0	33,937	33,937	0	33,937
16.2.2	Share Cancellation Profits		0	0	0	0	0	0
16.2.3	Marketable Securities Value Increase Fund		1,020,444	139,462	1,159,906	1,171,858	69,621	1,241,479
16.2.4	Tangible Assets Revaluation Reserve		0	0	0	0	0	0
16.2.5	Intangible Assets Revaluation Reserve		0	0	0	0	0	0
16.2.6	Investment Property Revaluation Reserve		0	0	0	0	0	0
16.2.7	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-1,179	0	-1,179	-1,179	0	-1,179
16.2.8	Hedging Reserves (Effective Portion)		0	0	0	0	0	0
16.2.9	Accumulated Revaluation Reserves on Assets Held for Sale and Discontinued Operations		0	0	0	0	0	0
16.2.10	Other Capital Reserves		1,615,938	0	1,615,938	1,615,938	0	1,615,938
16.3	Profit Reserves		8,288,613	63,389	8,352,002	5,866,230	51,890	5,918,120
16.3.1	Legal Reserves		1,838,830	0	1,838,830	1,610,119	0	1,610,119
16.3.2	Statutory Reserves		39,586	0	39,586	28,293	0	28,293
16.3.3	Extraordinary Reserves		6,363,703	-439	6,363,264	4,282,669	29,874	4,312,543
16.3.4	Other Profit Reserves		46,494	63,828	110,322	-54,851	22,016	-32,835
16.4	Profit or Loss		2,165,106	14,409	2,179,515	3,018,323	10,274	3,028,597
16.4.1	Prior Years' Profit/Loss		-93,632	1,608	-92,024	89,568	-127	89,441
16.4.2	Current Year Profit/Loss		2,258,738	12,801	2,271,539	2,928,755	10,401	2,939,156
16.5	Minority Shares	V-II-13	2,465,002	5,448	2,470,450	2,636,207	13,556	2,649,763
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			115,792,022	68,143,808	183,935,830	101,561,532	49,249,204	150,810,736

## Türkiye İş Bankası A.Ş.

## Consolidated Off-Balance Sheet Items

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

		THOUSAND TL					
		CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
	Footnotes	TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>	V-III	<b>149,403,079</b>	<b>82,684,666</b>	<b>232,087,745</b>	<b>44,807,698</b>	<b>48,147,483</b>	<b>92,955,181</b>
<b>I. GUARANTEES AND SURETYSHIPS</b>		<b>10,240,267</b>	<b>16,967,964</b>	<b>27,208,231</b>	<b>6,893,492</b>	<b>9,536,523</b>	<b>16,430,015</b>
1.1 Letters of Guarantee		10,195,804	9,728,469	19,924,273	6,856,759	5,608,145	12,464,904
1.1.1 Guarantees Subject to State Tender Law		559,333	2,315,888	2,875,221	379,412	1,277,896	1,657,308
1.1.2 Guarantees Given for Foreign Trade Operations		935,015	1,817,872	2,752,887	609,497	602,145	1,211,642
1.1.3 Other Letters of Guarantee		8,701,456	5,594,709	14,296,165	5,867,850	3,728,104	9,595,954
1.2 Bank Acceptances		3,628	496,827	500,455	3,922	207,616	211,538
1.2.1 Import Letters of Acceptance		0	123,643	123,643	0	97,562	97,562
1.2.2 Other Bank Acceptances		3,628	373,184	376,812	3,922	110,054	113,976
1.3 Letters of Credit		0	5,761,529	5,761,529	0	3,380,888	3,380,888
1.3.1 Documentary Letters of Credit		0	4,289,291	4,289,291	0	2,493,328	2,493,328
1.3.2 Other Letters of Credit		0	1,472,238	1,472,238	0	887,560	887,560
1.4 Prefinancing Given as Guarantee		0	0	0	0	0	0
1.5 Endorsements		0	375,869	375,869	0	30,582	30,582
1.5.1 Endorsements to the Central Bank of Turkey		0	375,869	375,869	0	30,582	30,582
1.5.2 Other Endorsements		0	0	0	0	0	0
1.6 Purchase Guarantees for Securities Issued		0	0	0	0	0	0
1.7 Factoring Guarantees		0	0	0	0	0	0
1.8 Other Guarantees		40,835	605,270	646,105	32,811	309,292	342,103
1.9 Other Suretyships		0	0	0	0	0	0
<b>II. COMMITMENTS</b>		<b>119,068,963</b>	<b>11,961,315</b>	<b>131,030,278</b>	<b>25,155,680</b>	<b>5,941,459</b>	<b>31,097,139</b>
2.1 Irrevocable Commitments		27,247,865	8,912,156	36,160,021	24,706,653	5,369,931	30,076,584
2.1.1 Forward Asset Purchase Commitments		247,677	1,055,617	1,303,294	730,738	1,652,412	2,383,150
2.1.2 Forward Deposit Purchase and Sale Commitments		0	0	0	0	0	0
2.1.3 Capital Commitment for Associates and Subsidiaries		25,408	0	25,408	2,000	0	2,000
2.1.4 Loan Granting Commitments		5,075,187	4,399,588	9,474,775	4,086,957	998,996	5,085,953
2.1.5 Securities Underwriting Commitments		0	0	0	0	0	0
2.1.6 Commitments for Reserve Deposit Requirements		0	0	0	0	0	0
2.1.7 Commitments for Cheque Payments		4,914,758	0	4,914,758	4,323,938	0	4,323,938
2.1.8 Tax and Fund Liabilities from Export Commitments		10,283	0	10,283	7,297	0	7,297
2.1.9 Commitments for Credit Card Expenditure Limits		13,172,835	0	13,172,835	12,877,554	551,392	13,428,946
2.1.10 Commitments for Credit Cards and Banking Services Promotions		60,325	0	60,325	45,971	0	45,971
2.1.11 Receivables from Short Sale Commitments		0	0	0	0	0	0
2.1.12 Payables for Short Sale Commitments		6,510	0	6,510	4,191	0	4,191
2.1.13 Other Irrevocable Commitments		3,734,882	3,456,951	7,191,833	2,628,007	2,167,131	4,795,138
2.2 Revocable Commitments		91,821,098	3,049,159	94,870,257	449,027	571,528	1,020,555
2.2.1 Revocable Loan Granting Commitments		91,821,098	3,049,159	94,870,257	449,027	571,528	1,020,555
2.2.2 Other Revocable Commitments		0	0	0	0	0	0
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>20,093,849</b>	<b>53,755,387</b>	<b>73,849,236</b>	<b>12,758,526</b>	<b>32,669,501</b>	<b>45,428,027</b>
3.1 Derivative Financial Instruments Held for Risk Management		0	0	0	0	0	0
3.1.1 Fair Value Hedges		0	0	0	0	0	0
3.1.2 Cash Flow Hedges		0	0	0	0	0	0
3.1.3 Net Foreign Investment Hedges		0	0	0	0	0	0
3.2 Derivative Financial Instruments Held for Trading		20,093,849	53,755,387	73,849,236	12,758,526	32,669,501	45,428,027
3.2.1 Forward Foreign Currency Buy/Sell Transactions		5,697,408	12,279,532	17,976,940	1,486,231	4,773,150	6,259,381
3.2.1.1 Forward Foreign Currency Buy Transactions		4,624,783	4,366,439	8,991,222	1,116,021	2,016,774	3,132,795
3.2.1.2 Forward Foreign Currency Sell Transactions		1,072,625	7,913,093	8,985,718	370,210	2,756,376	3,126,586
3.2.2 Currency and Interest Rate Swaps		12,531,280	33,214,795	45,746,075	8,579,762	22,166,973	30,746,735
3.2.2.1 Currency Swap Buy Transactions		2,686,329	7,574,161	10,260,490	390,173	7,476,235	7,866,408
3.2.2.2 Currency Swap Sell Transactions		3,524,951	6,852,196	10,377,147	4,569,589	3,223,342	7,792,931
3.2.2.3 Interest Rate Swap Buy Transactions		3,160,000	9,394,219	12,554,219	1,810,000	5,733,698	7,543,698
3.2.2.4 Interest Rate Swap Sell Transactions		3,160,000	9,394,219	12,554,219	1,810,000	5,733,698	7,543,698
3.2.3 Currency, Interest Rate and Security Options		1,812,128	7,447,115	9,259,243	2,574,328	4,023,870	6,598,198
3.2.3.1 Currency Call Options		906,064	1,476,887	2,382,951	1,824,011	1,039,882	2,863,893
3.2.3.2 Currency Put Options		906,064	1,473,548	2,379,612	746,452	2,103,579	2,850,031
3.2.3.3 Interest Rate Call Options		0	2,248,340	2,248,340	0	438,272	438,272
3.2.3.4 Interest Rate Put Options		0	2,248,340	2,248,340	0	438,272	438,272
3.2.3.5 Securities Call Options		0	0	0	3,865	0	3,865
3.2.3.6 Securities Put Options		0	0	0	0	3,865	3,865
3.2.4 Currency Futures		22,504	24,251	46,755	42,818	43,215	86,033
3.2.4.1 Currency Buy Futures		8,909	14,631	23,540	38,785	4,024	42,809
3.2.4.2 Currency Sell Futures		13,595	9,620	23,215	4,033	39,191	43,224
3.2.5 Interest Rate Futures		0	0	0	1,391	1,573,170	1,574,561
3.2.5.1 Interest Rate Buy Futures		0	0	0	493	0	493
3.2.5.2 Interest Rate Sell Futures		0	0	0	898	1,573,170	1,574,068
3.2.6 Other		30,529	789,694	820,223	73,996	89,123	163,119



## Türkiye İş Bankası A.Ş.

## Consolidated Off-Balance Sheet Items

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

THOUSAND TL							
	Footnotes	CURRENT PERIOD (31/12/2011)			PRIOR PERIOD (31/12/2010)		
		TL	FC	Total	TL	FC	Total
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>195,777,214</b>	<b>104,222,552</b>	<b>299,999,766</b>	<b>136,302,658</b>	<b>64,809,780</b>	<b>201,112,438</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>97,368,872</b>	<b>8,902,396</b>	<b>106,271,268</b>	<b>63,025,758</b>	<b>6,706,654</b>	<b>69,732,412</b>
4.1 Customers' securities held		19,928,397	803,652	20,732,049	7,271,630	884,092	8,155,722
4.2 Investment securities held in custody		62,962,021	560,687	63,522,708	45,615,465	549,782	46,165,247
4.3 Checks received for collection		10,841,853	2,049,397	12,891,250	5,190,771	1,040,282	6,231,053
4.4 Commercial notes received for collection		1,674,125	2,891,371	4,565,496	2,582,207	2,438,951	5,021,158
4.5 Other assets received for collection		3,481	35,624	39,105	4,924	14,353	19,277
4.6 Assets received for public offering		2,541	0	2,541	68,166	0	68,166
4.7 Other items under custody		1,204,075	2,561,665	3,765,740	1,251,232	1,779,194	3,030,426
4.8 Custodians		752,379	0	752,379	1,041,363	0	1,041,363
<b>V. PLEDGED ITEMS</b>		<b>97,444,612</b>	<b>70,315,733</b>	<b>167,760,345</b>	<b>72,539,701</b>	<b>41,362,567</b>	<b>113,902,268</b>
5.1 Marketable securities		1,901,677	1,282,865	3,184,542	1,109,762	749,703	1,859,465
5.2 Guarantee notes		3,727,231	7,241,368	10,968,599	2,983,712	5,700,891	8,684,603
5.3 Commodity		23,101,518	1,282,037	24,383,555	15,097,219	32,799	15,130,018
5.4 Warranty		0	0	0	0	0	0
5.5 Real Estates		62,569,140	31,229,055	93,798,195	50,942,482	16,467,868	67,410,350
5.6 Other pledged items		6,145,046	29,222,587	35,367,633	2,406,526	18,355,668	20,762,194
5.7 Pledged items-depository		0	57,821	57,821	0	55,638	55,638
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>		<b>963,730</b>	<b>25,004,423</b>	<b>25,968,153</b>	<b>737,199</b>	<b>16,740,559</b>	<b>17,477,758</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>345,180,293</b>	<b>186,907,218</b>	<b>532,087,511</b>	<b>181,110,356</b>	<b>112,957,263</b>	<b>294,067,619</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Income Statement

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

		THOUSAND TL	
CONSOLIDATED INCOME STATEMENT	Footnotes	CURRENT PERIOD (01/01-31/12/2011)	PRIOR PERIOD (01/01-31/12/2010)
<b>I. INTEREST INCOME</b>	V- IV- 1	<b>12,081,352</b>	<b>10,850,750</b>
1.1 Interest Income on Loans		7,498,817	6,180,827
1.2 Interest Income on Reserve Deposits		0	0
1.3 Interest Income on Banks		194,132	347,848
1.4 Interest Income on Money Market Placements		5,176	7,954
1.5 Interest Income on Marketable Securities Portfolio		4,220,638	4,178,647
1.5.1 Financial Assets Held for Trading		63,911	76,977
1.5.2 Financial Assets at Fair Value Through Profit and Loss		0	0
1.5.3 Financial Assets Available for Sale		2,392,929	2,411,536
1.5.4 Investments Held to Maturity		1,763,798	1,690,134
1.6 Finance Lease Income		102,550	84,080
1.7 Other Interest Income		60,039	51,394
<b>II. INTEREST EXPENSE</b>	V- IV- 2	<b>6,664,356</b>	<b>5,440,180</b>
2.1 Interest on Deposits		4,931,769	4,174,618
2.2 Interest on Funds Borrowed		373,450	625,306
2.3 Interest on Money Market Funds		1,109,917	623,945
2.4 Interest on Securities Issued		209,706	5,722
2.5 Other Interest Expense		39,514	10,589
<b>III. NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>5,416,996</b>	<b>5,410,570</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>1,102,726</b>	<b>997,891</b>
4.1 Fees and Commissions Received		1,788,674	1,509,200
4.1.1 Non-cash Loans		141,504	123,430
4.1.2 Other		1,647,170	1,385,770
4.2 Fees and Commissions Paid		685,948	511,309
4.2.1 Non-cash Loans		6,359	5,232
4.2.2 Other		679,589	506,077
<b>V. DIVIDEND INCOME</b>	V- IV- 3	<b>171,477</b>	<b>45,785</b>
<b>VI. TRADING INCOME/LOSS (NET)</b>	V- IV- 4	<b>446,913</b>	<b>292,912</b>
6.1 Gains/Losses on Securities Trading		132,031	656,230
6.2 Derivative Financial Transactions Gains/Losses		314,865	-51,340
6.3 Foreign Exchange Gains/Losses		17	-311,978
<b>VII. OTHER OPERATING INCOME</b>	V- IV- 5	<b>4,060,685</b>	<b>4,026,561</b>
<b>VIII. TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)</b>		<b>11,198,797</b>	<b>10,773,719</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	V- IV- 6	<b>1,494,935</b>	<b>1,185,911</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	V- IV- 7	<b>6,615,795</b>	<b>5,671,987</b>
<b>XI. NET OPERATING INCOME (VIII-IX-X)</b>		<b>3,088,067</b>	<b>3,915,821</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>0</b>	<b>0</b>
<b>XIII. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD</b>		<b>9,842</b>	<b>4,806</b>
<b>XIV. NET MONETARY POSITION GAIN/LOSS</b>		<b>0</b>	<b>0</b>
<b>XV. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)</b>	V- IV- 8	<b>3,097,909</b>	<b>3,920,627</b>
<b>XVI. TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	V- IV- 9	<b>708,541</b>	<b>688,933</b>
16.1 Current Tax Provision		395,096	897,266
16.2 Deferred Tax Provision		313,445	-208,333
<b>XVII. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XV±XVI)</b>	V- IV- 10	<b>2,389,368</b>	<b>3,231,694</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		<b>0</b>	<b>0</b>
18.1 Income on Assets Held for Sale		0	0
18.2 Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		0	0
18.3 Other Income on Discontinued Operations		0	0
<b>XIX. EXPENSE ON DISCONTINUED OPERATIONS (-)</b>		<b>0</b>	<b>0</b>
19.1 Expense on Assets Held for Sale		0	0
19.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		0	0
19.3 Other Expense on Discontinued Operations		0	0
<b>XX. PROFIT/LOSS ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)</b>	V- IV- 8	<b>0</b>	<b>0</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	V- IV- 9	<b>0</b>	<b>0</b>
21.1 Current Tax Provision		0	0
21.2 Deferred Tax Provision		0	0
<b>XXII. NET PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	V- IV- 10	<b>0</b>	<b>0</b>
<b>XXIII. NET PERIOD PROFIT/LOSS (XVII+XXII)</b>	V- IV- 11	<b>2,389,368</b>	<b>3,231,694</b>
23.1 Group's Profit/Loss		2,271,539	2,939,156
23.2 Minority Shares		117,829	292,538
Earnings Per Share <sup>(*)</sup>		0.020191054	0.026125309

(\*) in full TL

## Türkiye İş Bankası A.Ş.

## Consolidated Statement of Income and Expense Items Accounted

## Under Shareholders' Equity

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

THOUSAND TL		
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	CURRENT PERIOD (01/01-31/12/2011)	PRIOR PERIOD (01/01-31/12/2010)
I. ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	-654,489	72,740
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	0	0
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	0	0
IV. TRANSLATION ADJUSTMENT FOR FOREIGN CURRENCY TRANSACTIONS	143,157	-12,151
V. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (Effective Portion of the Changes in Fair Value)	0	0
VI. PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES (Effective Portion of the Changes in Fair Value)	0	0
VII. THE EFFECT OF CORRECTIONS OF THE ERRORS AND CHANGES IN THE ACCOUNTING POLICIES	0	0
VIII. OTHER INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY IN ACCORDANCE WITH TAS	454,208	617,218
IX. DEFERRED TAX EFFECT OF REVALUATION AND VALUE INCREASES	118,708	-7,791
X. NET INCOME/EXPENSE DIRECTLY RECOGNISED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	61,584	670,016
XI. PROFIT/LOSS FOR THE PERIOD	2,271,539	2,939,156
1.1 Net Changes in the Fair Values of Marketable Securities (Transfer to Profit/Loss)	81,638	44,081
1.2 The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement	0	0
1.3 The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement	0	0
1.4 Other	2,189,901	2,895,075
XII. TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD (X±XI)	2,333,123	3,609,172

## Türkiye İş Bankası A.Ş.

## Consolidated Statement of Changes in Shareholders' Equity

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

	Footnotes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	V-V							
<b>PRIOR PERIOD (31/12/2010)</b>								
I. Beginning Balance		3,079,639	1,977,491	31,008		1,404,488	20,362	3,705,309
II. Corrections Made According to TAS 8								
2.1 The Effect of Corrections of Errors								
2.2 The Effect of Changes in Accounting Policies								
III. Adjusted Beginning Balance (I+II)		3,079,639	1,977,491	31,008		1,404,488	20,362	3,705,309
Changes During the Period								
IV. Increase/Decrease Due to Mergers				2,529		6,515	34	24,564
V. Marketable Securities Value Increase Fund								
VI. Hedge Reserves (Effective Portion)								
6.1 Cash Flow Hedges								
6.2 Net Foreign Investment Hedges								
VII. Revaluation Surplus on Tangible Assets								
VIII. Revaluation Surplus on Intangible Assets								
IX. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)								
X. Translation Differences								
XI. The Effect of Disposal of Assets								
XII. The Effect of Reclassification of Assets								
XIII. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank								
XIV. Capital Increase		1,420,361	-361,553					-1,057,425
14.1 Cash								
14.2 Internal Sources		1,420,361	-361,553					-1,057,425
XV. Share Issue								
XVI. Share Cancellation Profits								
XVII. Paid-in-Capital Inflation Adjustment								
XVIII. Other (*)				400		-2,686	-63	-1,377
XIX. Net Profit/Loss for the Period								
XX. Profit Distribution						201,802	7,960	1,641,472
20.1 Dividend Paid								
20.2 Transfer to Reserves						201,802	7,960	1,641,472
20.3 Other								
<b>Ending Balance (III+IV+V...+XVIII+XIX+XX)</b>		<b>4,500,000</b>	<b>1,615,938</b>	<b>33,937</b>	<b>0</b>	<b>1,610,119</b>	<b>28,293</b>	<b>4,312,543</b>
<b>CURRENT PERIOD (31/12/2011)</b>								
I. Beginning Balance		4,500,000	1,615,938	33,937		1,610,119	28,293	4,312,543
Changes During the Period								
II. Increases/Decreases Due to Mergers								
III. Marketable Securities Value Increase Fund								
IV. Hedge Reserves (Effective Part)								
4.1 Cash-flow Hedge								
4.2 Net Foreign Investment Hedges								
V. Revaluation Surplus on Tangible Assets								
VI. Revaluation Surplus on Intangible Assets								
VII. Bonus Shares from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)								
VIII. Translation Differences								
IX. The Effect of Disposal of Assets								
X. The Effect of Reclassification of Assets								
XI. The Effect of Changes in the Equity of Subsidiaries on the Equity of the Bank								
XII. Capital Increase								
12.1 Cash								
12.2 Internal Sources								
XIII. Share Premium								
XIV. Share Cancellation Profits								
XV. Paid-in-Capital Inflation Adjustment								
XVI. Other (*)						114		536
XVII. Net Profit/Loss for the Period								
XVIII. Profit Distribution						228,597	11,293	2,050,185
18.1 Dividend Paid								
18.2 Transfer to Reserves						228,597	11,293	2,050,185
18.3 Other								
<b>Ending Balance (I+II+III+...+XVI+XVII+XVIII)</b>		<b>4,500,000</b>	<b>1,615,938</b>	<b>33,937</b>	<b>0</b>	<b>1,838,830</b>	<b>39,586</b>	<b>6,363,264</b>

(\*) Impact of the consolidated subsidiaries in the current period as per the "Communiqué Amending the Communiqué Related to Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette dated 23 January 2011, nr.27824.

(\*\*) The change in group shares.

THOUSAND TL

	Other Profit Reserves	Net Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Reserves	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Oper.	Total Shareholders' Equity Except Minority Shares	Minority Shares	Total Shareholders' Equity
	-20,696		2,567,793	576,050		1,383			13,342,827	1,963,098	15,305,925
	-20,696		2,567,793	576,050		1,383			13,342,827	1,963,098	15,305,925
			48,313	682,167					81,955 682,167	406,807 58,663	488,762 740,830
						-1,179			-1,179	1,179	0
	-12,151								-12,151	-74	-12,225
						-1,383			0		0
						-1,383			0		0
	12		-3,058	-16,738					-23,510	13,745	-9,765
		2,939,156							2,939,156	292,538	3,231,694
			-2,523,607						-672,373	-86,193	-758,566
			-672,373						-672,373	-86,193	-758,566
			-1,851,234						0		0
	-32,835	2,939,156	89,441	1,241,479	0	-1,179	0	0	16,336,892	2,649,763	18,986,655
	-32,835		3,028,597	1,241,479		-1,179			16,336,892	2,649,763	18,986,655
				-81,573					0 -81,573	100 -211,590	100 -293,163
	143,157								143,157	-1,518	141,639
			106						756	-2,396	-1,640
		2,271,539							2,271,539	117,829	2,389,368
			-3,120,727						-830,652	-81,738	-912,390
			-830,652						-830,652	-81,738	-912,390
			-2,290,075						0		0
	110,322	2,271,539	-92,024	1,159,906	0	-1,179	0	0	17,840,119	2,470,450	20,310,569

## Türkiye İş Bankası A.Ş.

## Consolidated Statement of Cash Flows

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

		THOUSAND TL	
	Footnotes	CURRENT PERIOD (01/01-31/12/2011)	PRIOR PERIOD (01/01-31/12/2010)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>	V-VI		
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>3,342,190</b>	<b>3,466,525</b>
1.1.1 Interest Received		10,711,823	9,953,186
1.1.2 Interest Paid		-6,377,928	-5,557,260
1.1.3 Dividend Received		46,458	17,124
1.1.4 Fees and Commissions Received		1,788,674	1,509,200
1.1.5 Other Income		3,131,354	3,810,031
1.1.6 Collections from Previously Written Off Loans and Other Receivables		977,960	992,651
1.1.7 Cash Payments to Personnel and Service Suppliers		-3,437,169	-2,957,898
1.1.8 Taxes Paid		-486,683	-833,607
1.1.9 Other		-3,012,299	-3,466,902
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>-10,607,950</b>	<b>-106,112</b>
1.2.1 Net (Increase) Decrease in Financial Assets Held for Trading		65,217	-393,166
1.2.2 Net(Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		0	0
1.2.3 Net (Increase) Decrease in Due From Banks		-3,828,083	748,836
1.2.4 Net (Increase) Decrease in Loans		-24,881,919	-16,433,438
1.2.5 Net (Increase) Decrease in Other Assets		-1,023,761	-1,663,917
1.2.6 Net Increase (Decrease) in Bank Deposits		-563,132	761,011
1.2.7 Net Increase (Decrease) in Other Deposits		5,961,556	15,634,602
1.2.8 Net Increase (Decrease) in Funds Borrowed		2,829,517	-378,672
1.2.9 Net Increase (Decrease) in Matured Payables		0	0
1.2.10 Net Increase (Decrease) in Other Liabilities		10,832,655	1,618,632
<b>I. Net Cash Provided From Banking Operations</b>		<b>-7,265,760</b>	<b>3,360,413</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided from/Used in Investing Activities</b>		<b>4,193,248</b>	<b>-6,136,092</b>
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		-68,457	-119,720
2.2 Cash Obtained from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		61,946	166,738
2.3 Tangible Asset Purchases		-307,814	-502,786
2.4 Tangible Asset Sales		245,341	395,088
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-17,699,919	-34,663,267
2.6 Cash Obtained from Sales of Financial Assets Available for Sale		21,253,406	29,114,141
2.7 Cash Paid for Purchase of Investment Securities Held to Maturity		-34,227	-2,768,157
2.8 Cash Obtained from Sales of Investment Securities Held to Maturity		742,972	2,300,020
2.9 Other		0	-58,149
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from/Used in Financing Activities</b>		<b>2,540,196</b>	<b>-567,324</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		5,543,230	191,242
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-2,090,744	0
3.3 Equity Instruments		0	0
3.4 Dividends Paid		-912,390	-758,566
3.5 Payments for Finance Leases		0	0
3.6 Other		100	0
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>528,431</b>	<b>-167,736</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>-3,885</b>	<b>-3,510,739</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>11,491,813</b>	<b>15,002,552</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>		<b>11,487,928</b>	<b>11,491,813</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Statement of Profit Distribution Table

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

		THOUSAND TL	
		CURRENT PERIOD (31/12/2011)	PRIOR PERIOD (31/12/2010)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR PROFIT<sup>(1)</sup></b>		
1.1	CURRENT PERIOD PROFIT	3,298,280	3,552,852
1.2	TAXES AND DUES PAYABLE (-)	630,793	570,642
1.2.1	Corporate Tax (Income Tax)	291,692	779,915
1.2.2	Income Tax Withholding	4,371	2,950
1.2.3	Other Taxes and Dues Payable <sup>(2)</sup>	334,730	-212,223
<b>A.</b>	<b>NET PROFIT FOR THE PERIOD (1.1-1.2)</b>	<b>2,667,487</b>	<b>2,982,210</b>
1.3	PRIOR YEARS' LOSSES (-)	0	0
1.4	FIRST LEGAL RESERVES (-)	0	141,523
1.5	OTHER STATUTORY RESERVES (-)	0	1,880,445
<b>B.</b>	<b>NET PROFIT ATTRIBUTABLE TO (1.3+1.4+1.5)</b>	<b>2,667,487</b>	<b>960,242</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	0	270,000
1.6.1	To Owners of Ordinary Shares	0	269,998
1.6.2	To Owners of Preferred Shares	0	2
1.6.3	To Preferred Shares (Preemptive Rights)	0	0
1.6.4	To Profit Sharing Bonds	0	0
1.6.5	To Holders of Profit/Loss Share Certificates	0	0
1.7	DIVIDENDS TO PERSONNEL (-)	0	138,049
1.8	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	1,725
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	0	420,878
1.9.1	To Owners of Ordinary Shares	0	420,871
1.9.2	To Owners of Preferred Shares	0	3
1.9.3	3 To Preferred Shares (Preemptive Rights)	0	4
1.9.4	To Profit Sharing Bonds	0	0
1.9.5	To Holders of Profit/Loss Share Certificates	0	0
1.10	SECOND LEGAL RESERVES (-)	0	60,565
1.11	STATUTORY RESERVES (-)	0	0
1.12	EXTRAORDINARY RESERVES	0	69,024
1.13	OTHER RESERVES	0	0
1.14	SPECIAL FUNDS	0	0
<b>II.</b>	<b>DISTRIBUTION FROM RESERVES</b>		
2.1	DISTRIBUTED RESERVES	0	0
2.2	SECOND LEGAL RESERVES (-)	0	0
2.3	DIVIDENDS TO SHAREHOLDERS (-)	0	0
2.3.1	To Owners of Ordinary Shares	0	0
2.3.2	2 To Owners of Preferred Shares	0	0
2.3.3	To Preferred Shares (Preemptive Rights)	0	0
2.3.4	To Profit Sharing Bonds	0	0
2.3.5	To Holders of Profit/Loss Share Certificates	0	0
2.4	DIVIDENDS TO PERSONNEL (-)	0	0
2.5	DIVIDENDS TO THE BOARD OF DIRECTORS (-)	0	0
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	TO OWNERS OF ORDINARY SHARES <sup>(3)</sup>	0.0237	0.0265
3.2	TO OWNERS OF ORDINARY SHARES (%)	59	66
3.3	TO OWNERS OF PREFERRED SHARES <sup>(3)</sup>	0	0
3.4	TO OWNERS OF PREFERRED SHARES (%)	0	0
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	TO OWNERS OF ORDINARY SHARES <sup>(3)</sup>	0	0.0061
4.2	TO OWNERS OF ORDINARY SHARES (%)	0	15
4.3	TO OWNERS OF PREFERRED SHARES <sup>(3)</sup>	0	0.0018
4.4	TO OWNERS OF PREFERRED SHARES (%)	0	18

(1) The decision for dividend payment is made at the Annual General Meeting. Annual General Meeting has not been held as of the reporting date.

