Annual Review 2011

Happy Banking at ABank!

ABank
Happy Banking

Contents

Happy Banking at ABank!

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ABank

Happy services to happy customers!

Aiming to differentiate itself to its customers through a new roadmap with the concept, “Happy Banking”, which is an advanced version of the Bank’s relationship management approach, ABank has taken firm steps towards its targets with its commitment to satisfy its customers on such pillars as quality time, quality services and the right solutions.

ABank in Brief

Having entered into the financial system in 1992, ABank is among the active participants in the sector catering for the corporate/commercial and retail banking requirements of its clientele. The Bank maintains its steady growth strategy on robust corporate and financial foundations.

Providing products, services and solutions with high added value approach, ABank also takes particular firm steps in developing SME banking to support its major business activities.

With the strong support of the Anadolu Group, as the major shareholder, the Bank strengthens its confidence among its customers, while sustaining its customer-oriented and dynamic service approach, sophisticated technological solutions, professional human resources and the quality of the services it offers.

ABank has managed to increase its brand recognition in recent years both at domestic and international platforms.

Acting upon the vision of becoming a preferred and competitive bank with steady growth potential, which produces solutions for its customers under all market conditions, ABank goes to great lengths to be an efficient and profitable bank without compromising its service quality, working through its 63 branches in 24 cities in Turkey as well as alternative delivery channels and a competent human resources team of 1,185 staff.

ABank has been listed at the Istanbul Stock Exchange under the ALNTF ticker since July 3rd, 1995. As of December 31st, 2011, Anadolu Endüstri Holding AŞ held a 77.714% share in ABank while 18.124% of the shares were held by various companies of the Anadolu Group, and the remaining 4.161% share was publicly held.

In 2011 ABank increased its market penetration particularly extending its tailor-made services in the SME segment while expanding its product ranges in the retail activity.

Vision, Mission and Working Principles

Vision
To be the “preferred bank” of its customers, through catering solution-oriented and world-class services in the region.

Mission
To be the pioneer financial institution by means of creating economic value, while pursuing the benefit and satisfaction of its clientele, shareholders and employees.

Working Principles
- To provide excellence for our customers within the economic rationale
- To be strictly committed to moral principles
- To be committed to the banking discipline
- To create a working environment where success is awarded
- To encourage creativity
- Not to compromise from our social responsibilities

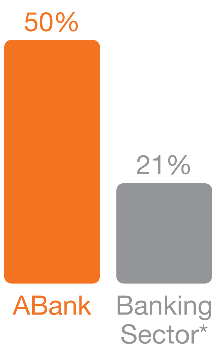
Financial Highlights

	2009	2010	2011	Change
(TL million)				
Total Assets	3,653	4,287	6,438	50%
Cash Loans	2,721	3,231	4,281	32%
Non-Cash Loans	1,573	1,923	2,165	13%
Total Deposits	2,650	2,757	4,308	56%
Total Securities	534	599	1,318	120%
Total Equity	462	492	507	3%
Subordinated Loan	0	162	274	69%
Net Income	64	31	21	-33%
Total Revenues	260	200	280	40%
External Funds	211	586	1,028	75%
(%)				
CAR	12.9%	15.2%	13.7%	
Cost/Income	58%	78%	86%	
ROE	16.0%	6.7%	4.2%	
External Funds/Total Funds	6.9%	16.4%	18.2%	
(#)				
Number of Branches	46	53	63	
Number of Employees	999	1,086	1,185	

(Based on Audited IFRS Financial Statements)

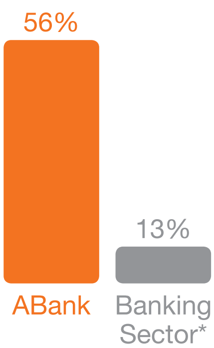
Changes in 2011 (YoY %), ABank vs Sector

Total Assets



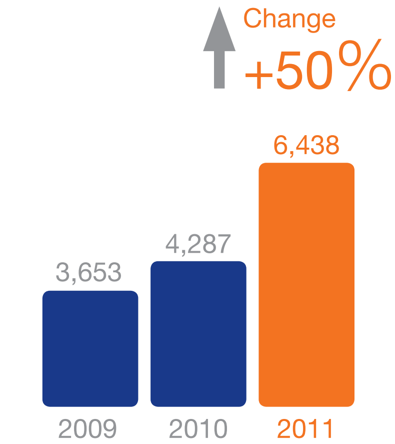
Cash Loans

Total Deposits

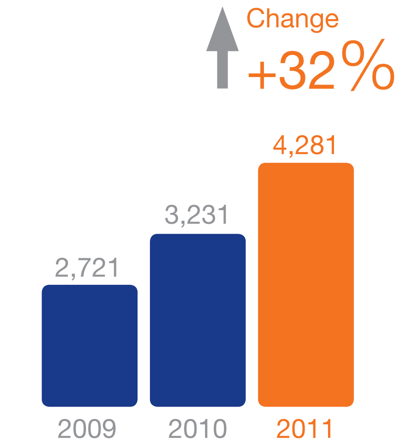


*Banking sector figures are based on BRSA Bank-Only financials

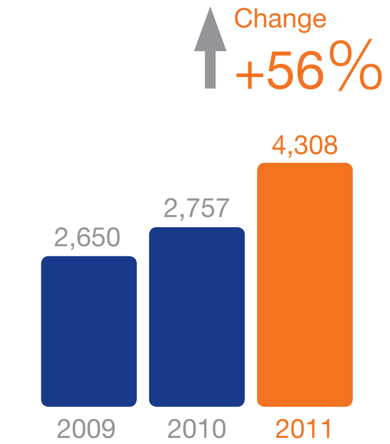
Total Assets (TL million)