(2) The amount included in Other Taxes and Dues Payable refers to Deferred Tax Income, which will not be included within the profit distribution.

(3) Expressed in full TL



**Türkiye İş Bankası A.Ş.****Consolidated Financial Statements as of and for the Year Ended 31 December 2011**

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**PART THREE: EXPLANATIONS ON ACCOUNTING POLICIES****I. Explanations on the Basis of Presentation****1. Basis of Presentation**

The consolidated financial statements and related disclosures and notes in this report are prepared in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks and the other regulations, communiqués, disclosures and circulars related to the accounting and financial reporting principles published by the Banking Regulatory and Supervisory Agency ("BRSA").

Accounting policies and measurement principles used in the preparation of the consolidated financial statements are presented in detail below:

**2. Additional paragraph for convenience translation to English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

**II. Explanations on the Usage Strategy of Financial Instruments and on Foreign Currency Transactions****1. The Group's Strategy for the Use of Financial Instruments**

The Group's main financial activities comprise a wide range of activities such as banking, insurance and reinsurance services, brokerage services, real estate portfolio management, financial lease, factoring services, portfolio management. The liabilities on the Group's balance sheet are mainly composed of relatively short-term deposits, parallel to general liability structure of the banking system, which is its main field of activity. As for the non-deposit liabilities, funds are collected through medium and short-term instruments. The liquidity risk that may arise from this liability structure can be easily controlled through deposit continuity, as well as widespread network of the correspondent banks, market maker status (The Parent Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey (CBT). The liquidity of the Group and the banking system can be easily monitored. On the other hand, foreign currency liquidity requirements are met by the money market operations and currency swaps.

Most of the funds collected bear fixed-interest, and by monitoring the developments in the sector fixed and floating rate placements are made according to the yields of alternative investment instruments. High yielding Eurobonds and government debt securities portfolios are of sufficient quality and quantity to reduce the risk which may arise from the fluctuations in the interest rates.

By taking into account the international and national economic outlook, market conditions, current and potential credit customers' expectations and tendencies, and risks such as; interest rate, liquidity and currency risks, the Group's placements are focused on high yielding and low risk assets and safety principle has always been the top priority. Generally a pricing policy aiming at high return is implemented in the long-term placements of the Group, and attention is paid to the maximum use of non-interest income generation opportunities.

Main growth targets for different asset classes are set by the long-term plans shaped along with budgeting; and the Bank takes the required positions against the short-term currency, interest rates and price fluctuations in accordance with these plans and the course of the market conditions.

Foreign currency, interest rate and price fluctuations in the markets are monitored instantaneously. While taking positions, in addition to the legal limits, the Parent Bank's own transaction and control limits are also effectively monitored in order to avoid limit overrides.

The Parent Bank's asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits specified by the Board of Directors, in order to keep the liquidity risk, interest rate risk, currency risk and credit risk within certain limits depending on the equity adequacy and to maximize profitability.

**2. Explanations on Foreign Currency Transactions**

The financial statements of the Parent Bank's branches and financial institutions that have been established abroad are prepared in functional currency prevailing in the economic environment that they operate in; and when they are consolidated, they are presented in TL, which is the functional currency of the Parent Bank and also the currency used in presentation of the financial statements.

Foreign currency monetary assets and liabilities on the balance sheet are converted to Turkish Lira by using the prevailing exchange rates at the balance sheet date. Non-monetary foreign currency items measured at fair value are converted by the rates at the date of the fair value assessments. Exchange rate differences arising from the conversion of monetary items and the collections and payments in foreign currency are recognized in the income statement. In accordance with TAS 21 "Effects of Changes In Foreign Exchange Rates", net investments in non-domestic companies are considered as non-monetary items, measured on the basis of historical cost and converted to Turkish Currency at the currency rates at the transaction date, and also in accordance with TAS 29 "Financial Reporting In Hyperinflationary Economics", the inflation adjusted value is calculated by using the inflation indices prevailing between the date of transaction and final date that the inflation adjustment is applied, 31 December 2004, and it is accounted by allocating provision amounts for any permanent impairment losses.

While the Parent Bank and Türkiye Sınai Kalkınma Bankası A.Ş., one of the consolidated subsidiaries, use their own foreign currency exchange rates for their foreign currency transactions, other institutions that are residing domestically use the CBT rates for their foreign currency transactions.

The Bank's end of period foreign currency rates are taken into account for conversion to TL of the assets and liabilities of the branches and financial institutions that have been established abroad. Income and expense of foreign branches are converted to TL at the foreign currency rates on the transaction date, income and expense of foreign financial institutions are converted to TL at average foreign currency rates as long as there is not a significant fluctuation in currency rates during the period. The exchange rate differences arising from the conversions are recorded in the "Other Profit Reserves" account under the shareholders' equity.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## III. Information about the Consolidated Companies

## 1. Basis of Consolidation:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué Related to Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No.26340 dated 8 November 2006.

## a. Basis of consolidation of subsidiaries:

A subsidiary is an entity that is controlled by the Parent.

Controlling means that the Parent Bank's power to appoint or remove from office the decision-taking majority of the board members through direct or indirect possession of the majority of a legal person's capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.

As per the "Communiqué Related to the Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette No.26340 dated 8 November 2006, as of the current period, the Parent Bank has no subsidiaries, qualified as credit institutions or financial institutions, excluded from consolidation. Efes Varlık Yönetimi A.Ş. and Is Investment Gulf Ltd., which began to operate in the year 2011, and CJSC İşbank, whose share transfer process was finalized were included in consolidation during the current period. Detailed information about the consolidated subsidiaries is given in Part Five, Note I.8.b.

Under full consolidation method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank's investment in each of the subsidiaries and the Group's portion of equity of each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated reciprocally. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group's net income and the Group's shareholders' equity. Minority interests are presented separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries' financial statements. Within this framework, there is no item where a different accounting policy is applied.

TFRS 3 "Business Combinations" standard prescribes no depreciation to be recognized for goodwill arising on the acquisitions on or after 31 March 2004, realizing positive goodwill as an asset and application of impairment analysis as of balance sheet dates. In the same standard, it is also required from that date onwards that the negative goodwill, which occurs in the case of the Group's interest in the fair value of acquired identifiable assets and liabilities exceeds the acquisition cost to be recognized in profit or loss.

The details of positive goodwill obtained from Group's investments to its subsidiaries in investment basis are as follows:

Name of the Investment	Amount of the Positive Consolidation Goodwill
İş Finansal Kiralama A.Ş.	611
Türkiye Sınai Kalkınma Bankası A.Ş.	4,792
Anadolu Anonim Türk Sigorta Şirketi	1,767
CJSC İşbank (*)	22,420
<b>Total</b>	<b>29,590</b>

(\*) For the measurement of goodwill that occurred during the purchase, the book values of CJSC İşbank's assets and liabilities in the financial statements were used, which were prepared in accordance with the International Financial Reporting Standards that were valid right before the acquisition date. According to the TFRS 3 "Conglomerate Mergers", the measurements made on the extrinsic values should be amended within 12 months after the transaction date. For this reason, it is probable that there might be amendments on the fair values of the identifiable assets that are purchased and the liabilities that are taken over and therefore on the book value of the goodwill.

## b. Basis of consolidation of associates:

An associate is a domestic or foreign entity which the Parent Bank participates in its capital and over which it has a significant influence but no control.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds qualified shares in the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude the Parent Bank from having significant influence.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Qualified share is the share that directly or indirectly constitutes ten or more than ten percent of an entity's capital or voting rights and irrespective of this requirement, possession of privileged shares giving right to appoint members of board of directors.

Equity accounting method is an evaluation method of associates by which the Parent Bank's share in the associates' equity is compared with the book value of the associate accounted in the Parent Bank's balance sheet. The difference is recognized in profit or loss in the consolidated income statement.

The accounting policies of Arap-Türk Bankası A.Ş., the only associate that is consolidated using the equity accounting method are not different than the Parent Bank's. Thus, no adjustments of compliance have been applied.

The special purpose entities established for the Bank's securitization loan transactions are included in the financial statements in accordance with the Interpretation Nr: 12 to Turkish Accounting Standards "Consolidation – Special Purpose Entities".

**c. Basis of consolidation of joint ventures:**

The Parent Bank does not have any joint venture to be consolidated.

**d. Principles applied during share transfer, merger and acquisition: None.**

**2. Presentation of unconsolidated subsidiaries, associates and equity securities included in the available-for-sale portfolio in consolidated financial statements:**

Equity securities followed under subsidiaries, associates and financial assets available for sale are accounted in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" in the consolidated financial statements. Subsidiaries, whose equity securities are traded in an active stock exchange, are reflected on financial statements with their fair value prices taking into consideration their quoted market prices at the stock exchange. Subsidiaries and associates whose equity securities are not traded in an active stock exchange are followed at their cost on the acquisition date and these assets are reflected on the financial statements with their acquisition cost less impairment losses, if any.

**IV. Explanations on Forward and Option Contracts and Derivatives Instruments**

The Group's derivative transactions predominantly consist of currency and interest rate swaps, forward foreign currency buy/sell transactions, currency and interest rate options. The Group has no derivative products that are separated from the host contract.

Derivative transactions are carried at their fair values at the contract dates and the receivables and payables arising in these transactions are followed under off-balance sheet accounts. Derivative transactions are valued at their fair values in the reporting periods following their recording and the valuation differences are shown under the accounts, "Derivative Financial Assets Held for Trading" and "Derivative Financial Liabilities Held for Trading", depending on the difference being positive or negative. Even though some derivative transactions economically provide risk hedging, since not all the necessary conditions are met for them to be defined as items suitable for financial risk hedging accounting, they are recognized as "held for trading purposes" within the scope of TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement". The valuation differences arising from the valuation of derivative transactions are associated with the income statement.

On the other hand, on the off-balance sheet table, the options that generate assets for the Group are presented under "call options" line and the ones that generate liabilities are presented under "put options" line.

**V. Explanations on Interest Income and Expenses**

Interest income and expenses are recorded on accrual basis by using the effective interest method (the ratio which equalizes the future cash flows of a financial asset or liability to net present book value) within the framework of TAS 39 "Financial Instruments: Recognition and Measurement".

Accrued interests and other interest receivables on loans and other receivables that are classified as non-performing are cancelled and the relevant figures are recorded as interest income only when collected.

**VI. Explanations on Fee and Commission Income and Expenses**

Fee and commission income and expenses are recorded either on accrual basis or by using the effective interest rate method. Income gained in return for services rendered contractually or due to operations like sale or purchase of assets on behalf of a third party real person or corporate body are recorded in the income accounts in the period when they are collected.

**VII. Explanations on Financial Assets**

Financial assets comprise cash, contractual rights to obtain cash or another financial asset from or to exchange financial instruments with the counterparty, or the capital instrument transactions of the counterparty. According to the Bank management's purpose of holding, the financial assets are classified into four groups as "Financial Assets at Fair Value through Profit And Loss", "Financial Assets Available for Sale", "Investments Held to Maturity" and "Loans and Receivables".

# Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

### 1. Cash and Banks

Cash consists of cash in vault, foreign currency cash, money in transit, cheques purchased and precious metals. Foreign currency cash and banks are shown in the balance sheet by their amounts converted to TL at the foreign exchange rate on the balance sheet date. The carrying values of both the cash and banks are their estimated fair values.

### 2. Marketable Securities

#### a. Financial Assets at Fair Value through Profit And Loss

##### a.1. Financial Assets Held for Trading

Financial assets held for trading are those acquired for the purpose of generating profit from short term market fluctuations in prices or similar elements, or securities which are part of a portfolio set up to realize short term profit regardless of the purpose of acquisition.

Financial assets held for trading are recognized at their fair values in the balance sheet and thereafter carried at fair values. In cases where values that form the basis for the fair value do not exist in active market conditions, it is accepted that the fair value is not reliably determined and "amortized cost", calculated by the internal rate of return method, is taken into account as the fair value.

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortized cost of financial assets are booked under the "Interest Income" account, and in case the fair value of the asset is over the amortized cost, the positive difference is booked under the "Gains on Securities Trading" account. If the fair value is under the amortized cost, the negative difference is booked under the "Losses on Securities Trading" account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

##### a.2. Financial Assets at Fair Value through Profit and Loss

Financial Assets Classified at Fair Value through Profit and Loss are financial assets which have not been acquired for trading purposes, but classified as at fair value through profit and loss at the initial accounting. The recognition of such assets at fair value is accounted similar with the financial assets held for trading.

#### b. Explanations on Financial Assets Available for Sale and Investments Held to Maturity

##### b.1. Explanations on Financial Assets Available for Sale

Financial assets available for sale are non-derivative financial assets other than loans and receivables originated by the Parent Bank, other than those classified as financial assets at fair value through profit and loss, and other than investments held to maturity. Initial recognition and the subsequent valuation of financial assets available for sale, including their transaction costs, is made on a fair value basis and the difference between the cost and the "amortized cost" calculated using the "Internal Rate of Return Method" is reflected to the income statement. In conditions where values that form the basis of fair value do not exist under active market conditions, it is deemed that the fair value is not reliably determined and the amortized cost calculated using the "Internal Rate of Return Method" is taken into account as the fair value. Unrealized profit and loss resulting from the changes in fair values of the financial assets available for sale, are not reflected to the income statement until the corresponding values are realized through sale or disposal, rather they are recognized in the "Marketable Securities Valuation Differences" account under the shareholders' equity. In the event of any disposal or redemption of the relevant asset, the fair value differences accumulated in the shareholders' equity, resulting from market valuation are reflected to the income statement.

##### b.2. Explanations on Investments Held to Maturity

Investments held to maturity are non-derivative financial assets, other than loans and receivables originated by the Parent Bank, and other than those which are classified as financial assets at fair value through profit/loss at initial recognition and other than those which are defined as available for sale. These financial assets are held with the intention of being retained until the maturity date, and for which the required conditions, including the capability of being funded, are secured for holding until maturity, and they have a fixed maturity date or a maturity date that can be deemed fixed due to its determinable payments. Investments held to maturity that are initially recorded at their fair values including the cost of transaction, are carried at amortized cost, calculated using the internal rate of return method, less any impairment losses. "Interest Income" generated from investments held to maturity is accounted as interest income in the income statement.

The Group has no financial assets that have been previously classified as held to maturity investments but cannot be classified as held to maturity for two consecutive years due to "tainting" rules.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**3. Loans and Receivables**

Loans and receivables are financial assets, which are generated by providing funds, goods or services to the debtor, with fixed or determinable repayment schedules and which are not traded in an active market.

The initial recognitions of loans and receivables are made at the cost of acquisition and subsequent measurements are made at amortized cost, which is calculated using the internal rate of return method.

Retail and commercial loans that are followed under cash loans are accounted at original maturities, based on their contents, under the accounts defined by the Uniform Code of Accounts (UCA) and the Explanatory Manual.

Foreign currency indexed loans are converted to Turkish Lira at the rates prevailing at the opening date; they are followed under the Turkish Currency ("TL") accounts, and amount of increases or decreases in the principal amount of the loans, depending on the exchange rate of the following periods being higher or lower than the ones on the lending date, are recognized in the profit/loss accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the "Foreign Exchange Gain/Loss" accounts.

**VIII. Explanations on Impairment of Financial Assets**

At each balance sheet date, the Group companies evaluate the carrying amount of its financial assets or a group of its financial assets to determine whether there is an objective indication if those assets have suffered an impairment loss. Where there is impairment, the related impairment amount is measured.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event (loss/damage event) subsequent to initial recognition of that financial asset; and such loss event (or events) causes an impairment loss as a result of the effect on the reliable estimate of the future cash flows of the related financial asset and asset group. Irrespective of the probability, no estimated loss that might arise from future events is recognized in the financial statements.

If there is an impairment loss in investments held to maturity, the amount of loss is measured as the difference between the book value and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate, and the book value of the asset shall be reduced by recognizing such loss. In the following periods, if the amount of impairment loss decreases, the previously recognized amount shall be reversed.

In case an available-for-sale financial asset, which is accounted at fair value and whose value increases and decreases are recognized directly in equity, is impaired, accumulated profit or loss that had been recognized directly in equity shall be removed from equity and recognized in period net profit or loss. If, in a subsequent period, the fair value of the related financial asset increases, the impairment loss is cancelled.

Loans are classified and followed in line with the provisions of the "Regulation on the Methods and Principles Related to Identification of Loans and Other Receivables and Provisioning against Them", published on the Official Gazette nr.26333 dated 1 November 2006. Specific provision is allocated for the total amount of loans and other receivables, which is deemed non-performing, without being restricted by the minimum legal requirements stated in the related regulation, and such specific provisions are recognized in the income statement. The provisions, which are released within the same year, are credited to the "Provision Expenses" account and the released parts of the provisions from the previous years are transferred to and recognized in the "Other Operating Income" account.

Apart from specific provisions, the Parent Bank and the financial institutions affiliated to the Group also allocates general loan loss provision against loans and other receivables.

**IX. Explanations on Offsetting Financial Instruments**

Financial assets and liabilities are offset when the Group has a legally enforceable right to offset, and when the Group has an intention of collecting or paying the net amount of related assets and liabilities or when the Group has the right to offset the assets and liabilities simultaneously.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**X. Explanations on Sale and Repurchase Agreements and Securities Lending Transactions**

Securities subject to repo (repurchase agreements) are classified as "Financial Assets at Fair Value through Profit and Loss", "Financial Assets Available for Sale" or "Investments Held to Maturity" according to their purposes to be held in the Group's portfolio and evaluated within the principles of the relevant portfolio.

Funds obtained from repurchase agreements are followed under the "Funds Provided Under Repurchase Agreements" account in liabilities, and interest expense accruals are calculated using the internal rate of return method on the difference between the sales and repurchase prices corresponding to the period designated by a repurchase agreement.

Reverse repo transactions are recorded under the "Receivables from Reverse Repurchase Agreements" account. Interest income accruals are calculated according to the internal rate of return method on the difference between the purchase and resale prices corresponding to the period designated by a reverse repo agreement.

**XI. Explanations on Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities**

Assets held for sale are measured at the lower of the carrying value of assets and fair value less any cost incurred for disposal. Assets held for sale are not amortized and presented in the financial statements separately. An asset shall be classified as held for sale, only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed of (or else the group of assets), together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. Various events and conditions may extend the completion period of the disposal more than a year. If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets).

A discontinued operation is a part of the Bank's business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. Neither the Parent Bank nor its financial institutions have any discontinued operation.

**XII. Explanations on Goodwill and Other Intangible Assets**

The Group's intangible assets consist of consolidation goodwill and software programs.

Goodwill arising from the acquisition of a subsidiary or joint venture represents the excess of cost of acquisition over the fair value of Group's share of the identifiable assets, liabilities, or contingent liabilities of the acquired subsidiary or joint venture at the date of acquisition of the control. Goodwill is recognized as an asset at cost and then carried at cost less accumulated impairment losses. In impairment-loss test, goodwill is allocated between the Group's every cash-generating unit that is expected to benefit from the synergies of the business combination. To control whether there is an impairment loss in the cash-generating units that goodwill is allocated, impairment-loss test is applied every year or more often if there is indications of impairment loss. In the cases, recoverable amount of cash-generating unit is smaller than its book value; impairment loss is firstly used in reduction of book value of the cash-generating unit, and then the other assets proportionally. Goodwill which is allocated for the impairment losses could not be reversed. When a subsidiary or joint venture is to be sold, related goodwill amount is combined with the profit/loss relating to this disposal. Positive goodwill arising from the Group's investments in its subsidiaries is recognized in Intangible Assets. Explanations on consolidation goodwill are given in note III.1.a. in Part Three.

As for the cost of other intangible assets, the purchased items are presented with their acquisition costs less the accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of TAS 36 "Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Such assets are amortized by the straight-line method in a period between 1-15 years considering their useful life. The amortization method and period are periodically reviewed at the end of each year.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**XIII. Explanations on Tangible Assets**

Tangible assets purchased before 1 January 2005, are presented in the financial statements at their inflation adjusted acquisition costs as of 31 December 2004, and the items purchased in the subsequent periods are presented at acquisition costs less accumulated amortization and impairment provisions. In case there is an indication of impairment, the recoverable amount of the related intangible asset is estimated within the framework of TAS 36 "Impairment of Assets" and impairment provision is set aside in case the recoverable amount is below its acquisition cost.

Assets under construction for leasing or for administrative purposes or for other objectives, which are not presently determined, are amortized when they are ready for use.

The acquisition costs of tangible assets other than the land and construction in progress are amortized by the straight-line method, according to their estimated useful lives. The estimated useful life, residual amount and the method of amortization are reviewed every year for the possible effects of the changes that occur in the estimates and if there is any change in the estimates, they are recognized prospectively.

Assets acquired through finance lease are amortized at the estimated useful life or the leasing period, whichever is shorter.

Costs of operational lease development are amortized at equal amounts considering the period of benefit. Yet, in any case, the period of benefit cannot exceed the period of lease. In case the period of lease is indefinite or longer than 5 years, the amortization period is considered to be 5 years.

The difference between the sales proceeds arising from the disposal of tangible assets or the inactivation of a tangible asset and the book value of the tangible asset are recognized in the income statement.

Regular maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages on tangible assets.

The depreciation rates used in amortization of tangible assets and their estimated useful lives are as follows:

	Estimated Economic Life (Year)	Depreciation Rate
Buildings	4-50	2-25%
Safe Boxes	2-50	2-50%
Other Movables	1-50	2-100%
Leased Assets	4-5	20-25%

**XIV. Explanations on Investment Property**

Investment property is constituted of the property held by the Group to earn rent. These are listed in the attached consolidated financial statements at acquisition costs less accumulated amortization and impairment provisions. The accounting policies mentioned for tangible assets are also valid for investment property.

**XV. Explanations on Leasing Transactions**

Assets acquired through finance lease are capitalized by the lower of the fair values and the discounted values of the leasing payments and the total amount of leasing payments are recorded as liabilities while the interest amounts are recorded as deferred interest expense. Finance lease payments are separated as financial expense and principal amount payment, which provides a decrease in finance lease liability, thus helps a fixed rate interest on the remaining principal amount of the debt to be calculated. Within the context of the Group's general borrowing policy, financial expenses are recognized in the income statement. Leased assets are recorded under "Tangible Assets" account and they are amortized by straight-line method.

There is one company which exclusively does finance leases (İş Finansal Kiralama A.Ş.) and one bank (Türkiye Sınai Kalkınma Bankası A.Ş.) which operates finance lease activities as per provisional article nr.4 of the Banking Law Nr.5411. Finance lease activities are operated according to the "Law on Financial Leasing" nr. 3226.

In cases when the Group is the "lessor", finance lease receivables are recognized by their fair values on the first entry date and in the reporting periods after the first entry date they are carried at amortized cost by using the effective interest rate method. Interest income on finance lease is allocated to the accounting periods in order to reflect a fixed term interest from the investments that are subject to leasing.

Transactions related to operating lease are accounted as per the provisions of the relevant agreement and on accrual basis.

**XVI. Explanations on Insurance Technical Income and Expense**

In insurance companies premium income is obtained subsequent to the share of reinsurers in policy income is diminished.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding loss are offset in these provisions.



## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**XVII. Explanations on Insurance Technical Provisions**

Effective 1 January 2005, the Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts has more fully addressed. TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement".

Within the framework of the current insurance regulation, provisions made by insurance companies for unearned premium claims, unexpired risk reserves, outstanding claims and life-mathematical provisions take place in the consolidated financial statements.

The provision for unearned premiums consists of the gross overlapping portion of accrued premiums for insurance contracts that are in effect to the subsequent period or periods of balance sheet date on a daily basis without a commission or any other discount.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision, is added to the unearned premium provision of that branch.

Provision for outstanding claim is recognized for the accrued claims which are not paid in the current period or in the prior periods or for the claims realized with the expected costs but not reported.

Mathematical provision is recognized on actuarial bases in order to meet the requirements of policyholders and beneficiaries for life, health and personal accident insurance contracts for a period longer than a year.

On the other hand, actuarial chain ladder method is used to estimate the provision amount to be set aside in the current period by looking at the data of the past materialized losses. If the provision amount found as a result of this method exceeds the amount of provision for the amount of uncertain indemnity, additional provision must be set aside for the difference.

Reinsurance companies recognize for the outstanding claims that is declared by the companies, accrued and determined on account.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

**XVIII. Explanations on Provisions and Contingent Liabilities**

Provision is set aside in the financial statements in case that a liability resulting from past events exists, that an outflow funds, which have economic use is probable in order to fulfill the liability and that the amount of the related liability can be estimated reliably.

The provision amount is calculated by way of most reliable estimates of the expense to be made by the Parent Bank's and Group companies' management as at the balance sheet date to fulfill the liability by considering the risks and uncertainties related to the liability.

In case the provision is measured by using the estimated cash flows required to fulfill the existing liability, the book value of the related liability is equal to the present value of the related cash flows.

In case there is no probability of equity fund outflow in order to fulfill the liability and that the amount of liability cannot be measured in a sufficiently reliable way, the liability is considered as "Contingent Liability" and information is given thereon in the footnotes.

**XIX. Explanations on Contingent Assets**

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

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## XX. Explanations on Liabilities Regarding Employee Benefits

## 1. Severance Indemnities and Short-Term Employee Benefits

According to the related regulation and the collective bargaining agreements, the Parent Bank and consolidated Group companies (excluding the subsidiaries residing outside Turkey) are obliged to pay termination benefits for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or (for the female employees) who have voluntarily quit within one year after the date of their marriage. Within the scope of TAS 19 "Employee Benefits", the Bank allocates seniority pay provisions for employee benefits by estimating the present value of the probable future liabilities. As the legislations of the countries in which İşbank's non-resident subsidiaries operate do not require retirement pay provision, no provision liability has been recognized for the related companies. In addition, provision is also allocated for the unused paid vacation.

## 2. Retirement Benefit Obligations

Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each employee of the Parent Bank is a member, has been established according to the provisional Article 20 of the Social Security Act No. 506. As per provisional article nr.23 of the Banking Law Nr.5411, it is ruled that Bank pension funds, which were established within the framework of Social Security Institution Law, will be transferred to the Social Security Institution, within 3 years after the publication of such law. Methods and principles related to transfer have been determined as per the Cabinet decision dated 30 November 2006 nr. 2006/11345. However, the related article of the act has been cancelled upon the President's application dated 02 November 2005, by the Supreme Court's decision dated 22 March 2007, nr. E.2005/39, K.2007/33, which was published on the Official Gazette dated 31 March 2007 and nr. 26479 and the execution decision were ceased as of the issuance date of the related decision.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and nr.26731, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law nr. 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 08 May 2008 and nr. 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation, and that the three-year transfer period can be prolonged for maximum 2 years by the Cabinet decision. The related three-year transfer period has been prolonged for 2 years by the Cabinet decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and nr. 27900.

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

The above mentioned law also states that;

- Through a commission constituted by the attendance of one representative separately from the Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund, one from each pension fund, and one representative from the organization employing pension fund contributors, related to the transferred persons, the cash value of the liabilities of the pension fund as of the transfer date will be calculated by considering their income and expenses in terms of the lines of insurance within the context of the related Law, and technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash,
- And that after the transfer of the pension fund contributors, the ones who receive salaries or income from these funds and their rightful beneficiaries to the Social Security Institution, these persons' uncovered social rights and payments, despite being included in the trust indenture that they are subject to, will be continued to be covered by the pension funds and the employers of pension fund contributors.

In line with the new law, the Parent Bank had an actuarial valuation made for the aforementioned pension fund as of 31 December 2011 and set aside additional provision for the difference between the amount of the actuarial and technical deficit in the actuarial report dated 16 January 2012 and the amount of provision set aside in the financial statements until the current period. The actuarial assumptions used in the related actuarial report are given in Part Five Note II-8. Besides the Parent Bank, Milli Reasürans T.A.Ş., one of the Group companies, also had an actuarial audit as of 31 December 2011 for the pension fund and the amount of actuarial and technical deficit, which was measured according to this report and reflected to the year-end financial statements, was kept in the financial statements for the current period.

Up to now, there has not been any deficit in Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (İşbank Members' Supplementary Pension Fund), which has been founded by the Parent Bank employees in accordance with the rules of the Civil Code and which provides subsequent retirement benefits; and the Bank has made no payment for this purpose. It is believed that the assets of this institution are capable of covering its total obligations, and that it shall not constitute an additional liability for the Bank. The same is valid for the supplementary pension funds of the employees of Anadolu Anonim Türk Sigorta Şirketi, Milli Reasürans T.A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş., which are among the other financial institutions of the Group.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## XXI. Explanations on Taxation

## 1. Corporate Tax:

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

In accordance with Article nr. 32 of the Corporate Tax Law nr. 5520, 20% rate is used in the calculation of the corporate tax. As per the related law, temporary tax is calculated and paid quarterly in line with the principles of the Income Tax Law and at the corporate tax rate. The temporary tax payments are deducted from the current period's corporate tax. The temporary provisional tax for the end of the year 2011 was paid in February 2012 and will be offset with the current period's corporate tax.

Tax expense is the total amount of current tax and deferred tax. Tax liability for the current period is calculated over the taxable part of the period profit. Taxable profit differs from the profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxes are shown in the financial tables by offsetting with prepaid taxes.

Within the framework of the Corporate Tax Law nr. 5520, 75% of the gains on the sale of the participation shares, which were held in the assets for a minimum of 2 whole years and 75% of the gains on the sale of immovables are exempt from tax provided that they are added to the capital as set forth by the Law or that they are kept in a special fund under liabilities for a period of 5 years.

## 2. Deferred Tax:

Deferred tax asset or liability is recognized by calculating the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit and this calculation is made by using the balance sheet liability method based on enacted tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The general provisions that are allocated for possible future risks are included in the tax base and they are not subject to deferred tax calculation. No tax assets or liabilities are recognized for the temporary timing difference that affects neither the taxable profit nor the accounting profit and that arises from the initial recognition in the balance sheet, of assets and liabilities, other than the goodwill and mergers.

The carrying values of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts.

Deferred tax assets and liabilities in the financial statements of banks and companies are shown by way of offsetting. In the consolidated financial statements, on the other hand, the deferred tax assets and liabilities that come from the companies as offset are separately shown in the assets and liabilities.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**3. Tax Practices in the Countries that Foreign Branches Operate:***Turkish Republic of Northern Cyprus (TRNC)*

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are separately subject to 10% corporate tax and 15% income tax. The tax bases for companies are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of the companies. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

*England*

Corporate gains are subject to 26% corporate tax in England. The relevant rate is applied to the tax base that is determined by adding the expenses that cannot be deducted due to the regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, if the tax base of the relevant year, is higher than the amount found by dividing 1.5 million GBP, as specified in regulations, by the number of participations, in which the Bank has 75% or more share, plus one, the corporate tax payments are made as temporary tax payments in four installments in July and October of the relevant year and in January and April of the following year. Relevant temporary tax payments are deducted from the corporate tax that is finalized until the end of January of the second year following the relevant year. On the other hand, if the tax base is under the afore-mentioned threshold, corporate tax is paid by the end of January of the second year following the year that the profit is made.

*Bahrain*

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

*The Republic of Iraq (Iraq)*

Corporate gains are subject to 15% income tax in Iraq. Income tax is accrued at the end of the year and paid in the following year to the related tax administration by the end of June, at the latest.

*Germany*

According to the tax regulations in Germany, corporate gains are subject to 15% corporate tax. In addition to this, a solidarity tax of 5.5% is calculated over this corporate tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to Germany regulations, to interest, commissions and other operating gains and by subtracting exemptions and deductions from these. The corporate tax payments are made as temporary tax payments in four installments and are deducted from the corporate tax that is finalized at the end of the current year.

*Russia*

According to the Russian regulations, corporate gains are subject to 20% corporate tax. The corporate tax base is determined on accrual basis and it is measured by adding the non-deductible expenses to the corporate income gained during the period. Companies in Russia make an advance tax payment every month at an amount of one third of the tax liability related to the previous quarter, make quarterly tax returns and make provisional tax payment by offsetting the advance taxes paid during the period. Final taxation period for corporate tax is one year and the corporate tax is paid at the end of the following year's March by considering the provisional taxes paid during the year. The losses occurred in the previous taxation periods can be offset by the current period tax base, but provided that it is limited to the period of the last 10 years.

*United Arab Emirates*

The companies operating in the free zones of Dubai are not subject to tax according to the country's legislation.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**4. Transfer Pricing:**

Transfer pricing is regulated through article 13 of Corporate Tax Law titled "Transfer Pricing through camouflage of earnings". Detailed information for the practice regarding the subject is found in the "General Communiqué Regarding Camouflage of Earnings through Transfer Pricing".

According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against "arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

**XXII. Additional Explanations on Borrowings**

The Parent Bank and its consolidated Group companies resort to obtaining funds from individuals and institutions residing domestically and abroad, as may be required, by way of resorting to borrowing instruments such as syndication, securitization, collateralized borrowing and issue of bills, bonds. Such transactions are at first carried at acquisition cost, and in the following periods they are valued at amortized cost measured by using the internal rate of return method.

**XXIII. Explanations on Share Certificates and Issues**

Costs incurred during the issue of shares are accounted as expenses.

Dividend payments are determined by the resolution of the General Assembly of Shareholders of the Parent Bank.

Weighted average number of shares outstanding is taken into account in the calculation of earnings per share. In case the number of shares increases by way of bonus issues as a result of the capital increases made by using the internal sources, the calculation of earnings per share is made by adjusting the weighted average number of shares, which were previously calculated as at the comparable periods. The adjustment means that the number of shares used in calculation is taken into consideration as if the bonus issue occurred at the beginning of the comparable period. In case such changes in the number of shares occur after the balance sheet date, but before the ratification of the financial statements to be published, the calculation of earnings per share are based on the number of new shares. The Parent Bank's earnings per share calculations taking place in the consolidated income statement are as follows.

	Current Period	Prior Period
Profit attributable to shareholders	2,271,539	2,939,156
Weighted average number of share certificates (Thousand)	112,502,250	112,502,250
Earnings per share (in exact TL)	0.020191054	0.026125309

**XXIV. Explanations on Bank Acceptances and Bills of Guarantee**

The Parent Bank's acceptances and bills of guarantee are accounted concurrently with the payments by customers, and are shown as potential liabilities and commitments under off-balance sheet items.

**XXV. Explanations on Government Incentives**

None.

**XXVI. Explanations on Segment Reporting**

Business segment is the part of an enterprise:

- which conducts business operations where it can gain revenues and make expenditures (including the revenues and expenses related to the transactions made with the other parts of the enterprise),
- whose operating results are regularly monitored by the authorities with the power to make decisions related to the operations of the enterprise in order to make decisions related to the funds to be allocated to the segment and to evaluate the performance of the segment, and
- which has its separate financial information.

Information on the Group's activity segmentation is given in Part Four Note XI.

**XXVII. Explanations on Other Issues**

None.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## PART FOUR: INFORMATION ON THE FINANCIAL STRUCTURE

## I. Explanations on Consolidated Capital Adequacy Standard Ratio

The Group's and the Parent Bank's capital adequacy standard ratios are 14.11% and 14.07% respectively. Bank-Only and consolidated capital adequacy standard ratios are calculated by risk weighting of risk-weighted assets and non-cash loans in accordance with the ratios in the relevant legislation, and by adding the Value at Market Risk which is determined by the Standard Method, and the Value at Operational Risk which is determined by the Basic Indicator Approach, to the risk-weighted assets.

## Information related to the Parent Bank's capital adequacy ratio:

	Risk Weights						
	Bank Only						
	0%	10%	20%	50%	100%	150%	200%
<b>Value at Credit Risk</b>							
<b>Balance Sheet Items (Net)</b>	<b>31,139,072</b>		<b>2,874,638</b>	<b>17,454,001</b>	<b>75,411,974</b>	<b>1,340,825</b>	<b>2,905,123</b>
Cash	1,231,348		116				
Securities in Redemption							
Balances with the Central Bank of Turkey	5,689,128						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches			2,010,947		242,952		
Interbank Money Market Placements	43,127						
Receivables from Reverse Repo Transactions							
Reserve Deposits	6,816,313						
Loans	3,270,203		442,100	17,081,852	65,183,980	1,340,825	2,905,123
Non-performing Loans (Net)							
Lease Receivables							
Financial Assets Available for Sale							
Investments Held to Maturity	11,752,085				20,322		
Receivables From Installment Sale of Assets					55		
Miscellaneous Receivables					1,119,947		
Interest and Income Accruals	1,735,986		23,012	372,149	799,774		
Investments in Associates, Subsidiaries and Jointly-Controlled Entities (Net)					6,275,017		
Tangible Assets					1,735,806		
Other Assets	600,882		398,463		34,121		
<b>Off Balance Sheet Items</b>	<b>128,098</b>		<b>2,447,221</b>	<b>781,943</b>	<b>22,011,235</b>		
Non-cash Loans and Commitments	128,098		1,388,564	781,943	21,684,253		
Derivative Financial Instruments			1,058,657		326,982		
<b>Non- Risk-Weighted Accounts</b>							
<b>Total Risk Weighted Assets</b>	<b>31,267,170</b>		<b>5,321,859</b>	<b>18,235,944</b>	<b>97,423,209</b>	<b>1,340,825</b>	<b>2,905,123</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Information related to consolidated standard capital adequacy ratio:

	Risk Weights						
	Consolidated						
	0%	10%	20%	50%	100%	150%	200%
<b>Value at Credit Risk</b>							
<b>Balance Sheet Items (Net)</b>	<b>33,850,452</b>		<b>6,382,662</b>	<b>18,878,374</b>	<b>86,157,715</b>	<b>1,340,833</b>	<b>2,905,132</b>
Cash	1,260,258		116				
Securities in Redemption							
Balances with the Central Bank of Turkey	5,696,981						
Balances with Domestic and Foreign Banks, Foreign Head Offices and Branches	133,188		4,319,050		284,949		
Interbank Money Market Placements	43,127						
Receivables from Reverse Repo Transactions	7,949						
Reserve Deposits	6,929,222						
Loans	3,317,629		1,269,131	18,287,871	70,555,803	1,340,833	2,905,132
Non-performing Loans (Net)							
Lease Receivables	2,519		5,609	107,462	1,240,810		
Financial Assets Available for Sale (1)	1,768,150		44,753				
Investments Held to Maturity	11,948,996				20,322		
Receivables From Installment Sale of Assets					293		
Miscellaneous Payables			301,765		5,601,704		
Interest and Income Accruals	1,931,251		43,775	483,041	1,057,693		
Investments in Associates, Subsidiaries and Jointly-Controlled Entities (Net)					3,904,633		
Tangible Assets					3,076,518		
Other Assets	811,182		398,463		414,990		
<b>Off Balance Sheet Items</b>	<b>149,950</b>		<b>5,364,312</b>	<b>844,787</b>	<b>23,083,205</b>		
Non-cash Loans and Commitments	149,950		4,232,807	844,787	22,733,364		
Derivative Financial Instruments			1,131,505		349,841		
<b>Non- Risk-Weighted Accounts</b>							
<b>Total Risk Weighted Assets</b>	<b>34,000,402</b>		<b>11,746,974</b>	<b>19,723,161</b>	<b>109,240,920</b>	<b>1,340,833</b>	<b>2,905,132</b>

(1) Total amount of the financial assets available-for-sale is composed of marketable securities blocked on behalf of insured clients of Anadolu Hayat Emeklilik A.Ş. (Private Pension), one of the Group companies.

## Summary information about the consolidated standard capital adequacy standard ratio:

	Bank-Only		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Value at Credit Risk (VaCR)	115,427,036	80,616,131	129,273,410	89,837,922
Value at Market Risk (VaMR)	5,773,788	5,525,375	8,217,200	7,608,263
Value at Operational Risk (VaOR)	11,275,425	10,715,692	12,726,641	12,813,313
Shareholders' Equity	18,643,083	16,995,505	21,199,045	19,350,844
Shareholders' Equity/(VaCR+VaMR+VaOR)*10	14.07	17.55	14.11	17.55



## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Information about the consolidated shareholders' equity items:

	Current Period	Prior Period
<b>CORE CAPITAL (TIER I)</b>		
Paid-In Capital	4,500,000	4,500,000
Nominal Capital	4,500,000	4,500,000
Capital Commitments (-)		
Paid-in Capital Inflation Adjustments	1,615,938	1,615,938
Share Premium	33,937	33,937
Share Cancellation Profits		
Legal Reserves	1,838,830	1,610,119
I. Legal Reserve (Turkish Commercial Code 466/1)	1,497,181	1,337,990
II. Legal Reserve (Turkish Commercial Code 466/2)	341,648	272,128
Other Legal Reserve Per Special Legislation	1	1
Statutory Reserves	39,586	28,293
Other Profit Reserves	110,322	-32,835
Extraordinary Reserves	6,186,784	4,312,543
Reserves Allocated by the General Assembly	5,753,686	3,858,274
Retained Earnings	433,098	454,269
Accumulated Loss		
Exchange Rate Differences on Foreign Currency Share Capital		
Legal, Statutory and Extraordinary Reserves Inflation Adjustments		
Profit	2,179,515	3,028,597
Current Period Profit (1)	2,271,539	2,939,156
Prior Periods' Profit	-92,024	89,441
Provision for Possible Losses (up to 25% of the Core Capital)	950,000	950,000
Gain on Sale of Associates, Subsidiaries and Real Estates	176,480	
Primary Subordinated Loans (up to 15% of the Core Capital)		
Minority Shares	2,451,829	2,419,552
Losses Excess of Reserves (-)		
Current Period Loss		
Prior Periods' Loss		
Leasehold Improvements (-)	121,550	116,201
Prepaid Expenses (-) (2)		311,696
Intangible Assets (-)	90,762	48,944
Deferred Tax Asset excess of 10% of the Core Capital (-)		
Limit Excesses as per Paragraph 3 of Article 56 of the Banking Law (-)		
Consolidated Surplus (Net) (-)	29,590	7,170
Total Core Capital	19,841,319	17,982,133
<b>SUPPLEMENTARY CAPITAL (TIER II)</b>		
General Loan Loss Provision	1,315,935	745,322
45% of Movables' Revaluation Reserve		
45% of Immovables' Revaluation Reserve		
Bonus Shares of Associates, Subsidiaries and Jointly-Controlled Entities (Joint Ventures)	-1,179	-1,179
Primary Subordinated Loans Excluding the Portion included in the Core Capital		
Secondary Subordinated Loan	75,400	77,500
45% of Marketable Securities Value Increase Fund (3)	304,177	558,666
Associates and Subsidiaries	637,384	413,285
Financial Assets Available for Sale	-333,207	145,381
Capital Reserves, Profit Reserves and Prior Periods' Profit/Loss Inflation Adjustments (excluding the inflation adjustments to legal reserves, status reserves and extraordinary reserves)		
Minority Shares	3,667	104,243
Total Supplementary Capital	1,698,000	1,484,552
<b>TIER III CAPITAL</b>		
<b>CAPITAL</b>	<b>21,539,319</b>	<b>19,466,685</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>340,274</b>	<b>115,841</b>
Investments in Unconsolidated Banks and Financial Institutions		3,150
Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated loan and debt instruments purchased from such parties qualified as primary or secondary subordinated loan		
Investments in Banks and Financial Institutions, to which Equity Method has been applied but whose Assets and Liabilities are Unconsolidated	74,405	64,563
Loans granted against the articles 50 and 51 of the Banking Law	326	
Net book values of immovables exceeding 50% of the capital and of assets acquired against Overdue receivables and held for sale as per article 57 of the Banking Law but retained more than five years	66,334	48,128
Others (4)	199,209	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>21,199,045</b>	<b>19,350,844</b>

(1) Difference between the effective and direct shareholding was TL 46,812 in the current period. (31 December 2010: TL 32,256)

(2) As per the "Regulation Amending the Regulation on Equities of Banks", published on the Official Gazette dated 10 March 2011 and nr. 27870, "Prepaid Expenses" have been removed from the items deducted from the core capital.

(3) According to the related regulation, when calculating the supplementary capital, total balance amount is taken into consideration if the items subject to the Marketable Securities Value Increase Fund have a negative balance, and 45% of the balance amount is taken into consideration if their balance is positive.

(4) It includes the deductions from the capital in accordance with the decision of the Banking Regulation and Supervision Agency dated 16 December 2010 and nr. 3980, published on the Official Gazette dated 18 December 2010 and nr. 27789.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## II. Explanations on Credit Risk

1. Credit risk is defined as the possibility of incurring loss where the counterparty in a transaction, partially or completely fails to meet its contractual obligations in due time in an agreement with the Group.

Banks and financial institutions affiliated to the Group, carry out their placement activities in accordance with the credit limitations stipulated by legal regulations of the countries in which they operate.

The Parent Bank's position against the credit risk limits defined by the current legislation is monitored by the Board. Within this framework, loans extended to Risk Groups and the Parent Bank's Risk Group, including the Parent Bank; loans in high amounts and limitations regarding the shares in participations are monitored according to the limits determined in connection with the size of the shareholders' equity calculated on a bank-only and consolidated basis.

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorization limits of Branches, Regional Offices, Loan Divisions, the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and the Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk.

The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey.

The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense.

The credit-worthiness of customers is monitored on a consistent basis by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation.

The Parent Bank and its financial affiliates give utmost importance to ensure that loans are furnished with collaterals. Most of the loans extended are collateralized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantees.

2. There are certain control limits on forward transactions in terms of counter parties, and the risks taken for derivative instruments are evaluated along with other potential risks resulting from the market fluctuations.

3. As a result of the current level of customers' needs and the progress in the domestic derivatives market in this particular area, the Parent Bank uses derivative transactions either for hedging or for commercial purposes.

Derivative instruments, which consist a remarkable volume, are monitored with consideration that they can always be liquidated in case of need.

4. Indemnified non-cash loans are considered as having the same risk weights as unpaid cash loans.

The rating and scoring systems applied by the Parent Bank, includes detailed company analysis and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system. Specialized loans are evaluated by a special rating system, which is based on the credibility of the counterparty as well as the feasibility and risk analysis of the cash flows created mainly by the projects undertaken or the asset financed.

5. Lending transactions abroad are conducted by determining the country risks of related countries within the context of the current rating system and by taking the market conditions, country risks, and the relevant legal limitations into account. Furthermore, the credibility of banks and other financial institutions established abroad is examined within the framework of the rating system that has been developed and credit limits are assigned to the related banks and financial institutions accordingly.

6. (i) The share of the Group's receivables from the top 100 cash loan customers in the overall cash loan portfolio stands at 24% (31.12.2010: 26%).  
 (ii) The share of the Group's receivables from the top 100 non-cash loan customers in the overall non-cash portfolio stands at 48% (31.12.2010: 44%).  
 (iii) The share of the Group's cash and non-cash receivables from the top 100 credit customers in the overall assets and non-cash loans stands at 14% (31.12.2010: 13%).

Companies that are among the top 100 loan customers ranked according to cash, non-cash and total risks are leaders in their own sectors, the loans advanced to them are in line with their volume of industrial and commercial activity. A significant part of such loans is extended on a project basis, with their repayment sources being analyzed in accordance with the banking principles to be considered as satisfactory, and associated risks are determined and duly covered by obtaining appropriate guarantees when deemed necessary.

7. The total value of the general provisions allocated for credit risk carried by the Group stands at TL 1,315,935.

8. The Parent Bank measures the quality of its loan portfolio by applying different rating/scoring models on cash commercial/corporate loans, retail loans and credit cards. The breakdown of the rating/scoring results, which are classified as "Strong", "Standard" and "Below Standard" by considering their default features, is shown below.

The loans whose borrowers' capacity to fulfill their obligations is very good, are defined as "Strong", whose borrowers' capacity to fulfill its obligations in due time is reasonable, are defined as "Standard" and whose borrowers' capacity to fulfill their obligations is poor, are defined as "Below Standard".

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

	Current Period	Prior Period
Strong	34.26%	29.13%
Standard	55.06%	55.96%
Below Standard	8.74%	10.29%
Not Rated/Scored	1.94%	4.62%

The table data comprises application rating/scoring results and in case the behavior rating/scoring results are taken into account, for the current period, strong becomes 40.39%, standard 49.68%, below standard 4.82% and not rated/scored becomes 5.11%.

9. The net values of the collaterals of the Group's closely monitored loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage (1)	583,715	583,715	707,471	707,471
Vehicle Pledge	80,584	80,584	103,281	103,281
Cash Collateral (Cash provisions, securities pledge, etc.)	11,216	11,216	6,269	6,269
Pledge on Wages	72,823	72,823	46,991	46,991
Cheques & Notes	18,299	18,299	17,486	17,486
Other (Suretyships, commercial enterprise under pledge, commercial papers, etc.)	86,077	86,077	85,805	85,805
Interest and Income Accruals		629,600		560,395
<b>Total</b>	<b>852,714</b>	<b>1,482,314</b>	<b>967,303</b>	<b>1,527,698</b>

(1) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports; and after comparing the results to the mortgage/pledge amounts and loan balances, the smallest figures are considered to be the net value of collaterals.

10. The net values of the collaterals of the Group's non-performing loans are given below in terms of collateral types and risk matches.

Type of Collateral	Current Period		Prior Period	
	Net Value of the Collateral	Loan Balance	Net Value of the Collateral	Loan Balance
Real Estate Mortgage (1)	471,143	471,143	512,014	512,014
Cash Collateral	551	551	54	54
Vehicle Pledge	91,382	91,382	137,220	137,220
Other (suretyships, commercial enterprise under pledge, commercial papers, etc.)	74,476	74,476	63,980	63,980

(1) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair values of collaterals in expertise reports, and after comparing the results to the mortgage/pledge amounts and loan balances the smallest figures are considered to be the net value of collaterals.

11. The aging analysis of the loans past due but not impaired in terms of financial asset classes, is as follows:

Current Period	31-60 Days	61-90 Days	Total
Loans: (1)	164,310	111,586	275,896
Corporate/Commercial Loans (2)	19,851	15,308	35,159
Consumer Loans (2)	22,548	10,710	33,258
Credit Cards	121,911	85,568	207,479
Lease Receivables (3)	1,746	1,341	3,087
Insurance Receivables	12,625	4,095	16,720
<b>Total</b>	<b>178,681</b>	<b>117,022</b>	<b>295,703</b>

(1) The balance of loans, which are not past due or which are classified under closely monitored although being past due for less than 31 days, stands at TL 789,596.

(2) Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 229,459 and TL 210,091 respectively.

(3) Includes only overdue installments, the principal amount which is not due as of the balance sheet date is TL 160,540.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Prior Period	31-60 Days	61-90 Days	Total
Loans: (1)	179,849	88,044	267,893
Corporate/Commercial Loans (2)	94,942	31,142	126,084
Consumer Loans (2)	26,038	13,633	39,671
Credit Cards	58,869	43,269	102,138
Lease Receivables (3)	11,312	905	12,217
Insurance Receivables	42,573	3,386	45,959
<b>Total</b>	<b>233,734</b>	<b>92,335</b>	<b>326,069</b>

(1) The balance of loans, which are not past due or which are classified under closely monitored although being past due for less than 31 days, stands at TL 824,561.

(2) Related figures show only overdue amounts of installment based commercial loans and installment based consumer loans; the principal amounts of the loans which are not due as of the balance sheet date are equal to TL 274,745 and TL 185,211 respectively.

(3) Includes only overdue installments, the principal amount which is not due as of the balance sheet date is TL 180,829.

## 12. Credit risk by types of borrowers and geographical concentration:

	Loans to Individuals and Entities		Loans to Banks and Other Financial Institutions		Securities (1)		Other Loans (2)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Borrowers' Concentration</b>								
Private Sector	67,869,961	44,384,911	1,877,718	1,814,428	644,601	488,322	46,252,431	27,093,054
Public Sector	2,051,990	1,551,512			45,108,289	48,439,647	231,091	140,384
Banks			1,386,173	1,426,959	2,743,532	2,568,227	39,830,239	28,793,156
Retail Customers	25,842,280	19,899,994					15,942,519	15,760,930
Share Certificates					224,508	318,135	3,979,037	3,541,421
<b>Geographical Concentration</b>								
Domestic	93,444,369	64,838,414	3,095,433	2,872,166	46,020,459	48,252,332	70,661,980	50,847,605
European Union (EU)	1,330,275	404,173	24,491	335,824	2,501,207	3,469,887	32,805,808	22,558,303
OECD Countries (3)	9,885	8,680		232		4,261	1,513,985	951,303
Off-Shore Banking Regions	22,982	42,540		376	147,470	50,761	114	116,490
USA, Canada	11,721	157	2,092		15,194	13,981	478,837	132,258
Other Countries	944,999	542,453	141,875	32,789	36,600	23,109	774,593	722,986
<b>Total</b>	<b>95,764,231</b>	<b>65,836,417</b>	<b>3,263,891</b>	<b>3,241,387</b>	<b>48,720,930</b>	<b>51,814,331</b>	<b>106,235,317</b>	<b>75,328,945</b>

(1) Includes financial assets at fair value through profit or loss, financial assets available for sale and investments held to maturity.

(2) Includes banks, money market placements, non-cash loans, commitments qua loans, investments in associates and subsidiaries, finance lease receivables, factoring receivables and derivative instruments.

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

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 13. Information on geographical concentration:

	Assets (1)	Liabilities(2)	Non-Cash Loans	Fixed Capital Investments (1)	Net Profit
<b>Current Period</b>					
Domestic	171,936,752	129,864,717	25,617,017	67,930	2,086,284
European Union Countries	5,449,666	25,180,209	1,098,853	3,104 (3)	19,855
OECD Countries (4)	504,033	521,521	98,567		224
Off-Shore Banking Regions	170,746	45,640			141,927
USA, Canada	272,011	5,346,079	26,766		
Other Countries	1,552,697	2,667,095	367,028		23,249
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)				3,978,891	
Unallocated Assets/Liabilities					
<b>Total</b>	<b>179,885,905</b>	<b>163,625,261</b>	<b>27,208,231</b>	<b>4,049,925</b>	<b>2,271,539</b>
<b>Prior Period</b>					
Domestic	138,826,900	107,292,661	15,154,854	69,250	3,083,163
European Union Countries	6,501,105	19,441,327	712,725	2,957 (3)	13,179
OECD Countries (4)	656,183	373,406	89,942		6,888
Off-Shore Banking Regions	134,726	53,187			-197,152
USA, Canada	99,306	2,671,887	31,868		
Other Countries	978,888	1,991,613	440,626		33,078
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)				3,541,421	
Unallocated Assets/Liabilities					
<b>Total</b>	<b>147,197,108</b>	<b>131,824,081</b>	<b>16,430,015</b>	<b>3,613,628</b>	<b>2,939,156</b>

(1) The sum of assets and fixed capital investments reflect total assets in the balance sheet.

(2) Among Liabilities, the Shareholders' Equity items are not taken into consideration.

(3) The balance indicates our subsidiaries and other capital investments in EU countries.

(4) OECD countries other than EU countries, the USA, and Canada.

## 14. Sector concentration of cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	886,682	1.47	39,471	0.10	642,584	1.42	32,251	0.14
Farming and Raising Livestock	731,791	1.21	32,735	0.08	526,154	1.16	14,718	0.06
Forestry	111,275	0.18	354		84,497	0.19	9,568	0.04
Fishing	43,616	0.08	6,382	0.02	31,933	0.07	7,965	0.04
Industry	10,540,162	17.45	17,573,645	45.49	7,868,228	17.38	11,060,907	46.45
Mining	273,509	0.45	397,897	1.03	210,553	0.47	202,688	0.85
Production	9,325,341	15.44	11,312,766	29.28	6,982,853	15.43	7,601,737	31.92
Electricity, gas, and water	941,312	1.56	5,862,982	15.18	674,822	1.48	3,256,482	13.68
Construction	2,988,477	4.95	2,175,630	5.63	2,052,451	4.53	1,293,853	5.43
Services	20,276,530	33.57	16,257,317	42.08	14,838,562	32.78	9,612,109	40.37
Wholesale and Retail Trade	10,641,213	17.62	3,233,678	8.37	7,466,200	16.49	2,106,047	8.84
Hotel, Food and Beverage Services	655,071	1.08	1,554,015	4.02	522,347	1.15	590,653	2.48
Transportation and Telecommunication	3,727,139	6.17	4,641,859	12.01	2,493,539	5.51	2,835,700	11.91
Financial Institutions	2,325,654	3.85	2,644,231	6.84	1,891,803	4.18	2,372,923	9.97
Real Estate and Renting Services	1,334,915	2.21	2,739,172	7.09	1,218,806	2.69	1,098,218	4.61
Self-Employment Services	875,178	1.45	1,078,287	2.79	686,831	1.52	277,278	1.16
Education Services	245,307	0.41	218,554	0.57	190,410	0.42	206,677	0.87
Health and Social Services	472,053	0.78	147,521	0.39	368,626	0.82	124,613	0.53
Other	25,701,265	42.56	2,588,943	6.70	19,863,735	43.89	1,813,124	7.61
<b>Total</b>	<b>60,393,116</b>	<b>100.00</b>	<b>38,635,006</b>	<b>100.00</b>	<b>45,265,560</b>	<b>100.00</b>	<b>23,812,244</b>	<b>100.00</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## III. Explanations on Market Risk:

The market risk carried by the Group is measured by two separate methods known respectively as the Standard Method and the Value at Risk (VAR) Method in accordance with the local regulations adopted from internationally accepted practices. In this context, interest rate risk emerges as the most important component of the market risk.

The consolidated market risk measurements are carried out on a quarterly basis, using the Standard Method, and the results are taken into consideration in the computation of the capital adequacy standard ratio.

The VAR Method is another alternative for the Standard Method in measuring and monitoring market risk carried by the Parent Bank. This model is used to measure the market risk on a daily basis in terms of interest rate risk, exchange rate risk and equity share risk and is a part of the Parent Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

Scenario analyses which support the VAR method used to measure the losses that may occur in the ordinary market conditions are conducted, and the possible impacts of scenarios that are developed based on the future predictions and the past crises, on the value of the Parent Bank's portfolio are determined and the results are reported to the Top Executive Management. Financial participations also make VAR calculations within the frame determined by the Parent Bank, and the results are reported to the Top Executive Management.

The limits set for the market risk management within the framework of the Parent Bank's asset liability management risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions.

The following table shows details of the market risk calculations carried out with the "Standard Method for Market Risk Measurement" and within the context of "Regulation for Evaluating and Measuring the Capital Adequacy of Banks" as of 31 December 2011.

## a. Information on the market risk:

	Amount
(I) Capital Obligation against for General Market Risk – Standard Method	279,204
(II) Capital Obligation against for Specific Risk – Standard Method	94,622
(III) Capital Obligation against for Currency Risk – Standard Method	280,160
(IV) Capital Obligation against for Stocks Risk – Standard Method	3,312
(V) Capital Obligation against for Exchange Risk – Standard Method	
(VI) Capital Obligation against for Market Risk of Options – Standard Method	78
(VII) Capital Obligation against for Market Risks of Banks Applying Risk Measurement Models	
(VIII) Total Capital Obligation against for Market Risk (I+II+III+IV+V+VI)	657,376
(IX) Value at Market Risk (12.5 x VIII) or (12.5 x VII)	8,217,200

## b. Table of the average market risk related to the market risk calculated quarterly during the period:

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	298,194	296,975	279,700	335,129	297,327	364,647
Share Certificate Risk	79,977	92,301	78,564	53,224	79,461	40,569
Currency Risk	266,999	276,255	237,701	183,344	190,081	147,072
Commodity Risk	6,206	17,456	2,643	9,303	35,398	247
Settlement Risk						
Options Risk	8,381	11,487	10,617	2,236	6,394	457
<b>Total Value at Risk</b>	<b>8,246,960</b>	<b>8,680,925</b>	<b>7,615,313</b>	<b>7,290,438</b>	<b>7,608,263</b>	<b>6,912,400</b>



## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**IV. Explanations on Operational Risk**

Operational risk is defined in general as "the risk of loss that may be arising from inadequate or ineffective internal processes, people, systems or other external factors".

The classification of operational risks that might be encountered by the Parent Bank during the activities is followed by preparing the "Risk Catalog of the Bank". This Risk Catalogue is the basis to be used in the definition and classification of all risks that may be exposed to and is updated parallel to the changing conditions.

The principles on specifying, defining, evaluating, measuring, monitoring, controlling and reporting the operational risk and the responsibilities regarding operational risk management are stated in the "Operational Risk Policy".

In the assessment of operational risk, "Self-Assessment Methodology" is applied. This method requires identifying the risks through the participation of the personnel who is responsible for undertaking the operation. Both qualitative and quantitative methods are used in the measurement and evaluation of operational risk. Information derived from the "Impact-Likelihood Analysis" and "Lost Case Data Analysis" is used in the measurements.

All the operational risks that are carried during the operations, the risk levels of the operations and/or new products/services, together with the losses of the Parent Bank arising from operational risks are regularly monitored by the Bank's Risk Management Division, and if deemed necessary, the risk levels are updated and periodically reported to the Risk Committee and the Board of Directors.

The operational risk, to which the Group is exposed, is measured using the Basic Indicator Approach in which the average of 15% of the year-end gross income of the last three years is multiplied by 12.5, in line with the domestic regulations. The operational risk amount used for the current period is TL 12,726,641 (31 December 2010: TL 12,813,313).

**V. Explanations on Currency Risk**

The currency risk for the Group is a result of the difference between the Group's assets denominated in and indexed to foreign currencies and liabilities denominated in foreign currencies. On the other hand, parity fluctuations of different foreign currencies are also another element of the currency risk.

The currency risk for the Parent Bank is managed by the internal currency risk limits which are established as a part of the Bank's risk policies. The Assets and Liabilities Committee and the Assets and Liabilities Management Unit meet regularly to take the necessary decisions for hedging exchange rate and parity risks, within the limits of "Net FC Overall Position/Shareholders' Equity" ratio, which is a part of the legal requirement, and the internal currency risk limits specified by the Board of Directors and decisions made on such compliance are strictly applied.

In measuring currency risk, which the Group is exposed to, both the Standard Method and the Value at Risk Model (VAR) are used as applied in the statutory reporting.

Measurements made for the Parent Bank within the scope of the Standard Method are carried out on a monthly basis and form the basis of determining the capital requirement for hedging exchange rate risk.

Risk measurements made within the context of the VAR are made on a daily basis using the historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the calculations made within the VAR context.

The results of the measurements made on exchange rate risk are reported to the Top Management and the risks are closely monitored by taking into account the market and the economic conditions.

**Foreign Exchange Buying Rates of the Parent Bank at the Date of the Balance Sheet and For the 5 Working Days Prior to the Related Date:**

Date	USD	EUR	JPY
31.12.2011	1.8800	2.4327	0.0244
30.12.2011	1.8800	2.4327	0.0244
29.12.2011	1.9100	2.4670	0.0246
28.12.2011	1.9000	2.4618	0.0244
27.12.2011	1.8930	2.4740	0.0243
26.12.2011	1.8850	2.4629	0.0242

**The Bank's average FC buying rate over a period of thirty days preceding the date of the financial statement:**

USD: TL 1.8414    EUR: TL 2.4226    JPY: TL 0.0237

**Sensitivity to currency risk:**

The Group's sensitivity to any potential change in foreign currency rates has been analyzed. Within this framework, 10% change is anticipated in USD, EUR and GBP currencies and the possible impact of the related change is presented below. 10% is the ratio that is used in the internal reporting of the Parent Bank.

	% Change in Foreign Currency	Effects on Profit/Loss (1)	
		Current Period	Prior Period
USD	10% increase	236,031	224,241
	10% decrease	-236,031	-224,241
EUR	10% increase	-92,892	-10,908
	10% decrease	92,892	10,908
GBP	10% increase	105,295	8,588
	10% decrease	-105,295	-8,588

(1) Indicates the values before tax.



## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Information on currency risk:

	EUR	USD	JPY	Other FC	Total
<b>Current Period</b>					
<b>Assets</b>					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	7,120,303	209,429	1,393	1,485,363	8,816,488
Banks	1,297,853	2,060,294	7,558	779,740	4,145,445
Financial Assets at Fair Value through Profit/Loss (1)	133,572	588,479			722,051
Money Market Placements	24,333	18,808			43,141
Financial Assets Available for Sale	794,618	10,525,124		18,416	11,338,158
Loans (2)	14,910,053	27,812,177	78,956	560,040	43,361,226
Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	147				147
Investments Held to Maturity	2,000	6,220		5,588	13,808
Derivative Financial Assets Held for Risk Management					
Tangible Assets (1)	41,765	345		38,207	80,317
Intangible Assets (1)					
Other Assets (1)	910,475	1,337,160	2,686	94,989	2,345,310
<b>Total Assets</b>	<b>25,235,119</b>	<b>42,558,036</b>	<b>90,593</b>	<b>2,982,343</b>	<b>70,866,091</b>
<b>Liabilities</b>					
Banks Deposits	525,148	658,934	35	340,012	1,524,129
Foreign Currency Deposits (3)	15,436,066	18,491,295	21,655	3,971,506	37,920,522
Money Market Funds	252,339	5,795,216		297	6,047,852
Funds Provided from Other Financial Institutions	7,727,081	10,603,867		1,176	18,332,124
Marketable Securities Issued		943,451			943,451
Miscellaneous Payables	325,996	342,577	903	15,195	684,671
Derivative Financial Liabilities Held for Risk Management					
Other Liabilities (1) (4)	617,141	1,588,811	587	22,250	2,228,789
<b>Total Liabilities</b>	<b>24,883,771</b>	<b>38,424,151</b>	<b>23,180</b>	<b>4,350,436</b>	<b>67,681,538</b>
<b>Net On Balance Sheet Position</b>	<b>351,348</b>	<b>4,133,885</b>	<b>67,413</b>	<b>-1,368,093</b>	<b>3,184,553</b>
<b>Net Off Balance Sheet Position</b>	<b>-1,379,556</b>	<b>-2,501,096</b>	<b>-69,532</b>	<b>2,008,634</b>	<b>-1,941,550</b>
Derivative Financial Assets (5)	3,938,413	7,695,358	19,169	2,969,169	14,622,109
Derivative Financial Liabilities (5)	5,317,969	10,196,454	88,701	960,535	16,563,659
Non-Cash Loans	4,795,124	11,462,513	536,469	173,858	16,967,964
<b>Prior Period</b>					
Total Assets	17,568,911	29,665,507	95,589	1,039,589	48,369,596
Total Liabilities	19,463,969	27,877,636	18,487	1,642,336	49,002,428
<b>Net Balance Sheet Position</b>	<b>-1,895,058</b>	<b>1,787,871</b>	<b>77,102</b>	<b>-602,747</b>	<b>-632,832</b>
<b>Net Off Balance Sheet Position</b>	<b>1,667,765</b>	<b>-191,231</b>	<b>-434,439</b>	<b>726,090</b>	<b>1,768,185</b>
Derivative Financial Assets	3,338,772	6,534,570	159,432	867,892	10,900,666
Derivative Financial Liabilities	1,671,007	6,725,801	593,871	141,802	9,132,481
Non-Cash Loans	2,872,054	6,359,712	226,254	78,503	9,536,523

(1) In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position/Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Derivative Financial Instruments Foreign Currency Income Accruals (TL 259,269), Operating Lease Development Costs (TL 2,898), Prepaid Expenses and Taxes (TL 25,068), Intangible Assets (TL 511) in assets and General Reserves (TL 6,126), Derivative Financial Instruments Foreign Currency Expense Accruals (TL 233,436) and Shareholders' Equity (TL 222,708) in liabilities are not taken into consideration in the currency risk measurement.

(2) Includes foreign currency indexed loans, which are followed under TL account. Of the total amount of TL 4,723,449 of the aforementioned loans; TL 2,241,966 is USD indexed, TL 2,387,355 is EUR indexed, TL 19,006 is CHF indexed, TL 1,783 is GBP indexed, TL 73,329 is JPY indexed and TL 10 is CAD indexed. The balances include factoring receivables.

(3) The item includes TL 2,479,052 precious metals deposit accounts.

(4) The borrowed funds are written under the "Other Liabilities" item according to their type of currency.

(5) The derivative transactions are taken into consideration within the context of the forward foreign currency trading definitions in the above mentioned Regulation.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## VI. Explanations on Interest Rate Risk

"Interest Rate Risk" is defined as the decrease that can arise in the value of the interest sensitive assets, liabilities and off-balance sheet operations a result of interest rate fluctuations. The method of average maturity gap according to the repricing periods is used for measuring the interest rate risk arising from the banking accounts, whereas the interest rate risk related to interest sensitive financial instruments followed under trading accounts is assessed within the scope of market risk.

Potential effects of interest rate risk on the Parent Bank's assets and liabilities, market developments, the general economic environment and expectations are regularly covered in meetings of the Asset-Liability Committee, where further measures to reduce risk are taken when necessary.

The Parent Bank's on and off-balance sheet interest sensitive accounts other than the assets and liabilities exposed to market risk are monitored and controlled by the limits above the average maturity gaps according to the repricing periods determined by the Board within the scope of asset-liability management risk policy. Moreover, scenario analyses formed in line with the historical data and expectations are also used in the management of the related risk.

## Interest rate sensitivity:

In this part, the sensitivity of the Group's assets and liabilities to the interest rates has been analyzed assuming that the year-end balance figures were the same throughout the year.

During the measurement of the Group's interest rate sensitivity, the profit/loss on the asset and liability items that are evaluated with market value are determined by adding to/deducting from the difference between their current portfolio value and the portfolio value calculated by using the interest shock applied discount curve, the interest income to be additionally earned/to be deprived of during the one year period due to the repricing of the related portfolio.

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current market prices, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities having variable interest rates will be renewed at the end of repricing period with the market interest rates generated after the interest shock.

Within this context, ceteris paribus, the possible changes that may occur in the Group's profit and shareholders' equity in case of 1 point increase/decrease in TL and FC interest rates on the reporting day are given below.

Change in the Interest Rate (1)		Effect On Profit/Loss (2)		Effect on Equity (3)	
TL	FC (4)	Current Period	Prior Period	Current Period	Prior Period
1 point increase	1 point increase	-8,704	-335,903	-432,635	-123,967
1 point decrease	1 point decrease	54,620	186,788	468,226	130,193

(1) The effects on the profit/loss and shareholders' equity are stated with their before tax values.

(2) The effect on the profit/loss is mainly arising from the fact that the average maturity of the Group's fixed rate liabilities is shorter than the average maturity of its fixed rate assets.

(3) The effect on the shareholders' equity is arising from the change of the fair value of securities followed under the Group's Financial Assets Available for Sale.

(4) Due to the reason that the LIBOR rates were at low levels in both of the periods, the negative shock imposed on FC interest rates in some maturity brackets remained below the aforementioned rates.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods):

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5Years	5 Years and Over	Non-interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey						13,886,577	13,886,577
Banks	3,540,575	396,686	177,969			632,676	4,747,906
Financial Assets at Fair Value through Profit/Loss	360,682	632,102	612,954	466,464	18,691	327,228	2,418,121
Money Market Placements	168,514	3,099					171,613
Financial Assets Available for Sale	8,318,479	4,353,562	7,185,650	7,992,592	5,526,846	179,937	33,557,066
Loans (1)	29,213,471	12,910,751	22,689,655	28,343,345	6,268,035	7,518	99,432,775
Investments Held to Maturity	165,778	5,219,581	5,663,780	2,658,293			13,707,432
Other Assets	680,281	80,184	276,417	819,772	124,799	14,032,887	16,014,340
<b>Total Assets</b>	<b>42,447,780</b>	<b>23,595,965</b>	<b>36,606,425</b>	<b>40,280,466</b>	<b>11,938,371</b>	<b>29,066,823</b>	<b>183,935,830</b>
<b>Liabilities</b>							
Banks Deposits	1,317,405	605,107	168,195	28,222		258,798	2,377,727
Other Deposits	56,249,754	15,065,039	5,904,309	443,646	27,793	18,763,728	96,454,269
Money Market Funds	19,319,545	743,194	2,234,978	175,265			22,472,982
Miscellaneous Payables	431,558	934		2,330		6,726,899	7,161,721
Marketable Securities Issued	596,323	690,313	1,546,676	932,564			3,765,876
Funds Provided from Other Financial Institutions	8,587,216	6,293,359	3,634,995	117,978	240,727		18,874,275
Other Liabilities (2) (3)	218,812	743,576	1,117,686	85,160	8,486	30,655,260	32,828,980
<b>Total Liabilities</b>	<b>86,720,613</b>	<b>24,141,522</b>	<b>14,606,839</b>	<b>1,785,165</b>	<b>277,006</b>	<b>56,404,685</b>	<b>183,935,830</b>
Balance Sheet Long Position			21,999,586	38,495,301	11,661,365		72,156,252
Balance Sheet Short Position	-44,272,833	-545,557				-27,337,862	-72,156,252
Off Balance Sheet Long Position	2,701,724	5,670,393					8,372,117
Off Balance Sheet Short Position			-428,889	-7,320,355	-70,399		-7,819,643
<b>Total Position</b>	<b>-41,571,109</b>	<b>5,124,836</b>	<b>21,570,697</b>	<b>31,174,946</b>	<b>11,590,966</b>	<b>-27,337,862</b>	<b>552,474</b>

(1) The balances include factoring receivables.

(2) Shareholders' equity is shown in "non-interest bearing" column.

(3) The borrowed funds are written under the "Other Liabilities" item according to their maturities.

## Interest rate sensitivity of assets, liabilities and off balance sheet items (Based on repricing periods):

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	10,255					8,585,651	8,595,906
Banks	5,639,291	388,156	220,954	103		127,294	6,375,798
Financial Assets at Fair Value through Profit/Loss	174,849	326,835	509,869	385,480	18,103	421,974	1,837,110
Money Market Placements	8,008	2,186					10,194
Financial Assets Available for Sale	6,922,760	4,763,255	9,228,853	11,254,240	3,870,235	141,864	36,181,207
Loans (1)	22,537,114	8,685,280	13,354,530	20,469,885	4,345,039	17,276	69,409,124
Investments Held to Maturity	181,921	4,964,737	4,673,668	4,250,303			14,070,629
Other Assets	473,183	89,612	210,023	543,000	39,021	12,975,929	14,330,768
<b>Total Assets</b>	<b>35,947,381</b>	<b>19,220,061</b>	<b>28,197,897</b>	<b>36,903,011</b>	<b>8,272,398</b>	<b>22,269,988</b>	<b>150,810,736</b>
<b>Liabilities</b>							
Banks Deposits	1,906,272	442,449	101,842			276,588	2,727,151
Other Deposits	57,571,663	14,267,579	4,044,346	232,361	26,500	9,607,019	85,749,468
Money Market Funds	8,785,566	1,928,115	2,117,259	138,646			12,969,586
Miscellaneous Payables	312,937	100,246	615	1,359		5,531,095	5,946,252
Marketable Securities Issued		150,089	45,865				195,954
Funds Provided from Other Financial Institutions	4,303,961	5,562,894	4,390,579	59,292	19,730	24,356	14,360,812
Other Liabilities (2)	91,526	418,047	735,626	18,756	80	27,597,478	28,861,513
<b>Total Liabilities</b>	<b>72,971,925</b>	<b>22,869,419</b>	<b>11,436,132</b>	<b>450,414</b>	<b>46,310</b>	<b>43,036,536</b>	<b>150,810,736</b>
Balance Sheet Long Position			16,761,765	36,452,597	8,226,088		61,440,450
Balance Sheet Short Position	-37,024,544	-3,649,358				-20,766,548	-61,440,450
Off Balance Sheet Long Position	588,112	4,205,725	465,999				5,259,836
Off Balance Sheet Short Position				-6,643,586	-108,792		-6,752,378
<b>Total Position</b>	<b>-36,436,432</b>	<b>556,367</b>	<b>17,227,764</b>	<b>29,809,011</b>	<b>8,117,296</b>	<b>-20,766,548</b>	<b>-1,492,542</b>

(1) The balances include factoring receivables.

(2) Shareholders' equity is shown in "non-interest bearing" column.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Average interest rates applied to monetary financial instruments:

Current Period	EUR	USD	JPY	TL
	%	%	%	%
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	3.62	3.18		11.29
Financial Assets at Fair Value through Profit/Loss	4.10	7.70		10.97
Money Market Placements	4.38	3.88		11.11
Financial Assets Available for Sale	4.41	4.27		8.66
Loans	5.12	4.50	2.86	13.99
Investments Held to Maturity	0.75	7.42		13.13
<b>Liabilities</b>				
Banks Deposits	1.65	3.04		7.91
Other Deposits	2.78	3.41	0.04	8.45
Money Market Funds	1.71	2.23		9.38
Miscellaneous Payables				
Marketable Securities Issued		5.30		9.29
Funds	1.00	1.00		6.50
Funds Provided from Other Financial Institutions	1.55	1.37		10.71
<b>Prior Period</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
	%	%	%	%
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey				
Banks	1.26	0.34	0.02	8.73
Financial Assets at Fair Value through Profit/Loss	6.10	6.23		8.71
Money Market Placements				2.96
Financial Assets Available for Sale	2.32	4.39		8.43
Loans	4.42	3.70	4.26	12.89
Investments Held to Maturity	1.00	7.53		12.70
<b>Liabilities</b>				
Banks Deposits	1.11	2.16		6.96
Other Deposits	2.10	2.26	0.01	7.13
Money Market Funds	2.52	1.60		6.78
Miscellaneous Payables				
Marketable Securities Issued				8.34
Funds				
Funds Provided from Other Financial Institutions	1.81	1.44		7.20

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## VII. Explanations on Liquidity Risk

Liquidity risk can arise as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms.

The Bank's prevailing source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of the market conditions, the Bank's wide network of branches and steady core deposit base are its most important safeguards of the supply of funds. On the other hand, medium and long-term funds are acquired from institutions abroad.

In order to meet the liquidity requirements that may emerge from market fluctuations, considerable attention is paid to preserve liquid assets; efforts in this framework are supported by TL and FC cash flows projections. The term structure of TL and FC deposits, their costs and movements in the total amounts are monitored on a daily basis, also accounting for developments in former periods and expectations for the future. Based on cash flow projections, prices are differentiated for different maturities and thereby measures are taken to meet liquidity requirements; moreover liquidity that may be required for extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilization.

Furthermore, foreign currency and total liquidity adequacy ratios, which are subject to weekly legal reporting and calculated separately for 7 and 31 days following the reporting date, and the liquidity adequacy ratios that are calculated based on the stress scenarios built internally by the Bank, are used effectively to manage the liquidity risk.

Evaluated within the framework of the Bank's asset-liability management risk policy, the limits determined related to the liquidity risk management are monitored by the Risk Committee and in case of extraordinary situations where a quick action should be taken due to the unfavorable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

As per the Communiqué on "Measurement and Assessment of the Adequacy of Banks' Liquidity", the liquidity ratios that are measured for terms of 7 and 31 days should not be less than 80% and 100%, respectively. Foreign currency liquidity adequacy ratio means the ratio of foreign currency assets to foreign currency liabilities and the total liquidity adequacy ratio mean the ratio of total assets to total liabilities. The highest, lowest and average liquidity adequacy ratios of the Parent Bank in the year 2011 with their prior year comparatives are given below.

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	153.51	179.24	97.51	130.64
Highest (%)	213.52	271.05	116.48	170.87
Lowest (%)	115.11	122.44	82.60	107.70

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	207.03	272.95	121.08	165.93
Highest (%)	325.24	394.48	145.69	219.33
Lowest (%)	157.78	209.63	100.40	142.41

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Presentation of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated (1)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	6,957,355	6,896,233			32,989			13,886,577
Banks	762,500	3,458,237	349,200	165,863	12,106			4,747,906
Financial Assets at Fair Value through Profit/Loss	327,228	319,324	372,673	405,370	848,557	144,969		2,418,121
Money Market Placements		171,613						171,613
Financial Assets Available for Sale	179,937	2,073,613	746,976	4,040,293	12,550,007	13,966,240		33,557,066
Loans (2)	9,689,446	12,347,813	7,177,476	23,253,529	36,955,939	10,008,572		99,432,775
Investments Held to Maturity			2,083,131	981,113	10,622,359	20,829		13,707,432
Other Assets	70,997	1,236,680	101,653	286,991	942,272	124,799	13,250,948	16,014,340
<b>Total Assets</b>	<b>17,987,463</b>	<b>26,503,513</b>	<b>10,831,109</b>	<b>29,133,159</b>	<b>61,964,229</b>	<b>24,265,409</b>	<b>13,250,948</b>	<b>183,935,830</b>
<b>Liabilities</b>								
Bank Deposits	270,076	1,306,127	605,107	168,195	28,222			2,377,727
Other Deposits	18,784,355	56,223,747	15,063,175	5,910,652	444,547	27,793		96,454,269
Funds Provided from Other Financial Institutions		736,103	1,352,236	7,494,821	5,374,570	3,916,545		18,874,275
Money Market Funds		18,329,793	434,810	2,626,234	338,419	743,726		22,472,982
Marketable Securities Issued		596,323	540,313	1,546,676	1,082,564			3,765,876
Miscellaneous Payables	3,687,466	3,346,749	37,610	42,476	47,420			7,161,721
Other Liabilities (3)		1,222,163	888,026	1,120,245	87,535	8,568	29,502,443	32,828,980
<b>Total Liabilities</b>	<b>22,741,897</b>	<b>81,761,005</b>	<b>18,921,277</b>	<b>18,909,299</b>	<b>7,403,277</b>	<b>4,696,632</b>	<b>29,502,443</b>	<b>183,935,830</b>
<b>Liquidity Gap</b>	<b>-4,754,434</b>	<b>-55,257,492</b>	<b>-8,090,168</b>	<b>10,223,860</b>	<b>54,560,952</b>	<b>19,568,777</b>	<b>-16,251,495</b>	
<b>Prior Period</b>								
Total Assets	17,067,943	22,306,845	7,431,896	24,046,825	57,250,014	14,643,770	8,063,443	150,810,736
Total Liabilities	18,969,766	66,189,031	17,984,537	12,179,597	4,773,627	3,569,264	27,144,914	150,810,736
<b>Liquidity Gap</b>	<b>-1,901,823</b>	<b>-43,882,186</b>	<b>-10,552,641</b>	<b>11,867,228</b>	<b>52,476,387</b>	<b>11,074,506</b>	<b>-19,081,471</b>	

(1) Asset items, such as Tangible Assets, Subsidiaries and Associates, Office Supply Inventory, Prepaid Expenses and Non-Performing Loans, which are required for banking operations and which can not be converted to cash in short-term, other liabilities such as Provisions which are not considered as payables and Shareholders' Equity, are shown in "Unallocated" column.

(2) The balances include factoring receivables.

(3) The borrowed funds are written under the "Other Liabilities" item according to their maturities.

In compliance with the TFRS 7 "Financial Instruments: Disclosures", the following table indicates the maturities of the Group's major financial assets and liabilities which are not qualified as derivatives. The following tables have been prepared by referencing the earliest dates of collections and payments without discounting the assets and liabilities. The interest to be collected from and paid to the related assets and liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The values of the related assets and liabilities registered in balance sheet do not include these amounts.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
<b>Assets</b>									
Financial Assets Held for Trading	327,228	16,843	15,045	277,414	904,952	150,580	1,692,062	235,630	1,456,432
Banks	762,500	3,469,439	356,337	173,277	12,301		4,773,854	25,948	4,747,906
Financial Assets Available for Sale	179,937	2,379,266	978,394	5,376,744	16,222,837	17,743,173	42,880,351	9,323,285	33,557,066
Loans (1)	9,689,446	12,799,562	7,897,704	26,708,391	44,318,922	11,536,130	112,950,155	13,517,380	99,432,775
Investments Held to Maturity		15,505	2,474,547	1,624,774	12,515,847	22,033	16,652,706	2,945,274	13,707,432
<b>Liabilities</b>									
Deposits	19,054,431	57,746,825	15,899,760	6,189,466	564,186	42,012	99,496,680	664,684	98,831,996
Funds Provided from Other Financial Institutions		637,534	1,399,450	7,706,408	5,901,884	4,385,668	20,030,944	1,156,669	18,874,275
Money Market Funds		18,349,829	442,431	2,696,244	427,397	779,808	22,695,709	222,727	22,472,982
Securities Issued (Net)		599,839	555,541	1,667,435	1,228,291		4,051,106	285,230	3,765,876

(1) The balances include factoring receivables.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Adjustments	Balance Sheet Value
<b>Assets</b>									
Financial Assets Held for Trading	421,966	55,150	55,603	210,981	737,011	204,842	1,685,553	123,058	1,562,495
Banks	352,224	5,185,475	371,228	493,926	103		6,402,956	27,158	6,375,798
Financial Assets Available for Sale	141,865	3,534,694	1,705,266	7,510,844	19,665,697	8,083,452	40,641,818	4,460,611	36,181,207
Loans	6,768,623	9,902,289	5,386,369	18,604,721	29,570,369	7,490,685	77,723,056	8,313,932	69,409,124
Investments Held to Maturity		31,337	1,027,732	1,100,915	16,528,073	160,110	18,848,167	4,777,538	14,070,629
<b>Liabilities</b>									
Deposits	14,688,893	54,819,917	14,881,681	4,238,691	258,231	39,715	88,927,128	450,509	88,476,619
Funds Provided from Other Financial Institutions	24,356	983,722	793,644	5,318,308	4,721,035	3,106,286	14,947,351	586,539	14,360,812
Money Market Funds		8,626,157	1,675,486	1,872,587	300,997	698,021	13,173,248	203,662	12,969,586
Securities Issued (Net)			151,649	48,336			199,985	4,031	195,954

The following table shows the remaining maturities of non-cash loans of the Group.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	2,892,153	273,372	478,597	191,002	1,579,786	346,619	5,761,529
Endorsements		38,320	118,474		219,075		375,869
Letters of Guarantee	11,139,061	381,913	1,527,234	2,537,056	4,008,941	330,068	19,924,273
Acceptances	15,700	56,871	50,000	36,982	340,902		500,455
Other	41,256	3,678	1,767	81,717	50,861	466,826	646,105
<b>Total</b>	<b>14,088,170</b>	<b>754,154</b>	<b>2,176,072</b>	<b>2,846,757</b>	<b>6,199,565</b>	<b>1,143,513</b>	<b>27,208,231</b>
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	1,219,515	166,407	462,236	295,183	1,097,785	139,762	3,380,888
Endorsements			24,433		6,149		30,582
Letters of Guarantee	7,179,501	297,703	792,935	1,166,606	2,831,130	197,029	12,464,904
Acceptances	10,698	17,141	64,861	8,752	110,086		211,538
Other	4,050	18,657	14,390	106,906	37,500	160,600	342,103
<b>Total</b>	<b>8,413,764</b>	<b>499,908</b>	<b>1,358,855</b>	<b>1,577,447</b>	<b>4,082,650</b>	<b>497,391</b>	<b>16,430,015</b>

The following table shows the remaining maturities of derivative financial assets and liabilities of the Group.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	2,018,832	2,107,575	4,477,234	387,581		8,991,222
Forwards Contracts- Sell	2,052,739	2,098,489	4,447,195	387,295		8,985,718
Swaps Contracts -Buy	5,918,351	964,866	1,555,830	11,902,459	2,473,203	22,814,709
Swaps Contracts -Sell	6,177,476	1,185,799	1,606,300	11,488,587	2,473,204	22,931,366
Futures Transactions-Buy		23,540				23,540
Futures Transactions-Sell		23,215				23,215
Options-Call	1,197,127	417,918	1,566,333	870,795	579,118	4,631,291
Options-Put	1,193,790	417,916	1,566,333	870,795	579,118	4,627,952
Other	286,923	238,106	287,863	7,331		820,223
<b>Total</b>	<b>18,845,238</b>	<b>7,477,424</b>	<b>15,507,088</b>	<b>25,914,843</b>	<b>6,104,643</b>	<b>73,849,236</b>
Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Forwards Contracts- Buy	772,043	547,652	1,651,152	161,948		3,132,795
Forwards Contracts- Sell	768,176	546,368	1,650,159	161,883		3,126,586
Swaps Contracts -Buy	3,481,670		1,269,793	8,841,237	1,817,406	15,410,106
Swaps Contracts -Sell	3,452,388		1,284,664	8,782,171	1,817,406	15,336,629
Futures Transactions-Buy	2,039	34,958	6,305			43,302
Futures Transactions-Sell	2,434	35,278	504,616	1,074,964		1,617,292
Options-Call	971,780	871,695	847,587	614,968		3,306,030
Options-Put	978,874	861,711	836,615	614,968		3,292,168
Other	3,103	36,708	40,768		82,540	163,119
<b>Total</b>	<b>10,432,507</b>	<b>2,934,370</b>	<b>8,091,659</b>	<b>20,252,139</b>	<b>3,717,352</b>	<b>45,428,027</b>



## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## VIII. Explanations on Other Price Risks

The Group is exposed to the equity share risk arising from its investments in companies which are traded on the ISE. Equity shares are generally obtained for investment purposes.

As of the reporting date, an analysis was made on the assessment of the Group's sensitivity to equity shares price risk. In the analysis, it is assumed that all the other variables are constant and the data used in the valuation method (share prices) are 10% more/less. According to this assumption TL 253,571 (31 December 2010: TL 214,404) increase/decrease is expected in the Marketable Securities Revaluation Reserve account under the Shareholders' Equity. This, in fact, is arising from the increase/decrease in the fair values of the publicly-traded subsidiaries and associates.

## IX. Explanations on Presentation of Assets and Liabilities at Fair Value

## 1. Information on fair values of financial assets and liabilities

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>				
Money Market Placements	171,613	10,194	171,613	10,194
Banks	4,747,906	6,375,798	4,753,110	6,389,530
Financial Assets Available for Sale	33,557,066	36,181,207	33,557,066	36,181,207
Investments Held to Maturity	13,707,432	14,070,629	14,394,632	15,725,579
Loans	99,432,775	69,077,804	99,113,476	70,141,732
<b>Financial Liabilities</b>				
Banks Deposits	2,377,727	2,727,151	2,373,595	2,730,589
Other Deposits	96,454,269	85,749,468	96,385,596	85,683,318
Funds Provided from Other Financial Institutions	18,874,275	14,360,812	18,733,054	14,238,481
Marketable Securities Issued	3,765,876	195,954	3,724,657	195,954
Funds Borrowed	7,894		7,894	
Miscellaneous Payables	7,161,721	5,946,252	7,161,721	5,946,252

Fair values of investments held to maturity and the marketable securities issued are determined by using the market prices; in cases where market prices cannot be measured, quoted market prices of other securities that are subject to amortization having similar interest, maturity and other conditions are taken as the basis for the fair value determination.

Market prices are taken into account in determining the fair values of the securities available for sale. When the prices cannot be measured in an active market, fair values are not deemed to be reliably determined and amortized cost, calculated by the internal rate of return method, are taken into account as the fair values.

Fair values of banks, loans granted, deposits and funds borrowed from other financial institutions are calculated by discounting the amounts in each maturity bracket formed according to repricing periods, using the rate corresponding to relevant maturity bracket in the discount curves based on current market conditions.

## 2. Information on fair value measurements recognized in the financial statements

IFRS 7 "Financial Instruments: Disclosures" requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified within a range. According to this, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the consolidated financial statements at their fair values, are shown below as classified according to the aforementioned principles of ranking.

Current Period	Level 1	Level 2 (1)	Level 3
<b>Financial Assets at Fair Value Through Profit and Loss</b>			
Debt Securities	1,093,632	35,103	473
Equity Securities	153,621		
Derivative Financial Assets Held for Trading		961,689	
Other	8,818	164,785	
<b>Financial Assets Available-for-Sale</b>			
Debt Securities	20,088,839	6,702,227	6,586,064
Equity Securities (2)	30,732		
Other		109,049	
<b>Investments in Subsidiaries and Associates(3)</b>	2,535,707		
<b>Derivative Financial Liabilities</b>		916,086	

(1) Debt securities shown under level 2 include Eurobond securities, whose fair values are determined by taking into consideration the direct or indirect market data.

(2) Since they are not traded in an active market, the equity securities (TL 40,155) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

(3) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Prior Period	Level 1	Level 2	Level 3
<b>Financial Assets at Fair Value Through Profit and Loss</b>			
Debt Securities	1,052,141		
Equity Securities	245,928		
Derivative Financial Assets Held for Trading	11,485	263,130	
Other	264,426		
<b>Financial Assets Available-for-Sale</b>			
Debt Securities	27,224,847		8,699,890
Equity Securities (1)	40,938		
Other	118,608	65,655	
<b>Investments in Subsidiaries and Associates(2)</b>	2,144,041		
<b>Derivative Financial Liabilities</b>		731,310	

(1) Since they are not traded in an active market, the equity securities (TL 31,269) under the financial assets available-for-sale are shown in the financial statements at acquisition cost and the related securities are not shown in this table.

(2) Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost within the framework of TAS 39, these companies are not included in the table.

There has not been any transition between level 1 and level 2 during the period.

The movement table of financial assets at level 3 is given below.

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	8,699,890	10,944,610
Purchases	2,044,034	9,611,772
Redemption or Sales	-3,573,710	-10,506,305
Valuation Difference	1,339,541	119,038
Transfers	-1,923,218	-1,469,225
<b>Balance at the end of the Period</b>	<b>6,586,537</b>	<b>8,699,890</b>

**X. Explanations on Transactions Carried Out on Behalf of Third Parties and Fiduciary Transactions**

1. Transactions both in national and international capital markets in connection with the trading and custody on behalf of others are carried out, and portfolio management and investment consulting services are provided.

2. The Group has no fiduciary transactions.

**XI. Explanations on Business Segmentation**

The Group's operations are classified as corporate, commercial, retail and private banking, as well as treasury/investment banking. While the commercial and corporate operations are differentiated by the Parent Bank and its financial institutions, according to their own criterion, in the classification of other operations, the same methods are applied by the Group.

Services to the large corporations, SMEs and other trading companies are provided through various financial media within the course of the corporate and commercial operations. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantee, letter of credit, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are provided for the aforementioned customer segments.

By retail banking, the needs of individuals are met by performing banking services such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, investment accounts and by other banking services. For the private banking category, any kind of financial and cash management related services are provided for individuals within the high-income segment.

Within the context of treasury transactions, medium and long term funding is being fulfilled by tools such as securities trading, money market transactions, spot and forward TL and foreign currency trading, and derivative transactions such as forwards, swaps, futures and options, as well as syndications and securitizations.

The Group's investments in unconsolidated associates and subsidiaries are evaluated within the context of investment banking.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Statement of information related to business segmentation of the Group is given below.

Current Period	Corporate	Commercial (1)	Retail (1)	Private	Treasury/ Investment	Unallocated	Total
<b>OPERATING INCOME/EXPENSE</b>							
<i>Interest Income</i>							12,081,352
Interest Income from Loans	1,831,293	3,256,346	2,180,070	59,886		171,222	7,498,817
Interest Income from Banks					194,132		194,132
Interest Income from Money Market Transactions					5,176		5,176
Interest Income from Securities					4,220,638		4,220,638
Finance Lease Income	38,658	63,892					102,550
Other Interest Income		32,061				27,978	60,039
<i>Interest Expense</i>							6,664,356
Interest Expense on Deposits	1,036,710	676,576	1,285,359	1,838,853		94,271	4,931,769
Interest Expense on Funds Borrowed	144,067				229,383		373,450
Interest Expense on Money Market Transactions					1,109,917		1,109,917
Interest Expense on Securities Issued					209,706		209,706
Other Interest Expense					3	39,511	39,514
Net Interest Income							5,416,996
Net Fees and Commissions Income							1,102,726
Fees and Commissions Received	157,078	387,749	526,556	42,407	124,273	550,611	1,788,674
Fees and Commissions Paid	197,796	1,603			56,180	430,369	685,948
Dividend Income					171,477		171,477
Trading Income/Loss (Net)					446,913		446,913
Other Income	881,702	1,078,717	1,521,386	212	126,400	462,110	4,070,527
Prov. for Loans and Other Receivables	52,172	455,254	201,205	122	21,730	764,452	1,494,935
Other Operating Expense	1,158,205	1,481,810	2,621,065	138,511	300,158	916,046	6,615,795
Income Before Tax							3,097,909
Tax Provision							708,541
Net Period Profit							2,389,368
Group Profit/Loss							2,271,539
Minority Shares' Profit/Loss							117,829
<b>SEGMENT ASSETS</b>							
Fin. Assets At Fair Value Through P/L					2,418,121		2,418,121
Banks and Other Financial Institutions					4,747,906		4,747,906
Money Market Placements					171,613		171,613
Financial Assets Available for Sale					33,557,066		33,557,066
Loans and Receivables	39,041,767	35,680,743	21,186,496	646,719		2,472,397	99,028,122
Investments Held to Maturity					13,707,432		13,707,432
Associates and Subsidiaries					3,979,038		3,979,038
Lease Receivables	589,828	784,284			2,278		1,376,390
Other	347,506	404,653			1,037,294	23,160,689	24,950,142
							<b>183,935,830</b>
<b>SEGMENT LIABILITIES</b>							
Deposits	20,752,480	16,978,330	32,627,973	26,724,791		1,748,422	98,831,996
Derivative Financial Liabilities Held for Trading					916,086		916,086
Funds Borrowed	851,784				18,022,491		18,874,275
Money Market Funds					22,472,982		22,472,982
Securities Issued					3,765,876		3,765,876
Other Liabilities (2)	37,784				69,080	9,943,314	10,050,178
Provisions						8,713,868	8,713,868
Shareholders' Equity						20,310,569	20,310,569
							<b>183,935,830</b>

(1) Real person merchants and the institutions and enterprises without corporate and commercial qualities, which were classified under the retail segment in prior periods, have started to be followed under the commercial segment, beginning from the current period.

(2) The borrowed funds are under the "Other Liabilities" items.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Prior Period	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
<b>OPERATING INCOME/EXPENSE</b>							
<i>Interest Income</i>							10,850,750
Interest Income from Loans	1,310,210	2,124,306	2,286,625	49,947		409,739	6,180,827
Interest Income from Banks					347,848		347,848
Interest Income from Money Market Transactions					7,954		7,954
Interest Income from Securities					4,178,647		4,178,647
Finance Lease Income	29,634	54,446					84,080
Other Interest Income	10	18,673				32,711	51,394
<i>Interest Expense</i>							5,440,180
Interest Expense on Deposits	898,026	255,887	1,441,812	1,578,893			4,174,618
Interest Expense on Funds Borrowed	84,833	1,588			538,885		625,306
Interest Expense on Money Market Transactions					623,945		623,945
Interest Expense on Securities Issued						10,589	10,589
Other Interest Expense					5,722		5,722
Net Interest Income							5,410,570
Net Fees and Commissions Income							997,891
Fees and Commissions Received	132,170	380,332	536,516	52,791	86,900	320,491	1,509,200
Fees and Commissions Paid	176,624	1,900			18,631	314,154	511,309
Dividend Income					45,785		45,785
Trading Income/Loss (Net)					292,912		292,912
Other Income	798,184	985,868	952,140	500,354	207,772	587,049	4,031,367
Prov. for Loans and Other Receivables	12,604	351,953	465,050	564	100	355,640	1,185,911
Other Operating Expense	863,399	1,088,618	2,095,385	483,126	159,274	982,185	5,671,987
Income Before Tax							3,920,627
Tax Provision							688,933
Net Period Profit							3,231,694
Group Profit/Loss							2,939,156
Minority Shares' Profit/Loss							292,538
<b>SEGMENT ASSETS</b>							
Fin. Assets At Fair Value Through P/L					1,837,110		1,837,110
Banks and Other Financial Institutions					6,375,798		6,375,798
Money Market Placements					10,194		10,194
Financial Assets Available for Sale					36,181,207		36,181,207
Loans and Receivables	26,355,764	21,427,397	18,818,025	610,448		1,866,170	69,077,804
Investments Held to Maturity					14,070,629		14,070,629
Associates and Subsidiaries					3,541,421		3,541,421
Lease Receivables	413,084	549,213			968		963,265
Other	293,434				1,573,475	16,886,399	18,753,308
							<b>150,810,736</b>
<b>SEGMENT LIABILITIES</b>							
Deposits	19,600,577	10,116,335	32,121,512	25,718,143		920,052	88,476,619
Derivative Financial Liabilities Held for Trading					731,310		731,310
Funds Borrowed	563,332	139,301			13,658,179		14,360,812
Money Market Funds					12,969,586		12,969,586
Securities Issued					195,954		195,954
Other Liabilities	39,870				52,797	7,436,627	7,529,294
Provisions						7,560,506	7,560,506
Shareholders' Equity						18,986,655	18,986,655
							<b>150,810,736</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## PART FIVE: EXPLANATIONS AND FOOTNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## I. EXPLANATIONS AND FOOTNOTES ON CONSOLIDATED ASSETS

## 1. Cash and Central Bank of Turkey:

## a. Information on Cash and Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	797,049	352,306	671,079	261,744
Central Bank of Turkey	4,273,040	8,353,163	3,325,043	4,008,099
Other		111,019		329,941
<b>Total</b>	<b>5,070,089</b>	<b>8,816,488</b>	<b>3,996,122</b>	<b>4,599,784</b>

## b. Information on Balances with the CBT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4,273,040	1,423,941	3,325,043	1,081,280
Unrestricted Time Deposit				
Restricted Time Deposit				
Other (1)		6,929,222		2,926,819
<b>Total</b>	<b>4,273,040</b>	<b>8,353,163</b>	<b>3,325,043</b>	<b>4,008,099</b>

(1) The amount of reserve deposits held at the Central Bank of Turkey regarding the foreign currency liabilities

## c. Information on reserve requirements:

As per the Communiqué nr.2005/1 "Reserve Deposits" of the Central Bank of Turkey (CBT), banks keep reserve deposits at the CBT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 5%-11% for TL deposits, between 5%-11% for other TL liabilities, between 9%-11% for FC deposits and between 6%-11% for other FC liabilities. Reserves are calculated and set aside every two weeks on Fridays for 14-day periods. In accordance with the related communiqué, no interest is paid for reserve requirements.

## 2. Information on Financial Assets at Fair Value through Profit and Loss:

## a. Financial assets at fair value through profit and loss, which are given as collateral or blocked:

Financial assets at fair value through profit and loss, which are given as collateral or blocked as of 31 December 2011 are amounting to TL 15,311 (31 December 2010: TL 8,540).

## b. Financial assets at fair value through profit and loss, which are subject to repurchase agreements:

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as of 31 December 2011 are amounting to TL 553,242 (31 December 2010: TL 487,909).

## c. Positive differences on derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	29,265	133,328	7,758	61,822
Swap Transactions	10,308	740,063	13,615	173,687
Futures	504	479	224	
Options	262	44,595	974	16,411
Other	29	2,856	124	
<b>Total</b>	<b>40,368</b>	<b>921,321</b>	<b>22,695</b>	<b>251,920</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 3. Information on Banks:

## a. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	509,585	2,239,658	2,329,622	1,080,675
Foreign Banks	92,876	1,905,787	300,719	2,664,782
Foreign Head Office and Branches				
<b>Total</b>	<b>602,461</b>	<b>4,145,445</b>	<b>2,630,341</b>	<b>3,745,457</b>

## b. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	921,248	1,863,092		
USA, Canada	232,981	85,091	94	77
OECD Countries (1)	488,192	616,458		
Off-shore Banking Regions	114	116,490		
Other	290,795	229,837	65,239	54,456
<b>Total</b>	<b>1,933,330</b>	<b>2,910,968</b>	<b>65,333</b>	<b>54,533</b>

(1) OECD countries other than the EU countries, USA and Canada.

## 4. Information on Financial Assets Available for Sale:

## a. Information on financial assets available for sale, which are given as collateral or blocked:

Financial assets available for sale, which are given as collateral or blocked amount to TL 3,513,217 as of 31 December 2011 (31 December 2010: TL 2,758,380).

## b. Information on financial assets available for sale, which are subject to repurchase agreements:

Financial assets available for sale which are subject to repurchase agreements amount to TL 17,642,045 as of 31 September 2011 (31 December 2010: TL 9,301,139).

## c. Information on financial assets available for sale:

	Current Period	Prior Period
Debt Securities	33,601,630	35,917,223
Traded on the Stock Exchange	20,794,676	27,217,333
Not Traded on the Stock Exchange (1)	12,806,954	8,699,890
Equity Securities	86,861	81,836
Traded on the Stock Exchange	37,916	34,914
Not Traded on the Stock Exchange	48,945	46,922
Value Increases/Impairment Losses (-)	240,474	12,928
Other	109,049	195,076
<b>Total</b>	<b>33,557,066</b>	<b>36,181,207</b>

(1) It refers to the debt securities, which are not quoted on the Stock Exchange or which are not traded, although quoted, on the Stock Exchange at the end of the related period.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 5. Information related to loans:

## a. Information on all types of loans and advances given to shareholders and employees of the group:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Lending to Shareholders				
Corporate Shareholders				
Individual Shareholders				
Indirect Lending to Shareholders				
Loans to Employees	458,740	130	399,659	81
<b>Total</b>	<b>458,740</b>	<b>130</b>	<b>399,659</b>	<b>81</b>

## b. Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled:

	Standard Loans and Other Receivables		Closely Monitored Loans and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-Specialized Loans	96,708,273	837,535	1,001,994	480,320
Discount Notes	146,494			
Export Loans	6,015,313	16,118	105,370	9,854
Import Loans	630			
Loans Extended to Financial Sector	2,890,886			
Foreign Loans	1,948,439	39,692	3,107	90
Consumer Loans	17,943,278	685,241	363,707	59,866
Credit Cards	6,831,617		137,429	104,976
Precious Metal Loans	29,860	564		
Other	60,901,756	95,920	392,381	305,534
Specialized Loans				
Other Receivables				
<b>Total</b>	<b>96,708,273</b>	<b>837,535</b>	<b>1,001,994</b>	<b>480,320</b>

## c. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Closely Monitored Loans and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	31,992,555	75,600	358,799	33,588
Non-Specialized Loans	31,992,555	75,600	358,799	33,588
Specialized Loans				
Other Receivables				
Medium and long-term Loans and Other Receivables	64,715,718	761,935	643,195	446,732
Non-Specialized Loans	64,715,718	761,935	643,195	446,732
Specialized Loans				
Other Receivables				



## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## d. Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium and Long-Term	Interest and Income Accruals	Total
Consumer Loans-TL	487,230	17,627,847	152,653	18,267,730
Real Estate Loans	15,375	7,612,135	85,015	7,712,525
Vehicle Loans	39,816	1,091,209	6,262	1,137,287
General Purpose Consumer Loans	280,203	6,587,670	45,435	6,913,308
Other Consumer Loans	151,836	2,336,833	15,941	2,504,610
Consumer Loans – FC Indexed		82,158	60,165	142,323
Real Estate Loans		81,296	59,942	141,238
Vehicle Loans		862	223	1,085
General Purpose Consumer Loans				
Other Consumer Loans				
Consumer Loans – FC	2,532	12,505	28	15,065
Real Estate Loans		2,053		2,053
Vehicle Loans	87	165		252
General Purpose Consumer Loans	2,445	10,287	28	12,760
Other Consumer Loans				
Retail Credit Cards-TL	6,157,570	321,667	43,183	6,522,420
With Installments	2,476,072	321,667		2,797,739
Without Installments	3,681,498		43,183	3,724,681
Retail Credit Cards-FC				
With Installments				
Without Installments				
Personnel Loans-TL	16,788	324,813	3,765	345,366
Real Estate Loans	200	85,944	1,462	87,606
Vehicle Loans	266	10,030	73	10,369
General Purpose Consumer Loans	11,840	177,372	1,699	190,911
Other Consumer Loans	4,482	51,467	531	56,480
Personnel Loans- FC Indexed		914	587	1,501
Real Estate Loans		914	587	1,501
Vehicle Loans				
General Purpose Consumer Loans				
Other Consumer Loans				
Personnel Loans-FC	68	210		278
Real Estate Loans		83		83
Vehicle Loans				
General Purpose Consumer Loans	68	127		195
Other Consumer Loans				
Personnel Credit Cards-TL	100,489		1,061	101,550
With Installments	39,250			39,250
Without Installments	61,239		1,061	62,300
Personnel Credit Cards-FC	12	8		20
With Installments	12	8		20
Without Installments				
Overdraft Accounts – TL (real persons)	271,088		8,539	279,627
Overdraft Accounts – FC (real persons)	200	2		202
<b>Total</b>	<b>7,035,977</b>	<b>18,370,124</b>	<b>269,981</b>	<b>25,676,082</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## e. Installment based commercial loans and corporate credit cards:

	Short-Term	Medium and Long Term	Interest and Income Accruals	Total
Commercial Loans With Installments-TL	890,275	11,376,306	101,162	12,367,743
Real Estate Loans	6,102	482,276	3,285	491,663
Vehicle Loans	96,867	2,795,548	15,982	2,908,397
General Purpose Commercial Loans	779,584	7,839,748	77,173	8,696,505
Other Commercial Loans	7,722	258,734	4,722	271,178
Commercial Loans With Installments-FC Indexed	37,796	1,259,712	193,163	1,490,671
Real Estate Loans		73,122	16,956	90,078
Vehicle Loans	4,147	586,346	74,543	665,036
General Purpose Commercial Loans	33,649	583,627	97,799	715,075
Other Commercial Loans		16,617	3,865	20,482
Commercial Loans With Installments-FC	9,234	247,070	1,759	258,063
Real Estate Loans	2,020	1,845		3,865
Vehicle Loans	98	534	2	634
General Purpose Commercial Loans	6,990	23,673	1,218	31,881
Other Commercial Loans	126	221,018	539	221,683
Corporate Credit Cards-TL	448,415	1,428	189	450,032
With Installments	63,262	1,428		64,690
Without Installments	385,153		189	385,342
Corporate Credit Cards-FC				
With Installments				
Without Installments				
Overdraft Accounts – TL (corporate)	576,769		18,079	594,848
Overdraft Accounts – FC (corporate)	142		142	284
<b>Total</b>	<b>1,962,631</b>	<b>12,884,516</b>	<b>314,494</b>	<b>15,161,641</b>

## f. Allocation of loan by borrowers:

	Current Period	Prior Period
Public Sector	2,165,841	1,866,916
Private Sector	96,862,281	67,210,888
<b>Total</b>	<b>99,028,122</b>	<b>69,077,804</b>

## g. International and domestic loans:

	Current Period	Prior Period
Domestic Loans	96,539,802	67,710,580
International Loans	2,488,320	1,367,224
<b>Total</b>	<b>99,028,122</b>	<b>69,077,804</b>

## h. Loans to subsidiaries and associates:

	Current Period	Prior Period
Direct Lending to Subsidiaries and Associates	62,352	59,731
Indirect Lending to Subsidiaries and Associates		
<b>Total</b>	<b>62,352</b>	<b>59,731</b>

## i. Specific provisions provided against loans:

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	213,790	161,287
Loans and Receivables with Doubtful Collectibility	209,079	303,735
Uncollectible Loans and Receivables	1,686,550	1,998,575
<b>Total</b>	<b>2,109,419</b>	<b>2,463,597</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## j. Information on non-performing loans (Net):

## j.1. Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled by the Group:

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Other Receivables
<b>Current Period</b>			
(Gross amounts before the specific provisions)	3,747	10,499	22,178
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	3,747	10,499	22,178
<b>Prior Period</b>			
(Gross amounts before the specific provisions)	9,312	9,259	67,211
Restructured Loans and Other Receivables			
Rescheduled Loans and Other Receivables	9,312	9,259	67,211

## j.2. Movement of total non-performing loans:

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Other Receivables
<b>Prior Period Ending Balance</b>	<b>161,287</b>	<b>303,735</b>	<b>1,998,575</b>
Corporate and Commercial Loans	95,199	128,216	1,218,204
Retail Loans	31,555	56,301	345,624
Credit Cards	34,533	75,589	434,747
Other		43,629	
<b>Additions (+)</b>	<b>846,122</b>	<b>37,420</b>	<b>104,521</b>
Corporate and Commercial Loans	600,788	16,297	75,634
Retail Loans	100,172	11,458	20,533
Credit Cards	145,162	6,499	8,354
Other		3,166	
<b>Transfers from Other NPL categories (+)</b>		<b>422,388</b>	<b>416,750</b>
Corporate and Commercial Loans		236,420	229,742
Retail Loans		75,846	76,993
Credit Cards		110,122	110,015
Other			
<b>Transfers to Other NPL categories (-)</b>	<b>422,388</b>	<b>416,750</b>	
Corporate and Commercial Loans	236,420	229,742	
Retail Loans	75,846	76,993	
Credit Cards	110,122	110,015	
Other			
<b>Collections (-) (*)</b>	<b>370,846</b>	<b>136,348</b>	<b>581,928</b>
Corporate and Commercial Loans	306,671	65,365	304,086
Retail Loans	26,776	31,348	156,358
Credit Cards	37,399	38,139	121,484
Other		1,496	
<b>Write-Offs (-)</b>	<b>385</b>	<b>1,366</b>	<b>251,368</b>
Corporate and Commercial Loans	54	293	68,311
Retail Loans	287	264	49,904
Credit Cards	44	538	133,153
Other		271	
<b>Current Period Ending Balance</b>	<b>213,790</b>	<b>209,079</b>	<b>1,686,550</b>
Corporate and Commercial Loans	152,842	85,533	1,151,183
Retail Loans	28,818	35,000	236,888
Credit Cards	32,130	43,518	298,479
Other		45,028	
<b>Specific Provisions (-)</b>	<b>213,790</b>	<b>209,079</b>	<b>1,686,550</b>
Corporate and Commercial Loans	152,842	85,533	1,151,183
Retail Loans	28,818	35,000	236,888
Credit Cards	32,130	43,518	298,479
Other		45,028	
<b>Net Balance on Balance Sheet</b>	<b>0</b>	<b>0</b>	<b>0</b>

(\*) During the current year, TL 88,464 of the NPL portfolio, TL 569 of which has formerly been written-off, were transferred to Standard Varlık Yönetimi A.Ş. in exchange for TL 13,905.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## j.3. Information on the Group's non-performing foreign currency loans and other receivables:

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Other Receivables
<b>Current Period</b>			
Period Ending Balance	39,326	10,303	73,367
Specific Provisions (-)	39,326	10,303	73,367
Net Balance on Balance Sheet			
<b>Prior Period</b>			
Period Ending Balance	41,409		55,176
Specific Provisions (-)	41,409		55,176
Net Balance on Balance Sheet			

## j.4. Information on gross and net non-performing loans and receivables as per customer categories:

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Other Receivables
<b>Current Period (Net)</b>			
Loans to Individuals and Corporates (Gross)	178,702	164,051	1,681,207
Specific Provisions (-)	178,702	164,051	1,681,207
Loans to Individuals and Corporates (Net)			
Banks (Gross)	82		
Specific Provisions (-)	82		
Banks (Net)			
Other Loans and Receivables (Gross)	35,006	45,028	5,343
Specific Provisions (-)	35,006	45,028	5,343
Other Loans and Receivables (Net)			
<b>Prior Period (Net)</b>			
Loans to Individuals and Corporates (Gross)	130,687	260,106	1,993,232
Specific Provisions (-)	130,687	260,106	1,993,232
Loans to Individuals and Corporates (Net)			
Banks (Gross)	69		
Specific Provisions (-)	69		
Banks (Net)			
Other Loans and Receivables (Gross)	30,531	43,629	5,343
Specific Provisions (-)	30,531	43,629	5,343
Other Loans and Receivables (Net)			

## k. Main guidelines used in the liquidation policy on uncollectible loans and other receivables:

In order to ensure liquidation of non-performing loans, all possible alternatives within the existing legislation are evaluated in a way that repayments are maximized. First, administrative initiatives are taken to reach an agreement with the borrower; in case the negotiations for collection, liquidation or restructuring of receivables fail, legal action is taken for collection.

## l. Information on "Write-off" policies:

In case there is still a residual receivable despite all the borrowers' assets are liquidated in terms of legal follow-up, or a legal follow-up fails due to the fact that the borrowers do not have any assets to be liquidated, the Parent Bank's receivables are reduced to one if an evidence of borrowers' insolvency is obtained; when no such evidence is available, totally uncollectible receivables are written-off.

## 6. Investments Held to Maturity:

## a. Information on investments held to maturity, which are given as collateral or blocked:

Investments held to maturity, which are given as collateral or blocked amount to TL 2,014,400 as of 31 December 2011 (31 December 2010: TL 2,079,105).

## b. Information on investments held to maturity, which are subject to repurchase agreements:

Assets held to maturity, which are subject to repurchase agreements amount to TL 4,616,246 as of 31 December 2011 (31 December 2010: TL 2,630,105).

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## c. Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	13,686,705	14,052,833
Treasury Bills		
Other Public Debt Securities		
<b>Total</b>	<b>13,686,705</b>	<b>14,052,833</b>

## d. Information on investments held-to-maturity:

	Current Period	Prior Period
Debt Securities	13,707,432	14,070,629
Traded on the Stock Exchange	13,686,705	14,039,747
Not Traded on the Stock Exchange	20,727	30,882
Impairment Losses (-)		
<b>Total</b>	<b>13,707,432</b>	<b>14,070,629</b>

## e. Movement of the investments held to maturity during the year:

	Current Period	Prior Period
Beginning Balance	14,070,629	13,347,307
Foreign Exchange Differences Arising on Monetary Assets	2,415	-120,880
Purchases During the Year	34,228	2,768,157
Transfers		
Disposals through Sales and Redemption	-742,972	-2,300,020
Impairment Losses (-)		
Changes in amortized costs of the investments	343,132	376,065
<b>Balance at the end of the Period</b>	<b>13,707,432</b>	<b>14,070,629</b>

## 7. Information on Associates (Net):

## a.1. Information on unconsolidated associates:

None.

## b.1. Information on consolidated associates:

Title	Address (City/Country)	Bank's Share Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
Arap Türk Bankası A.Ş.	Istanbul/TURKEY	20.58	79.42

Information on financial statements of associates in the above order:

Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income (1)	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
3,090,556	361,615	29,733	92,432	75	47,834	23,358	

(1) Includes interest income on marketable securities.

## b.2. Movement of investments in consolidated associates:

	Current Period	Prior Period
Beginning balance	85,295	85,295
Movements during the period		
Purchases		
Bonus shares acquired		
Dividends received from the current year profit		
Sales		
Revaluation Increase		
Impairment		
Balance at the end of the period	<b>85,295</b>	<b>85,295</b>
Capital commitments		
Contribution in equity at the end of the period (%)		

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## b.3. Sectoral information on consolidated associates and the related carrying amounts:

	Current Period	Prior Period
Banks	85,295	85,295
Insurance Companies		
Factoring Companies		
Leasing Companies		
Finance Companies		
Other Financial Participations		
<b>Total</b>	<b>85,295</b>	<b>85,295</b>

b.4. Consolidated associates traded on a stock exchange: None.

b.5. Consolidated associates disposed of in the current period: None.

b.6. Consolidated associates acquired in the current period: None.

b.7. Other issues related to associates:

In order to carry out domestically the decisions made by the United Nations Security Council (UNSC) due to the incidents in Libya, for imposing various sanctions to the real persons and corporate bodies that are connected to the Libyan government, the BRSA decided that as per the Cabinet Decision dated 21 June 2011 and no. 2011/2001, the shareholder rights of Libyan Foreign Bank's (LFB), the majority shareholder residing in Libya, 62.37% share in Arap Türk Bankası A.Ş., except for the dividend rights, shall be used by the Savings Deposit Insurances Fund (SDIF) until the implementation of the related decisions are ended for LFB. Accordingly, all the directors representing Libyan Foreign Bank on the Board of Arap Türk Bankası A.Ş. were discharged and replaced by persons determined by the SDIF.

The abovementioned UNSC decisions on imposing various sanctions to the real persons and corporate bodies that are connected to the Libyan government have been cancelled by the UNSC decision dated 27 October 2011 and no. 2016. Within the framework of this development, the Cabinet Decisions dated 21 June 2011 and no. 2011/2001 on imposing sanctions to LFB, the majority shareholder of Arap Türk Bankası, have been abolished.

During the current period, of the companies included in the Parent Bank's consolidation:

TSKB decided to participate with 10% shares and TL 800 capital to Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş., which will be established as headquartered in İzmir with a capital of TL 8,000; sold the total of its 21.71% minority share with a net book value of TL 392 in Gözlük Sanayi A.Ş. to real person shareholders for TL 231 and collected the sales amount in advance.

During the current period, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. sold the total of its 20% share in Dr. Frik İlaç San. ve Tic. A.Ş. for TL 54,409 (USD 30.5 million) and sold the total of its 10% share in Probil Bilgi İşlem Destek Danışmanlık San. Ve Tic. A.Ş. for TL 7,306 in return.

On 7 July 2011, İş Gayrimenkul Yatırım Ortaklığı A.Ş. founded jointly with Kayı İnşaat San. ve Tic. A.Ş., each with a 50% share, Nest in Globe B.V., which is headquartered in the Netherlands. The purpose of the company is to evaluate the investment project that may come up abroad.

In May, together with Bilici Yatırım Sanayi ve Ticaret A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. founded Adana Otel Projesi Adi Ortaklığı (Adana Hotel Project Ordinary Partnership) with TL 20 capital, in which each company has 50% share. The core business of the said ordinary partnership is to build the hotel in Adana, which will be run by Palmira Turizm Ticaret A.Ş.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 8. Information on subsidiaries (Net):

a. Information on consolidated subsidiaries: None.

b.1. Information on consolidated subsidiaries:

	Title	Address (City/Country)	Bank's Share Percentage-If Different, Voting Percentage (%) (1)	Bank's Risk Group Share Percentage (%)
1-	Anadolu Anonim Türk Sigorta Şirketi	İstanbul/TURKEY	43.92	56.08
2-	Anadolu Hayat Emeklilik A.Ş.	İstanbul/TURKEY	71.55	28.45
3-	Camiş Menkul Değerler A.Ş.	İstanbul/TURKEY	67.60	32.40
4-	CJSC İşbank	Moscow/RUSSIA	100.00	0.00
5-	Efes Varlık Yönetim A.Ş.	İstanbul/TURKEY	63.96	36.04
6-	Is Investment Gulf Ltd.	Dubai/UAİ	67.62	32.38
7-	İş Factoring Finansman Hizmetleri A.Ş.	İstanbul/TURKEY	40.73	59.27
8-	İş Finansal Kiralama A.Ş.	İstanbul/TURKEY	40.10	59.90
9-	İş Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	50.42	49.58
10-	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	33.48	66.52
11-	İş Portföy Yönetimi A.Ş.	İstanbul/TURKEY	65.84	34.16
12-	İş Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	67.62	32.38
13-	İş Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	21.57	78.43
14-	İşbank GmbH	Frankfurt/GERMANY	100.00	0.00
15-	Maxis Securities Ltd.	London/ENGLAND	67.62	32.38
16-	Milli Reasürans T.A.Ş.	İstanbul/TURKEY	76.64	23.36
17-	TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	25.93	74.07
18-	TSKB Yatırım Ortaklığı A.Ş.	İstanbul/TURKEY	17.10	82.90
19-	Türkiye Sınai Kalkınma Bankası A.Ş.	İstanbul/TURKEY	43.01	56.99
20-	Yatırım Finansman Menkul Değerler A.Ş.	İstanbul/TURKEY	41.74	58.26

(1) As of the Parent Bank's share percentage, the indirect share of the Group is considered.

Financial statement information related to consolidated subsidiaries in the above order:

	Total Assets	Shareholders' Equity	Total Tangible Assets	Interest Income (1)	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss (2)	Fair Value
1-	1,998,851	637,966	49,381	51,146	24,614	-2,288	6,605	(3) (4)
2-	5,651,031	435,720	23,023	198,130	20,178	49,205	58,617	(3) (4)
3-	26,672	4,622	959	2,193	17	-318	-356	(3) (4)
4-	311,944	44,993	41,611	18,133	3	321	79	
5-	49,507	7,838	731	452		-2,162		
6-	1,501	1,501	357			-388		
7-	432,413	52,973	672	35,299	2,034	8,236	5,361	
8-	2,242,053	520,018	2,515	155,531	3,980	54,266	64,869	
9-	1,161,022	1,034,472	1,025,715	5,199	669	66,954	60,918	
10-	176,411	172,441	240	3,147	975	37,995	10,522	(3) (4)
11-	61,489	59,630	1,213	5,380	1,842	9,941	10,986	
12-	3,647,176	678,366	9,391	98,207	45,817	70,889	73,822	(3) (4)
13-	225,200	223,778	38	5,402	1,781	-2,636	31,707	
14-	2,259,173	259,744	42,390	92,178	351	13,969	10,086	
15-	34,490	2,220	367	2,871		-1,029	464	
16-	1,594,892	447,270	46,842	42,789	44,166	-144,737	64,091	
17-	324,370	201,466	293,657	1,238		-19,467	6,339	(3) (4)
18-	38,736	38,650		1,047	471	-3,527	5,633	
19-	9,821,491	1,486,861	235,859	394,011	11,772	170,649	182,805	(3) (4)
20-	642,295	64,918	1,405	18,527	20,983	5,973	7,661	(3) (4)

(1) Includes interest income on securities.

(2) Value as of 31 December 2010.

(3) Includes value as of 30 September 2011.

(4) Prior period profit/loss as of 30 September 2010.



## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**b.2. Movement of investments in subsidiaries:**

	Current Period	Prior Period
Balance at the Beginning of the Period	2,792,347	2,343,739
Movements in the Period		
Purchases (1)	417,877	213,187
Bonus Shares Acquired		26,692
Dividends Received from the Current Year Profit		
Sales		-239,511
Revaluation Surplus (2)	-840,761	448,240
Impairment		
Balance at the End of the Period	2,369,463	2,792,347
Capital Commitments		
Contribution in equity at the end of the period (%)		

(1) As of reporting date, TL 417,877 recognized in current period, is comprised of TL 57,456 is from the purchase of Closed Joint Stock Company İşbank, TL 62,910 is from the participation in the cash capital increase of İşbank GmbH and the remaining part resulted from the acquisitions related to the capital increases of subsidiaries through retained earnings.  
(2) The relevant amounts represent the increases and decreases in the market value of participations traded on the stock exchange.

**b.3. Sectoral information on consolidated subsidiaries and the related carrying amounts:**

	Current Period	Prior Period
Banks	793,824	790,240
Insurance Companies	968,185	1,209,520
Factoring Companies		
Leasing Companies	107,413	114,790
Finance Companies		
Other Financial Subsidiaries	500,041	677,797
<b>Total</b>	<b>2,369,463</b>	<b>2,792,347</b>

**b.4. Consolidated subsidiaries traded on stock exchange:**

	Current Period	Prior Period
Traded on domestic stock exchanges	1,716,327	2,370,596
Traded on international stock exchanges		

**b.5. Consolidated subsidiaries disposed of in the current period: None.****b.6. Subsidiaries acquired in the current period:**

Efes Varlık Yönetim A.Ş., which has TL 20,000 capital and which was founded with the 74% participation of İş Yatırım Menkul Değerler A.Ş. one of the financial subsidiaries of the Parent Bank, and Is Investment Gulf Ltd., which has USD 1 million capital and which was founded with the 100% participation of the same subsidiary, have been included in consolidation as of the current period.

Within the framework of the Share Purchase Agreement signed for the acquisition of 100% shares of Closed Joint Stock Company İşbank, operating in Russia, as per the resolution of the Bank's Board dated 25 October 2010, USD 36 million of the share value, which is USD 40 million in total, has been paid and the share transfer has been finalized as of 27 April 2011. Remaining amount of USD 4 million will be paid after one year within the framework of the Share Purchase Agreement. Closed Joint Stock Company İşbank was consolidated as of the current period.

**b.7. Other issues on subsidiaries:**

In the current sector, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. participated in 20% of the capital of Aras Kargo Taşımacılık A.Ş., which operates in logistic sector, in return for TL 17,500.

**9. Information on jointly controlled entities:**

There are no jointly controlled entities of the Parent Bank.

**10. Information regarding finance lease receivables (Net):****a.1. Presentation of finance lease receivables according to their remaining maturities:**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	494,985	403,078	409,423	339,933
1-4 Years	882,020	765,864	616,374	529,691
More than 4 Years	222,360	205,170	100,803	92,673
<b>Total</b>	<b>1,599,365</b>	<b>1,374,112</b>	<b>1,126,600</b>	<b>962,297</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## a.2. Information regarding net investments made on finance lease:

	Current Period	Prior Period
Gross Finance Lease Investment	1,599,365	1,126,600
Unearned Financial Revenue from Financial Lease (-)	225,253	164,303
<b>Net Finance Lease Investment</b>	<b>1,374,112</b>	<b>962,297</b>

## b. Presentation of operating lease receivables according to their remaining maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	2,278	2,278	968	968
1-4 Years				
More than 4 Years				
<b>Total</b>	<b>2,278</b>	<b>2,278</b>	<b>968</b>	<b>968</b>

## 11. Explanations on derivative financial assets held for risk management:

The Group has no derivative financial assets held for risk management.

## 12. Information on Tangible Assets (Net):

Current Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
<b>Acquisition Cost</b>					
Balance at the Beginning of the Period	3,716,907	11,566	20,018	1,259,693	5,008,184
Movements in the Period					
- Acquisitions (1)	45,745	7,103	1,149	270,125	324,122
- Disposals	-84,819	-113	-968	-54,680	-140,580
- Impairment (2)	5,030			19	5,049
- Transfers	50,100	-9,897	472	61,079	101,754
- Foreign Currency Difference	7,608		29	3,762	11,399
Impact of Consolidated Subsidiaries	32,481	110	911	3,264	36,766
Balance at the End of the Current Period	3,773,052	8,769	21,611	1,543,262	5,346,694
<b>Accumulated Depreciation</b>					
Balance at the Beginning of the Period	-2,183,844		-13,332	-811,375	-3,008,551
Movements in the Period					
- Depreciation Charge	-54,262		-3,055	-133,640	-190,957
- Disposals	20,479		798	18,542	39,819
- Impairment					
- Transfers	-13,465		76	3,065	-10,324
- Foreign Currency Difference	-2,080		-25	-3,207	-5,312
Impact of Consolidated Subsidiaries	-1,846		-558	-2,113	-4,517
Balance at the End of the Current Period	-2,235,018		-16,096	-928,728	-3,179,842
Net Book Value at the End of the Prior Period	1,533,063	11,566	6,686	448,318	1,999,633
<b>Net Book Value at the End of the Current Period</b>	<b>1,538,034</b>	<b>8,769</b>	<b>5,515</b>	<b>614,534</b>	<b>2,166,852</b>

(1) As of the balance sheet date, the book value of tangible assets acquired during the period due to receivables amounts to TL 45,174.

(2) They are the impairment releases related to the real estates, whose fair values have increased due to their renewed appraisals.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

Prior Period	Real Estates	Construction in Progress	Vehicles	Other Tangible Assets	Total
<b>Acquisition Cost</b>					
Balance at the Beginning of the Period	3,749,608	61,540	18,699	1,177,775	5,007,622
Movements in the Period					
- Acquisitions (1)	104,124	21,528	1,322	204,979	331,953
- Disposals	-216,387	-25,370	-621	-130,704	-373,082
- Impairment	43,265			304	43,569
- Transfers	36,297	-46,132		-7,274	-17,109
Impact of Consolidated Subsidiaries			618	14,613	15,231
Balance at the End of the Current Period	3,716,907	11,566	20,018	1,259,693	5,008,184
<b>Accumulated Depreciation</b>					
Balance at the Beginning of the Period					
Movements in the Period	-2,197,302		-9,976	-760,071	-2,967,349
- Depreciation Charge	-51,410		-3,506	-111,489	-166,405
- Disposals	63,712		467	67,427	131,606
- Impairment					
- Transfers	1,156			4,805	5,961
Impact of Consolidated Subsidiaries			-317	-12,047	-12,364
Balance at the End of the Current Period	-2,183,844		-13,332	-811,375	-3,008,551
Net Book Value at the End of the Prior Period	1,552,306	61,540	8,723	417,704	2,040,273
<b>Net Book Value at the End of the Current Period</b>	<b>1,533,063</b>	<b>11,566</b>	<b>6,686</b>	<b>448,318</b>	<b>1,999,633</b>

(1) As of the balance sheet date, the book value of tangible assets acquired during the period due to receivables amounts to TL 89,936.

(2) They are the impairment releases related to the real estates, whose fair values have increased due to their renewed appraisals.

**13. Information on Intangible Assets:**

Explanation regarding consolidation goodwill that is included in intangible assets is given in Section Three under the caption of "XII. Explanations on Goodwill and Other Intangible Assets." The table consisting movements of other intangible assets are presented below.

	Current Period	Prior Period
<b>Acquisition Cost</b>		
Balance at the Beginning of the Period	217,299	149,000
Movements in the Period		
- Acquisitions	96,988	58,149
- Disposals	-2,614	
- Impairment (-)		
- Transfers	10,800	8,110
- Foreign Currency Difference	2,896	
- Impact of Consolidated Subsidiaries		2,040
Balance at the End of the Period	325,369	217,299
<b>Accumulated Amortization</b>		
Balance at the Beginning of the Period	-168,355	-110,923
Movements in the Period		
- Amortization Charge (-)	-53,468	-51,375
- Disposals	270	
- Impairment		
- Transfers	-10,242	-5,491
- Impact of Consolidated Subsidiaries	-2,812	
- Foreign Currency Difference		-566
Balance at the End of the Current Period	-234,607	-168,355
Net Book Value at the End of the Prior Period	48,944	38,077
<b>Net Book Value at the End of the Period</b>	<b>90,762</b>	<b>48,944</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 14. Information on investment property:

Investment properties are properties that the Group holds to earn rentals. Explanations on these subjects are given in "Section Three: XIV."

	Current Period	Prior Period
<b>Acquisition Cost</b>		
Balance at the Beginning of the Period	1,454,485	999,210
Movements in the Period		
- Acquisitions	28,291	164,950
- Disposals (-)	-486	-2,136
- Impairment	-103,007	12,725
- Transfers	-109,049	760
- Impact of Consolidated Subsidiaries		278,976
Balance at the End of the Period	1,270,234	1,454,485
<b>Accumulated Amortization</b>		
Balance at the Beginning of the Period	-212,328	-188,428
Movements in the Period		
- Amortization Charge (-)	-31,693	-23,900
- Disposals	207	
- Impairment		
- Transfers	10,874	
Balance at the End of the Current Period	-232,940	-212,328
Net Book Value at the End of the Prior Period	1,242,157	810,782
<b>Net Book Value at the End of the Period</b>	<b>1,037,294</b>	<b>1,242,157</b>

## 15. Information on deferred tax asset:

The Parent Bank and the other consolidated Group companies have TL 635,784 deferred tax asset as of 31 December 2011. Such deferred tax asset is calculated based on the temporary differences between the book value of assets and liabilities and their tax basis measured as per the prevailing tax regulation. When the items comprising the temporary differences are followed under equity, the related tax asset/liability is directly recognized under equity items.

	Current Period	Prior Period
Tangible Assets Base Differences	25,851	25,572
Provisions (1)	-470,292	-414,750
Finance Lease Adjustment	4,072	3,416
Valuation of Financial Assets	-93,929	-370,615
Other (2)	-101,486	-64,359
<b>Net Deferred Tax (Asset)/Liability:</b>	<b>-635,784</b>	<b>-820,736</b>

(1) Comprised of employee termination benefits, actual and technical deficits of the pension fund, insurance technical provisions, the provisions for credit card bonus points, and other provisions.

(2) The investment incentive application has been removed starting from 1 January 2006 and the investment incentives of companies, which have not been used as of 31 December 2005 are enabled to be used by deducting from incomes of years 2006, 2007 and 2008; and it is stated that the amount, if not deducted from the 2008 income, will not be transferred to other periods. On the other hand, the Court of Constitution has cancelled this regulation that removes the gained rights at the meeting on 15 October 2009, finding it against the Constitution, and in this way, the time limitation with respect to the investment incentive was removed as of the date of reporting. The related decision was published on the Official Gazette dated 8 January 2010. Within this context, İş Finansal Kiralama A.Ş., one of the consolidated companies, has TL 470,837 unused investment incentive and TL 62,775 (31 December 2010: TL 74,552) of the "Other" item on the above table consists of the deferred tax amount calculated over the related investment incentive.

The movement of deferred tax asset is as follows:

	Current Period	Prior Period
Balance at the Beginning of the Period	815,924	616,132
Deferred Tax Benefit/(Charge) (Net)	-313,445	208,333
Deferred Tax Recognized under Equity	127,028	-9,253
Foreign Currency Difference	-205	
Impact of Consolidated Subsidiaries	2,392	712
<b>Deferred Tax Asset (*)</b>	<b>631,694</b>	<b>815,924</b>

(\*) In the current period consolidated financial statements, deferred tax asset amounts to TL 635,784 and the deferred tax liability amounts to TL 4,090; the movement table states the net balance. Explanations on deferred tax liability are given in Part Five footnote II 9.b.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 16. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Net Book Value at the Beginning of the Period	54,233	28,801
Additions	66,563	54,690
Transfers (Net)	6,187	7,769
Disposals (-) (Net)	-63,976	-36,457
Impairment Losses (-)		
Amortization	-2,751	-570
<b>Net Book Value at the End of the Period</b>	<b>60,256</b>	<b>54,233</b>

The Group has no discontinued operations. The assets classified as "Assets Held for Sale" of the Group consist of real estates. Those real estates of the Parent Bank subject to sale are announced on the Parent Bank's web site. Announcements about the real estates subject to sale are also made by means of newspaper advertisements and similar media.

## 17. Information on Other Assets of the Group:

The "other assets" item does not exceed 10% of total assets.

## II. EXPLANATIONS AND FOOTNOTES ON CONSOLIDATED LIABILITIES

## 1. Information on Deposits:

## a.1. The maturity structure of deposits (Current Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	5,005,140		4,200,439	28,040,187	2,412,466	503,674	501,736		40,663,642
Foreign Currency Deposits	6,296,721		5,781,985	16,412,530	2,077,563	892,481	3,980,190		35,441,470
Residents in Turkey	5,611,233		5,313,900	15,681,856	1,753,633	401,050	1,695,488		30,457,160
Residents Abroad	685,488		468,085	730,674	323,930	491,431	2,284,702		4,984,310
Deposits of Public Institutions	208,535		419,186	398,015	5,457	168	678		1,032,039
Commercial Deposits	4,521,788		1,444,240	4,445,532	166,144	22,173	132,616		10,732,493
Other Institutions Deposits	273,119		607,730	2,949,255	664,662	1,609,254	1,553		6,105,573
Precious Metals Deposits	2,479,052								2,479,052
Interbank Deposits	270,076		550,609	865,146	197,758	148,420	345,718		2,377,727
The Central Bank of Turkey	83,478								83,478
Domestic Banks	11,135		48,085	291,269	97,408		2,067		449,964
Foreign Banks	172,094		502,524	573,877	100,350	148,420	343,651		1,840,916
Participation Banks	3,369								3,369
Other									
<b>Total</b>	<b>19,054,431</b>		<b>13,004,189</b>	<b>53,110,665</b>	<b>5,524,050</b>	<b>3,176,170</b>	<b>4,962,491</b>		<b>98,831,996</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## a.2. The maturity structure of deposits (Prior Period):

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year	1 Year and Over	Accumulated Deposits	Total
Savings Deposits	4,518,478		20,032,697	11,969,945	1,101,909	274,201	376,989		38,274,219
Foreign Currency Deposits	4,987,099		10,297,599	8,155,433	1,665,021	951,447	2,380,522		28,437,121
Residents in Turkey	4,529,212		9,609,051	7,881,884	1,331,544	500,184	1,400,308		25,252,183
Residents Abroad	457,887		688,548	273,549	333,477	451,263	980,214		3,184,938
Deposits of Public Institutions	336,578		145,950	66,418	3,184		6,887		559,017
Commercial Deposits	4,008,693		2,914,169	3,880,812	156,563	23,840	2,863		10,986,940
Other Institutions Deposits	222,342		1,358,093	4,359,227	1,214,386	1,092	782		7,155,922
Precious Metals Deposits	336,249								336,249
Interbank Deposits	279,454		779,482	1,335,075	99,020	55,247	178,873		2,727,151
The Central Bank of Turkey	74,276								74,276
Domestic Banks	18,065		276,579	641,487			3,155		939,286
Foreign Banks	185,542		502,903	693,588	99,020	55,247	175,718		1,712,018
Participation Banks	1,571								1,571
Other									
<b>Total</b>	<b>14,688,893</b>		<b>35,527,990</b>	<b>29,766,910</b>	<b>4,240,083</b>	<b>1,305,827</b>	<b>2,946,916</b>		<b>88,476,619</b>

## b.1. Savings deposits which are under the guarantee of Savings Deposits Insurance Fund and which exceed the limit of deposit insurance:

Savings Deposits	Under the Guarantee of Savings Deposits Insurance Fund		Exceeding the Limit of Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	16,344,278	16,526,269	24,004,306	21,470,358
Foreign Currency Savings Deposits	7,242,877	5,936,695	15,250,682	11,306,743
Other Deposits in the Form of Savings Deposits				
Foreign Branches' Deposits Under Foreign Authorities' Insurance	2,207,773	1,578,275	49,636	65,303
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance			17,827	67,171

## b.2. Savings deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign Branches' Deposits Under Foreign Authorities Insurance	277,962	279,628
Deposits and Other Accounts held by Main Shareholders and their Relatives		
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	8,957	8,689
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004		
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey		

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**2. Information on Derivative Financial Liabilities Held for Trading:**

Negative differences on derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	103,796	124,384	8,068	58,897
Swap Transactions	363,765	233,635	387,262	232,207
Futures	873	339	161	
Options	269	43,930	808	43,812
Other	2,333	42,762	95	
<b>Total</b>	<b>471,036</b>	<b>445,050</b>	<b>396,394</b>	<b>334,916</b>

**3. Banks and Other Financial Institutions:****a. Information on banks and other financial institutions:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds borrowed from the Central Bank of Turkey				
Funds borrowed from Domestic Banks and Institutions	501,011	766,941	873,131	483,658
Funds borrowed from Foreign banks, institutions and funds	41,140	17,470,183	35,007	12,891,069
<b>Total</b>	<b>542,151</b>	<b>18,237,124</b>	<b>908,138</b>	<b>13,374,727</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	491,721	6,539,309	905,269	4,883,754
Medium and Long-term	50,430	11,697,815	2,869	8,490,973
<b>Total</b>	<b>542,151</b>	<b>18,237,124</b>	<b>908,138</b>	<b>13,374,727</b>

**c. Information on funds borrowed:**

Information on funds received through syndicated loans and securitization deals, which take a significant place among funds borrowed, are given below.

Syndicated loans:

Date of Use	Funds Borrowed	Maturity
September 2010	USD 45,000,000 + EUR 115,000,000	2 years
May 2011	USD 290,000,000 + EUR 626,000,000	1 year (with 1 year extension option)
June 2011	USD 5,000,000 + EUR 95,000,000	1 year
September 2011	USD 359,000,000 + EUR 603,000,000	1 year (with 1 year extension option)



## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Securitization deals:

The Parent Bank obtained funds by way of putting on securitization deals all its claims and receivables based on diversified payment rights in USD, EUR and GBP through TIB Diversified Payment Rights Finance Company, and all its claims and receivables based on FC debit and credit card receivables through TIB Card Receivables Funding Company Limited, both of which are special purpose vehicles established abroad.

Information on funds received through securitization is given below.

Date	Special Purpose Vehicle (SPV)	Amount	Final Maturity	Remaining Debt Amount as of 31 December 2011
November 2004	TIB Diversified Payment Rights Finance Company	USD 600,000,000	7-10 years	USD 89,600,000
May 2005	TIB Diversified Payment Rights Finance Company	USD 700,000,000	5-8 years	USD 118,750,000
December 2005	TIB Card Receivables Funding Company Limited	USD 350,000,000	8 years	USD 127,561,065
June 2006	TIB Diversified Payment Rights Finance Company	USD 800,000,000	5-8 years	USD 344,000,000
March 2007	TIB Diversified Payment Rights Finance Company	USD 550,000,000	7-8 years	USD 430,000,000
October 2011	TIB Diversified Payment Rights Finance Company	USD 75,000,000	5 years	USD 75,000,000
October 2011	TIB Diversified Payment Rights Finance Company	EUR 160,000,000	5-7 years	EUR 160,000,000

## 4. Other Securities Issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1,888,329		195,954	
Bonds	934,096	943,451		
<b>Total</b>	<b>2,822,425</b>	<b>943,451</b>	<b>195,954</b>	

## Concentration of the liabilities of the Group:

Of the Group's liabilities 54% are comprised of deposits, 11% are comprised of funds provided from repurchase agreements and 12% are comprised of funds borrowed and marketable securities issued. Deposits are distributed among a large variety of customers with different characteristics. The borrowings, on the other hand, are comprised of various funds obtained from financial institutions through syndication, securitization, post-financing and money market operations. No risk concentration exists related to the Group's liabilities.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**5. Other Liabilities:**

Other liabilities do not exceed 10% of the balance sheet total.

**6. Information on lease payables (Net):**

The group does not have any liabilities resulting from finance lease transactions.

**7. Information on derivative financial liabilities held for risk management:**

The Group does not have any derivative financial liabilities held for risk management purposes.

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

	Current Period	Prior Period
General Loan Loss Provisions	1,315,935	745,322
Provision for Group I Loans and Receivables	1,103,000	570,518
Provision for Group II Loans and Receivables(1)	39,143	31,547
Provision for Non-cash Loans	119,374	78,496
Other	54,418	64,761

(1) Also includes general provision for Group II Non-cash Loans.

Within the framework of the "Regulation Regarding the Amendment of the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside", which was published in the Official Gazette dated 28 May 2011, no. 27947, TL 67,336 additional provision was set aside for 32,658 loans (7,914 group I loans / 24,744 group II loans), whose maturities have been extended for up to one year and for 49,227 loans (37,145 group I loans / 12,082 group II loans), whose maturities have been extended for more than a year.

**b. Reserves for employee benefits:**

According to the related regulation and the collective bargaining agreements, the Bank is obliged to pay employee termination benefits to employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or to the female employees who have voluntarily quit within one year after the date of their marriage. In accordance with the related regulations, the amount of employee termination benefits is TL 2,731.85 (full TL amount as of 31 December 2011), which is one month salary for each service year and cannot exceed the base salary ceiling for employee termination benefits. On Group basis, as of 31 December 2011 TL 260,666 provision was set aside and reflected to the financial statements (31 December 2010: TL 222,643).

The main actuarial assumptions used in the calculation of the employee termination benefits are as follows:

- discount and inflation rates, which vary by years, were used for the calculation and the real rate of increase in salaries was taken as 2%.
- TL 2,731.85 (full TL amount) salary ceiling, which was effective as at 31 December 2011 was taken into account for the calculations.
- the age of retirement is considered as the earliest age possible that an individual can retire.
- CSO 1980 table is used for the mortality rate for female and male employees

The movements related to provision for employee termination benefits are given below.

	Current Period	Prior Period
Present value of defined benefit obligation at the beginning of the period	222,643	166,068
Service Cost	20,596	14,643
Interest Cost	19,926	16,487
Benefits paid	-21,491	-14,475
Loss/(Gain) due to Settlements/Reductions/Terminations	729	343
Actuarial loss/(gain)	18,263	37,929
Impact of Consolidated Companies		1,648
<b>Defined benefit obligation at the end of the period</b>	<b>260,666</b>	<b>222,643</b>

In addition to the employee termination benefits, the Bank and consolidated Group companies also allocate provisions for the unused vacation pay. Provision for unused vacation pay as of 31 December 2011 stands at TL 26,790 (31 December 2010: TL 22,018).

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**c. Provisions for exchange losses in the principal amount of foreign currency indexed loans:**

Since foreign currency indexed loans are followed based on the rates on the lending date, the Parent Bank incurs a loss if the exchange rates decrease and makes profit if the exchange rate increases. As of 31 December 2011, provision amount for the currency evaluation losses in the principal amount of foreign currency indexed loans is TL 4,188 and this amount is offset against foreign currency indexed loan balance in the financial statements.

**d. Specific provisions for non-cash loans, which are not indemnified and not converted into cash:**

TL 85,392 provision (31 December 2010: TL 151,906) is allocated for the non-cash loans of companies whose loans are followed under non-performing loans accounts.

**e. Information on other provisions:****e.1. Provisions for potential risks:**

Taking the potential risks in the economy and in the markets into account, provision amounting to TL 950,000, total of which in prior periods, was provided in total in accordance with the precautionary principle.

**e.2. Liabilities arising from retirement benefits:**

- Liabilities of pension funds founded as per the Social Security Institution:

Within the scope of the explanations given in Part Three Note XVII, in the actuarial report which was prepared as of 31 December 2011 for Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (İşbank Pension Fund), of which each Bank employee is a member, and which has been established according to the provisional Article 20 of the Social Security Act No. 506, the amount of actuarial and technical deficit stands at TL 1,338,159. Additional TL 19,914 provision was set aside for the difference between and the newly determined deficit amount and the TL 1,318,245 provision amount set aside by the Bank for the related pension fund until the current period. As a result of the actuarial valuation of Milli Reasürans T.A.Ş., besides the Parent Bank, as of 31 December 2011, the amount of actuarial and technical deficit was determined to be TL 25,170. Additional provision was set aside for the TL 4,397 difference between the Company's TL 20,773 provision set aside for the related pension fund until the current period and the technical deficit amount that has been newly determined.

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as of 31 December 2011, in other words, it measures the amount to be paid to the Social Security Institution by the Parent Bank. CSO 1980 mortality table, 9.8% technical deficit interest rate and 33.5% premium rate were taken into account in actuarial calculations. Below table shows the cash values of premium and salary payments as of 31 December 2011, taking the health expenses within the Social Security Institution limits into account.

	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	-3,666,014	-3,401,547
Net Present Value of Long Term Insurance Line Premiums	1,562,338	1,437,212
<b>Net Present Value of Total Liabilities Other Than Health</b>	<b>-2,103,676</b>	<b>-1,964,335</b>
Net Present Value of Health Liabilities	-482,099	-438,786
Net Present Value of Health Premiums	929,964	855,484
<b>Net Present Value of Health Liabilities</b>	<b>447,865</b>	<b>416,698</b>
<b>Pension Fund Assets</b>	<b>317,652</b>	<b>229,392</b>
<b>Amount of Actuarial and Technical Deficit</b>	<b>-1,338,159</b>	<b>-1,318,245</b>

The assets of the pension fund are as follows.

	Current Period	Prior Period
Cash	196,541	164,851
Securities Portfolio	94,007	52,569
Other	27,104	11,972
<b>Total</b>	<b>317,652</b>	<b>229,392</b>

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**9. Information on Tax Liability:****a.** Explanations related to current tax liability:**a.1.** Information on tax provision:

Explanations in relation to taxation and tax calculations were stated in Note XXI of Part 3. The remaining corporate tax liability of the Parent Bank and the consolidated companies after the deduction of the temporary tax amount stands at TL 205,315 as of 31 December 2011.

**a.2.** Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	205,315	235,575
Tax on Securities Income	117,197	78,353
Tax on Real Estate Income	1,893	1,603
Banking Insurance Transaction Tax	66,255	46,159
Foreign Exchange Transaction Tax	28	22
Value Added Tax Payable	1,344	1,501
Other	32,419	28,198
<b>Total</b>	<b>424,451</b>	<b>391,411</b>

**a.3.** Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employees	1,314	723
Social Security Premiums - Employer	1,515	770
Bank Pension Fund Premiums - Employees		
Bank Pension Fund Premiums - Employer		
Pension Fund Membership Fees and Provisions-Employees	1,153	1,005
Pension Fund Membership Fees and Provisions-Employer	30	31
Unemployment Insurance - Employees	1,807	728
Unemployment Insurance – Employer	3,459	1,372
Other	262	323
<b>Total</b>	<b>9,540</b>	<b>4,952</b>

**b.** Information on deferred tax liabilities:

The Parent Bank and the consolidated Group companies have TL 4,090 deferred tax liability as of 31 December 2011. The related deferred tax liability is calculated over the temporary differences between the book values of assets and liabilities in the records and their tax base values calculated according to tax.

Deferred Tax Liability:	Current Period	Prior Period
Tangible Assets Tax Base Differences	2,197	1,351
Provisions (1)	-251	-2,101
Valuation of Financial Assets	1,844	4,740
Other	300	822
<b>Net Deferred Tax Liability</b>	<b>4,090</b>	<b>4,812</b>

(1) Comprised of provisions set aside for employee benefits.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**10. Information on payables for assets held for sale and discontinued operations:**

The Group does not have any payables for assets held for sale and discontinued operations.

**11. Explanations on subordinated loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks				
Other Domestic Institutions				
Foreign Banks				
Other Foreign Institutions		95,000		77,947
<b>Total</b>		<b>95,000</b>		<b>77,947</b>

TSKB, consolidated affiliate of the Parent Bank, has used a subordinated loan amounting USD 50 Million from International Finance Corporation through direct financing on 5 November 2004. The maturity date of the subordinated loan with interest rate of Libor + 2.25% and without any repayment of principal in the first five years is 15 October 2016.

**12. Information on consolidated shareholders' equity:****a. Presentation of paid-in capital:**

	Current Period	Prior Period
Common shares	4,499,970	4,499,970
Preferred shares	30	30
<b>Total</b>	<b>4,500,000</b>	<b>4,500,000</b>

**b. Explanation as to whether the registered share capital system ceiling is applicable at bank, if so, the amount of registered share capital:**

Capital System	Paid-in Capital	Ceiling
Registered Capital System	4,500,000	7,000,000

**c. The capital increase made in current period: None.****d. Capital increase through transfer from capital reserves during the current period: None.****e. Significant commitments of the Parent Bank related to capital expenditures within the last year and the following quarter, the general purpose thereof, and the estimation of funds required for them: There are no capital commitments.****f. Previous periods' indicators related to income, profitability and liquidity, and the estimated effects of forecasts, which are to be made by taking into consideration the uncertainties of these indicators, on the Group's equity: The Parent Bank's and the Group companies' balance sheets are managed in a prudent way to ensure that the effect of risks arising from interest rates, exchange rates and loans is at the lowest level and this contributes positively to the Group's profitability performance.****g. Privileges Granted to Shares:**

Group (A) shares each with a nominal value of 1 Kuruş have the privileges of;

- receiving 20 times the number of shares in the distribution of bonus shares issued from conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation)
- exercising the preference rights as 20 times (Article 19 of the Articles of Incorporation), and
- 20 voting rights (Article 49 of the Articles of Incorporation)

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 1 Kuruş, have the same rights with the Group (C) shares having a nominal value of 4 Kuruş each. Furthermore, Group (A) and (B) shares, each with a nominal value of 1 Kuruş, are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## h. Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities	1,416,409		962,201	
Valuation Difference	1,416,409		962,201	
Foreign Exchange Differences				
Financial Assets Available for Sale	-395,965	139,462	209,657	69,621
Valuation Difference	-462,711	139,462	261,609	69,631
Deferred Tax Effect on Valuation	66,746		-51,952	-10
Foreign Exchange Differences				
<b>Total</b>	<b>1,020,444</b>	<b>139,462</b>	<b>1,171,858</b>	<b>69,621</b>

## 13. Explanations on Minority Shares:

	Current Period	Prior Period
Paid-in Capital	1,654,237	1,466,719
Share Premium	5,409	5,409
Marketable Securities Revaluation Reserve	17,442	229,032
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	1,179	1,179
Legal Reserves	145,320	120,688
Statutory Reserves	31,584	25,986
Extraordinary Reserves	341,143	287,785
Other Profit Reserves	70	1,588
Prior Years' Profit/Loss	109,425	186,583
Current Year Profit/Loss (1)	164,641	324,794
<b>Period Ending Balance</b>	<b>2,470,450</b>	<b>2,649,763</b>

(1) Difference between effective and direct shareholding was TL 46,812 in the current period. (31 December 2010: TL 32,256)

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## III. EXPLANATIONS AND FOOTNOTES ON CONSOLIDATED OFF-BALANCE SHEET ITEMS

## 1. Explanations to liabilities related to off-balance items:

a. Types and amounts of irrevocable loan commitments:

Commitment for customer credit card limits amounts to TL 13,172,835 and commitment to pay for check leaves amounts to TL 4,914,758. The amount of commitment for the forward purchase of assets is TL 650,405 and for the forward sale of assets is TL 652,889.

b. The structure and amount of probable losses and commitments resulting from off-balance sheet items, including those below:

There are no probable losses related to off-balance sheet items. Commitments are shown in the table of "Off-Balance Sheet Items".

b.1. Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

	Current Period	Prior Period
Bank Acceptances	500,455	211,538
Letters of Credit	5,761,529	3,380,888
Other Guarantees	1,021,974	372,685
<b>Total</b>	<b>7,283,958</b>	<b>3,965,111</b>

b.2. Definite guarantees, provisional guarantees, suretyships and similar transactions:

	Current Period	Prior Period
Provisional Letters of Guarantee	1,201,212	531,378
Definite Letters of Guarantee	13,702,059	9,066,160
Advance Letters of Guarantee	3,005,909	2,110,965
Letters of Guarantee Addressed to Customs	905,572	523,800
Other Letters of Guarantee	1,109,521	232,601
<b>Total</b>	<b>19,924,273</b>	<b>12,464,904</b>

c. 1. Total Non-cash Loans:

	Current Period	Prior Period
Non-cash Loans against Cash Risks	348,352	178,890
With Original Maturity of 1 Year or Less	37,774	65,655
With Original Maturity More Than 1 Year	310,578	113,235
Other Non-cash Loans	26,859,879	16,251,125
<b>Total</b>	<b>27,208,231</b>	<b>16,430,015</b>



## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## c. 2. Sectoral Risk Concentration of Non-cash Loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	114,202	1.12	40,730	0.24	85,956	1.25	32,436	0.34
Farming and Stockbreeding	56,855	0.56	34,295	0.20	41,670	0.60	32,436	0.34
Forestry	56,233	0.55	6,088	0.04	42,884	0.62		0.00
Fishery	1,114	0.01	347	0.00	1,402	0.03		0.00
Industry	3,245,018	31.69	10,169,300	59.93	2,208,189	32.03	4,881,637	51.19
Mining and Quarrying	100,355	0.98	120,057	0.71	69,393	1.01	72,721	0.76
Manufacturing	2,386,390	23.30	7,744,255	45.64	1,614,669	23.42	3,352,725	35.16
Electricity, Gas, Water	758,273	7.41	2,304,988	13.58	524,127	7.60	1,456,191	15.27
Construction	1,964,191	19.18	2,022,130	11.92	783,491	11.37	1,055,496	11.07
Services	4,802,627	46.90	3,096,006	18.25	3,751,501	54.42	2,288,342	24.00
Wholesale and Retail Trade	2,971,252	29.02	1,625,621	9.58	2,410,990	34.97	1,394,454	14.62
Hotel and Restaurant Services	100,326	0.98	19,355	0.11	85,046	1.23	13,536	0.14
Transportation and Communication	261,961	2.56	846,567	4.99	231,230	3.35	360,130	3.78
Financial Institutions	947,143	9.25	281,647	1.66	667,212	9.68	268,349	2.81
Real Estate and Rental Services	248,303	2.42	188,061	1.11	163,692	2.37	174,487	1.83
Self-Employed Services	205,340	2.01	118,123	0.70	140,048	2.03	57,522	0.60
Educational Services	16,043	0.16	6,926	0.04	12,706	0.18	10,116	0.11
Health and Social Services	52,259	0.50	9,706	0.06	40,577	0.61	9,748	0.11
Others	114,229	1.11	1,639,798	9.66	64,355	0.93	1,278,612	13.40
<b>Total</b>	<b>10,240,267</b>	<b>100.00</b>	<b>16,967,964</b>	<b>100.00</b>	<b>6,893,492</b>	<b>100.00</b>	<b>9,536,523</b>	<b>100.00</b>

## c. 3. Non-cash Loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash Loans</b>	<b>10.180.154</b>	<b>16.793.343</b>	<b>60.113</b>	<b>174.621</b>
Letters of Guarantee	10.135.691	9.577.343	60.113	151.126
Bank Acceptances	3.628	494.552		2.275
Letters of Credit		5.745.509		16.020
Endorsements		375.869		
Underwriting Commitments of the Securities Issued				
Factoring Related Guarantees				
Other Guaranties and Warranties	40.835	600.070		5.200

## 2. Information on Derivative Financial Instruments:

Majority of the Group's derivative transactions comprise foreign currency and interest rate swaps, forward foreign exchange trading, currency and interest rate options. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognized as "held for trading purposes" within the framework of TAS 39 "Financial Instruments: Recognition and Measurement".

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**3. Explanations Related to Contingencies and Commitments:**

The balance of the "Other Irrevocable Commitments" account, under which the amount of letters of guarantees, guarantees and commitments submitted by the Group pursuant to its own internal affairs, and guarantees given to third parties by other institutions in favor of the Bank and the commitments due to housing loans extended within the scope of unfinished house projects are followed, stands at TL 7,191,833. TL 4,914,758 liability of the Bank regarding the checks given to customers is presented under off balance sheet commitments, as per the related regulations. In case the cheques presented for payment to beneficiaries are not covered, the Bank will be obliged to pay the uncovered amount up to TL 600 (exact amount) for the cheques that are subject to the Law no. 3167 on "the Regulation of Payments by Cheque and Protection of Cheque Holders", within the framework of the Law no. 6273 on "Amendments in the Cheque Law", which came into effect after being published in the Official Gazette dated 3 February 2012, and up to TL 1,000 (exact amount) for the cheques that are subject to the "Cheque Law" no. 5941. The Bank will try to collect the amount paid from the customer and the uncollected amount will be followed under "Indemnified Non-Cash Loans".

**4. Explanations related to transactions made on behalf of or on the account of others:**

It is explained in Note X under Part Four.

**IV. EXPLANATIONS AND FOOTNOTES ON THE CONSOLIDATED INCOME STATEMENT****1.a. Information on interest income on loans:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Loans (1)				
Short-term Loans	2,412,409	250,411	2,130,056	150,768
Medium and Long-term Loans	3,362,099	1,202,446	2,974,892	678,617
Interest on Non-performing Loans	266,741	4,711	246,435	59
Premiums Received from State Resource Utilization Support Fund				
<b>Total</b>	<b>6,041,249</b>	<b>1,457,568</b>	<b>5,351,383</b>	<b>829,444</b>

(1) Includes fee and commission income on cash loans.

**1.b. Information on interest income on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey			104,324	
Domestic Banks	99,912	76,607	182,532	14,416
Foreign Banks	5,722	11,891	12,458	34,118
Foreign Head Offices and Branches				
<b>Total</b>	<b>105,634</b>	<b>88,498</b>	<b>299,314</b>	<b>48,534</b>

**1.c. Information on interest income from securities:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Financial Assets Held for Trading	63,131	780	75,112	1,865
Interest Income on Financial Assets at Fair Value through Profit and Loss				
Interest Income on Financial Assets Available for Sale	1,960,394	432,535	1,931,456	480,080
Investments Held to Maturity	1,763,316	482	1,687,078	3,056
<b>Total</b>	<b>3,786,841</b>	<b>433,797</b>	<b>3,693,646</b>	<b>485,001</b>

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	3,764	4,333

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 2.a. Information on interest expense from funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	53,548	204,591	403,615	138,039
Central Bank of Turkey	421		72	
Domestic Banks	31,604	16,283	50,301	12,831
Foreign Banks	21,523	188,308	353,242	125,208
Foreign Head Offices and Branches				
Other Institutions		115,311		83,652
<b>Total (1)</b>	<b>53,548</b>	<b>319,902</b>	<b>403,615</b>	<b>221,691</b>

(1) Includes fee and commission expenses regarding cash loans.

## 2.b. Information on interest paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	19,354	9,523

## 2.c. Information on interest paid to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid to Securities Issued	167,914	41,792	5,722	

## 2.d. Information on Interest Expense on Deposits According to Maturity Structure:

	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to One Month	Up to Three Months	Up to Six Months	Up to One Year	Over One Year		
<b>TL</b>								
Bank Deposits	3	8,589	32,879	6,043	2,244	3,060		52,818
Savings Deposits	8	724,326	1,917,244	166,770	34,497	34,021		2,876,866
Public Sector Deposits	18	7,495	13,466	825	2	483		22,289
Commercial Deposits	118	142,974	356,772	63,214	6,764	3,984		573,826
Other Institutions Deposits		72,943	206,982	183,437	104,802	58		568,222
Deposits with 7 Days Notice								
<b>Total</b>	<b>147</b>	<b>956,327</b>	<b>2,527,343</b>	<b>420,289</b>	<b>148,309</b>	<b>41,606</b>		<b>4,094,021</b>
<b>FC</b>								
Foreign Currency Deposits	1,023	183,234	407,435	89,033	23,321	107,894		811,940
Bank Deposits	34	4,055	10,539	5,901	1,686	3,593		25,808
Deposits with 7 Days Notice								
Precious Metals Deposits								
<b>Total</b>	<b>1,057</b>	<b>187,289</b>	<b>417,974</b>	<b>94,934</b>	<b>25,007</b>	<b>111,487</b>		<b>837,748</b>
<b>Grand Total</b>	<b>1,204</b>	<b>1,143,616</b>	<b>2,945,317</b>	<b>515,223</b>	<b>173,316</b>	<b>153,093</b>		<b>4,931,769</b>

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 3. Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading	3,819	6,624
Financial Assets at Fair Value Through Profit and Loss		
Financial Assets Available for Sale	4,267	2,556
Other	163,391	36,605
<b>Total</b>	<b>171,477</b>	<b>45,785</b>

## 4. Information on trading income/losses (Net):

	Current Period	Prior Period
<b>Profit</b>	<b>85,788,921</b>	<b>56,767,408</b>
Securities Trading Gains	258,036	1,771,305
Gains on Derivative Financial Instruments	4,460,110	2,937,723
Foreign Exchange Gains	81,070,775	52,058,380
<b>Losses (-)</b>	<b>85,342,008</b>	<b>56,474,496</b>
Securities Trading Losses	126,005	1,115,075
Losses on Derivative Financial Instruments	4,145,245	2,989,063
Foreign Exchange Losses	81,070,758	52,370,358
<b>Trading Income/Losses (Net)</b>	<b>446,913</b>	<b>292,912</b>

The profit amount arising from foreign currency changes related to derivative transactions stands at TL 3,364,318, the loss amount stands at TL 584,517 and the amount of net profit is TL 2,779,801 (31 December 2010 profit: TL 2,423,977, loss: TL 1,749,034).

## 5. Information on other operating income:

TL 2,565,661 of other operating income sources from inclusion and classification of operations of insurance and reinsurance companies; 92% of which is from insurance premiums. Other items of the other operating income are composed of collections and cancellations of the provisions set aside in prior years for various reasons mainly for non-performing loans. The rest of income consists of sales profit of subsidiaries, associates and tangible assets, fee income received from customers on various banking services. Also, TL 62,478 obtained from the sale of shares of Visa and Mastercard, which the Bank follows under available-for-sale securities portfolio, is included in other operating income.

In prior period, operating income of insurance and reinsurance companies in this item is TL 2,313,627; 93% of which is from insurance premiums.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## 6. Information on provision for impairment on loans and other receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	638,965	793,747
Group III Loans and Receivables	474,730	592,672
Group IV Loans and Receivables	15,692	33,590
Group V Loans and Receivables	148,543	167,485
General Loan Provision Expenses	566,126	246,169
Provision Expenses for Potential Risks		
Marketable Securities Impairment Losses	31,650	3,513
Financial Assets at Fair Value through Profit and Loss	26,365	104
Financial Assets Available for Sale	5,285	3,409
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity	21,177	
Investment in Associates		
Subsidiaries	21,177	
Jointly Controlled Entities		
Investments Held to Maturity		
Other	237,017	142,482
<b>Total</b>	<b>1,494,935</b>	<b>1,185,911</b>

## 7. Other operating expenses:

	Current Period	Prior Period
Personnel Expenses	2,155,047	1,911,565
Reserve for Employee Termination Benefits	38,038	54,927
Bank Pension Fund Deficit Provisions	24,311	23,617
Impairment Losses on Tangible Assets		36,433
Depreciation Expenses of Tangible Assets	217,779	183,680
Impairment Losses on Intangible Assets		
Impairment Losses on Goodwill		
Amortization Expenses of Intangible Assets	53,468	51,375
Impairment Losses on Share of Participations Accounted for Using the Equity Method		
Impairment Losses on Assets to be Disposed	1,197	1,079
Depreciation Expenses of Assets to be Disposed	7,622	7,195
Impairment Losses on Assets Held for Sale and Subject to Discontinued Operations		
Other Operating Expenses	1,286,879	1,046,851
Operating Lease Expenses	149,377	117,610
Repair and Maintenance Expenses	28,471	22,668
Advertisement Expenses	182,027	165,397
Other Expenses	927,004	741,176
Loss on Sale of Assets	2,073	21,288
Other	2,829,381	2,333,977
<b>Total</b>	<b>6,615,795</b>	<b>5,671,987</b>

On the table above, TL 2,304,799 of other operating expense includes insurance and reinsurance companies expenses which are related with their operations, 13% of which is from technical provisions and 87% from paid claims.

In prior period, TL 1,977,806 of other operating expense includes insurance and reinsurance companies expenses which are related with their operations, 14% of which is from technical provisions and 86% from paid claims.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**8. Information on Profit/Loss before taxes including Profit/Loss from continuing and discontinued operations**

The Group's profit before tax is generated from its continuing operations. The profit before tax consists of net interest income of TL 5,416,996, net fee and commission income of TL 1,102,726 and the other operation expenses amount to TL 6,615,795.

**9. Information on Provision for taxes including taxes from continuing and discontinued operations**

As of 31 December 2011 the Group's total tax provision of TL 708,541 consists of current tax expense of TL 395,096 and deferred tax income of TL 313,445.

**10. Information on Net operating profit/loss after taxes including net profit/loss from continuing and discontinued operations:**

The Group's net profit generated from its continuing operations amounts to TL 2,389,368.

**11. Explanation on Net Period Profit/Loss:**

a. Income and expense resulting from regular banking activities: No further explanation on operating results is needed for better understanding of the Group's performance in the period 1 January 2011 - 31 December 2011.

b. Any changes in estimations that might have a material effect on current and subsequent period results:

No disclosure is required.

c. The "Other" item under "Fees and Commissions Received" in the income statement comprises fees and commissions received from banking operations, mainly credit card operations and capital market operations.

d. Other items do not exceed 10% of the total amount of the income statement.

e. Net Profit/Loss of minority shares:

	Current Period	Prior Period
Net Profit/Loss of Minority Shares	117,829	292,538

**V. EXPLANATIONS AND NOTES ON THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

The paid-in capital is TL 4,500,000 in legal records. As of balance sheet date, the balance of legal reserves is TL 1,838,830 and the balance of extraordinary reserves is TL 6,363,264.

In the current period, the change in other reserves item is a result of the conversion profits of foreign branches and financial institutions.

The details of revaluation surplus account of securities are shared in the Note no. V-II-12-g. TL 66,746 of this amount is the deferred tax effect on available for sale securities (31 December 2010: TL -51,962).

**VI. EXPLANATIONS AND NOTES ON THE CONSOLIDATED STATEMENT OF CASH-FLOWS**

The operating profit of TL 3,342,190 before the changes in operating assets and liabilities consists of interests received at TL 10,711,823 predominantly from loans and securities, and TL 6,377,928 of interest paid predominantly on deposits, money market transactions and funds borrowed by the Bank. An important part of other revenues, TL 3,131,354, consists of premium collections of insurance companies. Other operating expenses of insurance companies composes the major part of the items that results in fund outflow, TL 3,012,299 and fees and commissions expense, advertisement and rent expenses are the other expenses of this type.

The effect of changes in foreign exchange rates on cash and cash equivalents is approximately TL 528,431 as of 31 December 2011 (31 December 2010: TL -167,736).

Cash, cash in foreign currency, unrestricted deposits in Central Bank of Turkey, money in transit, cheques purchased, money market operations as well as demand deposits and time deposits up to 3 months are defined as cash and cash equivalents.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Cash and cash equivalents at the beginning of period:

	31.12.2010	31.12.2009
Cash	5,663,780	6,979,667
Cash in TL and Foreign Currency	932,823	786,502
Central Bank of Turkey and Other	4,730,957	6,193,165
Cash Equivalents	5,828,033	8,022,885
Receivables from Money Market Operations	10,193	
Banks' Demand Deposits and Time Deposits Up to 3 Months	5,817,840	8,022,885
<b>Total Cash and Cash Equivalents</b>	<b>11,491,813</b>	<b>15,002,552</b>

The total amount resulting from the transactions made in the previous period, shows the total cash and cash equivalents as of the beginning of the current period.

## Cash and Cash equivalents as of the end of the period:

	31.12.2011	31.12.2010
Cash	6,957,355	5,663,780
Cash in TL and Foreign Currency	1,149,355	932,823
Central Bank of Turkey and Other	5,808,000	4,730,957
Cash Equivalents	4,530,573	5,828,033
Receivables from Money Market Operations	171,596	10,193
Banks' Demand Deposits and Time Deposits Up to 3 Months	4,358,977	5,817,840
<b>Total Cash and Cash Equivalents</b>	<b>11,487,928</b>	<b>11,491,813</b>



## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## VII. EXPLANATIONS AND FOOTNOTES ON THE GROUP'S RISK GROUP

## 1. Information on the volume of transactions relating to the Group's risk group, incomplete loan and deposit transactions and period's profit and loss:

## a. Current Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	90,292	1,624,072		19	369,989	109,856
Balance at the end of the period	62,291	2,309,017	2	19	639,896	149,171
Interest and commission income received	3,763	469			35,436	1,047

## Prior Period:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	48,578	1,498,801		10	658,037	102,675
Balance at the end of the period	90,292	1,624,072		19	369,989	109,856
Interest and commission income received	4,333	229			20,638	951

## b. Information on deposits held by the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	250,067	349,909	840,520	237,295	1,197,039	898,213
Balance at the end of the period	399,014	250,067	549,679	840,520	1,184,469	1,197,039
Interest expense on deposits	11,230	9,523	63,241	37,588	51,106	32,284

## c. Information on forward and option and other similar agreements made with the Group's risk group:

Group's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit and Loss						
Beginning of the period						
End of the period					188,145	
Total Profit/Loss	187				2,177	
Transactions for hedging purposes						
Beginning of the period						
End of the period						
Total Profit/Loss						

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**2. In connection with the Group's risk group:****a.** The relationship of the Group with corporations in its risk group and under its control regardless of any transactions between the parties:

All types of corporate and retail banking services are provided to these corporations in line with the articles of Banking Law.

**b.** The type and amount of transaction carried out, and its ratio to the overall transaction volume, values of principal items and their ratios to overall items, pricing policy and other items in addition to the structure of the relationship:

The transactions carried out are mainly loan and deposit transactions. The ratio of loans extended to the risk group to the overall loans is 0.71%, while the ratio to the overall assets is 0.38%; the ratio of deposits of the risk group corporations to the overall deposits is 2.16%, while the ratio to overall liabilities is 1.16%. The same pricing policy with third parties is used for the financial services provided to companies in the Parent Bank's risk group.

**c.** Purchase and sale of real estates, other assets and services, agency agreements, finance lease contracts, transfer of information obtained through research and development, license agreements, funding (including loans and provision of support as cash capital or capital-in-kind), guarantees and collaterals, and management agreements:

Acquisition of properties is generally made through İş Finansal Kiralama A.Ş., one of the Group companies. The Parent Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş. Furthermore, through its branches the Bank also acts as agent for İş Yatırım Menkul Değerler A.Ş. Of the 38 mutual funds, which were founded by the Parent Bank, 26 of them are managed by İş Portföy Yönetimi A.Ş. and 12 of them are managed by İş Yatırım Menkul Değerler A.Ş.

If requested, cash and non-cash loan requirements of corporations within the risk group are met in accordance with the limits imposed by the Banking Law and the prevailing market conditions.

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

Benefits the Parent Bank provided to key management personnel during the current period amount to TL 14,692 (31 December 2010: TL 13,740).

**VIII. EXPLANATIONS ON THE GROUP'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND REPRESENTATIVE OFFICES****The Parent Bank – Türkiye İş Bankası A.Ş.**

	Number	Employees			
Domestic Branches(*)	1,184	24,667			
			Country of Incorporation		
Foreign Representative Offices	1			China	
	1			Egypt	
Foreign Branches	1	24	England	Total Assets	Legal Capital
	14	176	TRNC	6,016,844	291
	1	10	Iraq	893,104	80,000
Off-Shore Branches	1	8	Bahrain	29,345	13,327
				18,735,932	

(\*)The Branches located in Free Trade Zones in Turkey are included among domestic branches.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## İşbank GmbH

	Number	Employees			
Domestic Branches <sup>(*)</sup>	12	174			
Foreign Representative Offices			Country of Incorporation		
Foreign Branches	1	9	The Netherlands	Total Assets	Legal Capital
	1	9	France	894,057	
	1	8	Switzerland	76,734	
	1	9	Bulgaria	28,241	
Off-Shore Branches				1,574	

(\*) Germany is meant by the term "domestic".

## Türkiye Sınai Kalkınma Bankası A.Ş.

	Number	Employees			
Domestic Branches	2	348			
Foreign Representative Offices			Country of Incorporation		
Foreign Branches	1	2	Bahrain	Total Assets	Legal Capital
				98,829	
Off-Shore Branches					

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## Milli Reasürans T.A.Ş.

	Number	Employees			
Domestic Branches	1	207			
Foreign Representative Offices			Country of Incorporation		
Foreign Branches				Total Assets	Legal Capital
Off-Shore Branches	1	11	Singapore	70,917	28,333

## CJSC İşbank

	Number	Employees			
Domestic Branches(*)	6	335			
Foreign Representative Offices			Country of Incorporation		
Foreign Branches				Total Assets	Legal Capital
Off-Shore Branches					

(\*) The branches of the company, which is headquartered in Moscow, in Russia are shown as domestic branches.

Number of employees of consolidated companies that does not have agencies and branches abroad:

	Employees
Anadolu Anonim Türk Sigorta Şirketi	886
Anadolu Hayat Emeklilik A.Ş.	382
Camiş Menkul Değerler A.Ş.	59
Efes Varlık Yönetimi A.Ş.	33
İş Investment Gulf Ltd. (1)	2
İş Factoring Finansman Hizmetleri A.Ş.	36
İş Finansal Kiralama A.Ş.	107
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	47
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	13
İş Portföy Yönetimi A.Ş.	50
İş Yatırım Menkul Değerler A.Ş.	409
İş Yatırım Ortaklığı A.Ş.	5
Maxis Securities Ltd. (2)	20
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	11
TSKB Yatırım Ortaklığı A.Ş.	3
Yatırım Finansman Menkul Değerler A.Ş.	63

(1) The company, which is headquartered in Dubai, does not have any branch or representative office beside its head office.

(2) The company, which is headquartered in London, does not have any branch or representative office beside its head office.

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

## IX. Issues after the Balance Sheet Date

1. Within the framework of the resolution made by İşbank Board of Directors on 30 November 2011 and 23 December 2011 regarding the issuance of borrowing instrument, the issue of bank bills with a nominal value of TL 1,000,000 and with a maturity of 175 days was realized in January 2012. The interest rate for the related bills with the redemption date 18 July 2012 was at 11.14% (annual simple interest).
2. On 1 February 2012, the Bank's Board of Directors made a resolution to raise the registered capital ceiling of İşbank to TL 10,000,000 from TL 7,000,000 and to amend the articles 5, 18, 19, 49, 58, 62 and provisional article 17 of İşbank's Articles of Incorporation and on the same date it was publicly disclosed.
3. On 13 February 2012, the Bank's Board of Directors decided to increase the paid-in capital of Closed Joint Stock Company İşbank, a subsidiary of İşbank, from 523 million Rubles to 1,723 million Rubles by 1,200 million Rubles (approximately USD 40.2 million) in cash and to exercise İşbank's preferential rights amounting to 1,200 million Rubles due to the related capital increase and on the same date it was publicly disclosed.
4. In the Board Meeting of Türkiye Sınai ve Kalkınma Bankası A.Ş. on 25 January 2012, it was decided to close the Bank's Bahrain branch.

## PART SIX: OTHER EXPLANATIONS

## I. The Group's Credit Ratings and Related Explanations:

## Türkiye İş Bankası A.Ş.

	Rating	Outlook (*)	Explanation
<b>MOODY'S</b>			
Bank Financial Strength	C-	Stable	Indicates that the Bank's stand-alone financial strength is adequate.
Long-Term Foreign Currency Deposit	Ba3	Positive	Same as the rating for Turkey.
Long-Term Local Currency Deposit	Baa2	Stable	Indicates that the Bank's credibility is adequate.
Short-Term Foreign Currency Deposit	NP	-	Same as the rating for Turkey.
Short-Term Local Currency Deposit	P-2	-	Indicates that the Bank's credibility is high.
<b>FITCH RATINGS</b>			
Long-Term Foreign Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is good. It is one notch above the country rating.
Long-Term Local Currency Issuer Default Rating	BBB-	Stable	At investment level. Shows that the Bank's credibility is good. It is one notch above the country rating.
Short-Term Foreign Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
Short-Term Local Currency Issuer Default Rating	F3	-	At investment level. Shows that the capacity for timely payment of financial commitments is adequate.
National Long-Term Rating	AAA (tur)	Stable	Shows highest credit quality (national).
Viability Rating	bbb-	-	Shows that the Bank's credibility is "good". Basic financial indicators are adequate.
Support Rating	3	-	There is a moderate probability of support.
<b>STANDARD &amp; POOR'S</b>			
Long-Term Counterparty Credit Rating	BB	Positive	Same as the FC country rating given for Turkey.
Long-Term Certificate of Deposit	BB	-	Same as the FC country rating given for Turkey.
Short-Term Counterparty Credit Rating	B	-	Indicates that it has the capacity to meet its financial commitment on the obligation.
Short-Term Certificate of Deposit	B	-	Indicates that it has the capacity to meet its financial commitment on its obligations.
Long-Term National Scale Rating	trAA	-	Indicates that its capacity to meet its financial commitments on the obligation are strong.
Short-Term National Scale Rating	trA-1	-	It is the highest rating in this category and indicates that the Bank's capacity to pay its short Term debt is higher than the other institutions in the country.

The dates below given are on which the Parent Bank's credit ratings/outlook was last updated:

Moody's: 7 October 2010, Fitch Ratings: 28 November 2011, Standard &amp; Poor's: 22 February 2010

## (\*) Outlook:

"Stable" indicates that the current rating will not be changed in the short term, "positive" indicates that the current rating is very likely to be upgraded and "negative" indicates that the current rating is very likely to be downgraded.

**Türkiye İş Bankası A.Ş.****Consolidated Financial Statements as of and for the Year Ended 31 December 2011**

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**Türkiye Sınai Kalkınma Bankası A.Ş.**

	Rating	Outlook
<b>MOODY'S</b>		
Bank Financial Strength	D+	Stable
Long-Term Foreign Currency Deposit	Ba1	Positive
Short-Term Foreign Currency Deposit	NP	-
<b>FITCH RATINGS</b>		
Long-Term Foreign Currency Issuer Default Rating	BB+	Stable
Long-Term Local Currency Issuer Default Rating	BB+	Stable
Short-Term Foreign Currency Issuer Default Rating	B	-
Short-Term Local Currency Issuer Default Rating	B	-
Individual Rating (*)	C/D	-
Support Rating	3	-

**The dates below given are on which the TSKB's credit ratings were last updated:**

Moody's: 17 May 2011, Fitch Ratings: 28 November 2011

(\*) On 25 January 2012, Fitch Ratings withdrew its category of "Individual Rating" given to financial institutions.

**İş Finansal Kiralama A.Ş.**

	Rating	Outlook
<b>FITCH RATINGS</b>		
Long-Term Foreign Currency Issuer Default Rating	BBB-	Stable
Long-Term Local Currency Issuer Default Rating	BBB-	Stable
Short-Term Foreign Currency Issuer Default Rating	F3	-
Short-Term Local Currency Issuer Default Rating	F3	-
National Long-Term Rating	AAA (tur)	Stable
Support Rating	2	-

**The date below given is on which the credit ratings of İş Finansal Kiralama A.Ş. were last updated:**

Fitch Ratings: 1 December 2011

## Türkiye İş Bankası A.Ş.

## Consolidated Financial Statements as of and for the Year Ended 31 December 2011

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Part Three)

**PART SEVEN: EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT****I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT:**

The Parent Bank's consolidated financial statements and footnotes to be disclosed to public as of 31 December 2011 are audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and except for the effect on the consolidated financial statements of the described in the fourth paragraph of the auditing report dated 14 February 2012, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2011 and the result of its operations.

**II. EXPLANATIONS AND FOOTNOTES OF THE INDEPENDENT AUDITORS**

There are no significant issues or necessary disclosures or notes in relation to the Group's operations other than those mentioned above.



# Financial Highlights and Key Ratios for the Five-Year Period

UNCONSOLIDATED					
ASSETS (TL thousand)*	2007/12	2008/12	2009/12	2010/12	2011/12
Cash and Equivalents	502,828	593,329	884,514	1,253,650	1,231,464
Banks and Receivables from Interbank Money Markets (1)	13,542,273	18,031,640	16,308,023	10,454,093	14,802,918
Securities (Net)	24,326,340	24,981,018	39,289,717	45,436,557	42,778,027
Loans (2)	33,979,841	47,610,332	48,334,786	64,231,678	91,620,638
Associates and Subsidiaries (Net)	4,816,760	3,095,507	5,031,079	6,264,039	6,275,017
Fixed Assets (Net)	1,977,708	1,952,820	1,922,019	1,918,459	1,983,314
Other Assets	1,035,167	1,287,276	1,453,166	2,238,018	2,977,126
Total Assets	80,180,917	97,551,922	113,223,304	131,796,494	161,668,504
LIABILITIES (TL thousand)*	2007/12	2008/12	2009/12	2010/12	2011/12
Deposits	48,533,145	63,539,185	72,177,063	88,260,157	98,313,134
Funds Borrowed and Interbank Money Market Placements (3)	15,765,440	18,039,793	20,727,737	18,201,332	34,390,699
Provisions	2,568,896	3,099,532	3,493,802	3,631,589	4,204,926
Other Liabilities	2,709,574	3,424,401	3,331,174	4,689,612	6,838,381
Shareholders' Equity	10,603,862	9,449,011	13,493,528	17,013,804	17,921,364
Total Liabilities	80,180,917	97,551,922	113,223,304	131,796,494	161,668,504
INCOME STATEMENT (4) (TL thousand)	2007/12	2008/12	2009/12	2010/12	2011/12
Interest Income	9,134,079	10,596,147	10,200,437	9,797,839	10,898,384
Interest Expenses	6,173,858	6,977,852	5,332,949	5,215,964	6,336,584
Net Interest Income	2,960,221	3,618,295	4,867,488	4,581,875	4,561,800
Net Trading Income	426,164	472,650	408,373	134,630	306,073
Net Fees and Commissions Income	1,074,511	1,204,214	1,252,604	1,236,425	1,428,583
Dividend Income	503,063	284,846	325,037	369,210	555,702
Other Operating Income	910,969	651,536	1,073,275	1,569,284	1,311,114
Total Operating Income	5,874,928	6,231,541	7,926,777	7,891,424	8,163,272
Operating Expenses	2,154,043	2,819,538	2,694,687	3,203,123	3,481,199
NET OPERATING PROFIT/LOSS	3,720,885	3,412,003	5,232,090	4,688,301	4,682,073
Provision for Losses on Loans and Other Receivables	1,617,804	1,613,989	2,286,474	1,135,449	1,383,793
PROFIT/(LOSS) BEFORE TAXES	2,103,081	1,798,014	2,945,616	3,552,852	3,298,280
Provision for Taxes	401,274	288,606	573,209	570,642	630,793
NET PERIOD PROFIT /(LOSS)	1,701,807	1,509,408	2,372,407	2,982,210	2,667,487
GROSS INCOME (5)	12,148,581	13,319,959	13,361,871	13,222,542	14,665,640
GROSS PROFIT (6)	3,720,885	3,412,003	5,232,090	4,688,301	4,682,073
KEY RATIOS (%)	2007/12	2008/12	2009/12	2010/12	2011/12
Interest Earning Assets (7) / Total Assets	89.5	92.8	91.7	91.1	92.2
Interest Earning Assets (7) / Interest Bearing Liabilities	111.7	111.0	111.8	112.8	112.4
Securities / Total Assets	30.3	25.6	34.7	34.5	26.5
Loans / Total Assets	42.4	48.8	42.7	48.7	56.7
Loans / Deposits	70.0	74.9	67.0	72.8	93.2
Retail Loans / Total Loans	34.7	30.6	31.2	30.6	27.8
NPL Ratio	4.2	4.4	5.4	3.6	2.1
Coverage Ratio	100.0	100.0	100.0	100.0	100.0
Demand Deposits / Total Deposits	16.5	13.8	15.6	16.4	18.9
Shareholders' Equity / Total Liabilities	13.2	9.7	11.9	12.9	11.1
Capital Adequacy Standard Ratio	20.5	15.2	18.3	17.5	14.1
Return on Average Assets (8)	2.2	1.7	2.3	2.4	1.8
Return on Average Equity (8)	17.0	15.1	20.7	19.6	15.3
Cost / Income (9)	36.7	45.2	34.0	40.6	42.6
OTHER INFORMATION (TL thousand)	2007/12	2008/12	2009/12	2010/12	2011/12
Regulatory Capital	10,834,242	10,638,323	13,963,036	16,995,505	18,643,083
Core Capital	10,055,847	10,804,828	12,932,571	15,178,349	17,182,647
Free Capital (10)	5,827,798	5,551,154	8,972,745	11,711,967	12,117,791
Demand Deposits	7,990,755	8,787,962	11,258,761	14,468,760	18,626,781

\* Interest accruals are included in all interest related items.

(1) Includes Deposits at the Central Bank and Reserve Requirements

(2) Excludes Receivables under Follow-up

(3) Includes TRY and FX bond issuances

(4) Fees and Commissions Received from Cash Loans are shown under Interest Income; Fees and Commissions Paid to Cash Loans are shown under Interest Expense.

(5) Gross Income = Interest Income + Net Trading Income + Fees and Commissions Income (Gross) + Dividend Income + Other Operating Income

(6) Gross Profit = Net Period Profit/(Loss) + Provision for Taxes + Provision for Losses on Loans and Other Receivables

(7) Interest Earning Assets include TRY and FX reserves at Central Bank, which are currently paid 0% interest.

(8) Averages are calculated over year-end figures.

(9) Operating Income and Operating Expenses are adjusted for the Gains/Losses due to FX indexed items.

(10) Free Equity = Shareholders' Equity - (Fixed Assets + Non-Financial Associates and Subsidiaries + Receivables Under Follow-Up-Specific Provisions)

## CONSOLIDATED

<b>ASSETS (TL thousand)*</b>	<b>2007/12</b>	<b>2008/12</b>	<b>2009/12</b>	<b>2010/12</b>	<b>2011/12</b>
Cash and Equivalents	511,311	605,020	893,430	1,262,764	1,260,374
Banks and Receivables from Interbank Money Markets(1)	14,388,777	19,320,482	18,348,043	13,719,134	17,545,722
Securities (Net)	28,689,213	29,479,683	45,078,276	51,814,331	48,720,930
Loans and Factoring Receivables (2)	36,800,215	51,689,972	52,760,440	69,409,124	99,432,775
Associates and Subsidiaries (Net)	3,058,096	2,265,925	2,996,044	3,541,421	3,979,038
Receivables from Finance Lease (Net)	921,614	1,095,478	931,016	963,265	1,376,390
Fixed Assets (Net)	2,928,744	2,940,690	2,925,103	3,352,137	3,384,754
Other Assets	2,780,352	3,810,781	4,984,124	6,748,560	8,235,847
<b>Total Assets</b>	<b>90,078,322</b>	<b>111,208,031</b>	<b>128,916,476</b>	<b>150,810,736</b>	<b>183,935,830</b>
<b>LIABILITIES (TL thousand)*</b>	<b>2007/12</b>	<b>2008/12</b>	<b>2009/12</b>	<b>2010/12</b>	<b>2011/12</b>
Deposits	48,063,949	62,988,002	72,054,972	88,476,619	98,831,996
Funds Borrowed and Interbank Money Market Placements (3)	20,875,569	24,784,827	28,346,924	27,526,352	45,121,027
Provisions	5,250,533	6,267,455	7,112,309	7,560,506	8,713,868
Other Liabilities	4,011,801	5,176,496	6,096,346	8,260,604	10,958,370
Shareholders' Equity	11,876,470	11,991,251	15,305,925	18,986,655	20,310,569
<b>Total Liabilities</b>	<b>90,078,322</b>	<b>111,208,031</b>	<b>128,916,476</b>	<b>150,810,736</b>	<b>183,935,830</b>
<b>INCOME STATEMENT (4) (TL thousand)</b>	<b>2007/12</b>	<b>2008/12</b>	<b>2009/12</b>	<b>2010/12</b>	<b>2011/12</b>
Interest Income	10,096,731	11,769,369	11,370,516	10,850,750	12,081,352
Interest Expenses	6,387,105	7,175,786	5,630,372	5,440,180	6,664,356
Net Interest Income	3,709,626	4,593,583	5,740,144	5,410,570	5,416,996
Net Trading Income	434,530	546,400	557,041	292,912	446,913
Net Fees and Commissions Income	1,090,624	1,165,780	976,898	997,891	1,102,726
Dividend Income	408,459	128,351	166,338	45,785	171,477
Other Operating Income	3,193,837	2,707,831	3,503,912	4,031,367	4,070,527
<b>Total Operating Income</b>	<b>8,837,076</b>	<b>9,141,945</b>	<b>10,944,333</b>	<b>10,778,525</b>	<b>11,208,639</b>
Operating Expenses	4,671,405	5,217,181	5,213,259	5,671,987	6,615,795
<b>NET OPERATING PROFIT/LOSS</b>	<b>4,165,671</b>	<b>3,924,764</b>	<b>5,731,074</b>	<b>5,106,538</b>	<b>4,592,844</b>
Provision for Losses on Loans and Other Receivables	1,650,772	1,709,042	2,363,565	1,185,911	1,494,935
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>2,514,899</b>	<b>2,215,722</b>	<b>3,367,509</b>	<b>3,920,627</b>	<b>3,097,909</b>
Provisions for Taxes	488,104	396,692	615,205	688,933	708,541
<b>NET PERIOD PROFIT/(LOSS)</b>	<b>2,026,795</b>	<b>1,819,030</b>	<b>2,752,304</b>	<b>3,231,694</b>	<b>2,389,368</b>
<b>GROSS INCOME (5)</b>	<b>15,337,669</b>	<b>16,509,976</b>	<b>17,067,177</b>	<b>16,730,014</b>	<b>18,558,943</b>
<b>GROSS PROFIT (6)</b>	<b>4,165,671</b>	<b>3,924,764</b>	<b>5,731,074</b>	<b>5,106,538</b>	<b>4,592,844</b>
<b>KEY RATIOS (%)</b>	<b>2007/12</b>	<b>2008/12</b>	<b>2009/12</b>	<b>2010/12</b>	<b>2011/12</b>
Interest Earning Assets (7) / Total Assets	89.5	91.3	90.6	89.7	90.5
Interest Earning Assets (7) / Interest Bearing Liabilities	116.9	115.6	116.4	116.7	115.7
Securities / Total Assets	31.8	26.5	35.0	34.4	26.5
Loans and Factoring Receivables / Total Assets	40.9	46.5	40.9	46.0	54.1
Loans / Deposits	76.6	82.1	73.2	78.1	100.2
Retail Loans / Total Loans	32.2	28.5	28.8	28.7	25.9
NPL Ratio	4.0	4.2	5.1	3.4	2.1
Coverage Ratio	100.0	100.0	100.0	100.0	100.0
Demand Deposits / Total Deposits	16.9	14.2	15.9	16.6	19.3
Shareholders' Equity / Total Liabilities	13.2	10.8	11.9	12.6	11.0
Capital Adequacy Standard Ratio	21.1	16.2	18.1	17.6	14.1
Return on Average Assets (8)	2.3	1.8	2.3	2.3	1.4
Return on Average Equity (8)	18.3	15.2	20.2	18.8	12.2
Cost / Income (9)	37.0	43.3	35.3	41.0	48.4
<b>OTHER INFORMATION (TL thousand)</b>	<b>2007/12</b>	<b>2008/12</b>	<b>2009/12</b>	<b>2010/12</b>	<b>2011/12</b>
Regulatory Capital	12,210,735	12,828,095	15,632,586	19,350,844	21,199,045
Core Capital	11,829,029	12,994,127	15,127,364	17,982,133	19,841,319
Free Capital (10)	6,121,964	7,078,505	9,750,739	12,160,810	13,021,182
Demand Deposits	8,132,787	8,940,172	11,432,282	14,688,893	19,054,431

\* Interest accruals are included in all interest related items.

(1) Includes Deposits at the Central Bank and Reserve Requirements

(2) Excludes Receivables under Follow-up

(3) Includes TRY and FX bond issuances

(4) Fees and Commissions Received from Cash Loans are shown under Interest Income; Fees and Commissions Paid to Cash Loans are shown under Interest Expense.

(5) Gross Income = Interest Income + Net Trading Income + Fees and Commissions Income (Gross) + Dividend Income + Other Operating Income

(6) Gross Profit = Net Period Profit/(Loss) + Provision for Taxes + Provision for Losses on Loans and Other Receivables

(7) Interest Earning Assets include TRY and FX reserves at Central Bank, which are currently paid 0% interest.

(8) Averages are calculated over year-end figures.

(9) Operating Income and Operating Expenses are adjusted for the Gains/Losses due to FX indexed items.

(10) Free Equity = Shareholders' Equity - (Fixed Assets + Non-Financial Associates and Subsidiaries + Receivables Under Follow-Up-Specific Provisions)

## Information to Shareholders

### Annual General Meeting:

As per the decision of the Board of Directors of İşbank, the Annual General Meeting of the Bank will be held at 15:00 hours on 30 March 2012, Friday in the İş Kuleleri Headquarters Auditorium, 34330 Levent-İstanbul.

### Independent Auditor:

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
Kavacık Rüzgarlı Bahçe Mah.  
Kavak Sok. No: 3  
Beykoz 34805 İstanbul  
Telephone: (90216) 681 90 00  
Fax: (90216) 681 90 90

### Company Announcements and Financial Data:

İşbank's financial statements, independent auditor's reports, annual reports, press releases and disclosures of material events are available on the Bank's corporate website ([www.isbank.com.tr](http://www.isbank.com.tr)) under the title of Investor Relations, in both Turkish and English. In addition, information may also be requested via letter or e-mail from the Bank's Investor Relations Division, the contact information for which is given below.

### Investor Relations Division:

Süleyman H. Özcan, Division Head  
İş Kuleleri Kule: 1  
Kat: 15, 34330  
Levent/İstanbul  
Telephone: (90 212) 316 16 00  
E-mail: [investorrelations@isbank.com.tr](mailto:investorrelations@isbank.com.tr)

### Dividend Payments:

İşbank's dividend payment policy is set out in detail in article 58 of the Bank's articles of incorporation. Information about the policy is provided in this annual report. The said information is also available on the Bank's corporate website ([www.isbank.com.tr](http://www.isbank.com.tr)) under the title of Investor Relations, in Turkish and English.

### Company Share information:

İşbank's Group A, Group B and Group C shares are listed on the Istanbul Stock Exchange National Market. İşbank's Group C shares are traded on London Stock Exchange as Global Depositary Receipts, being subject to "Regulation S"; they are also traded on over-the-counter markets in the U.S.A. as American Depositary Receipts, being subject to "Rule 144 A".



[www.isbank.com.tr](http://www.isbank.com.tr)

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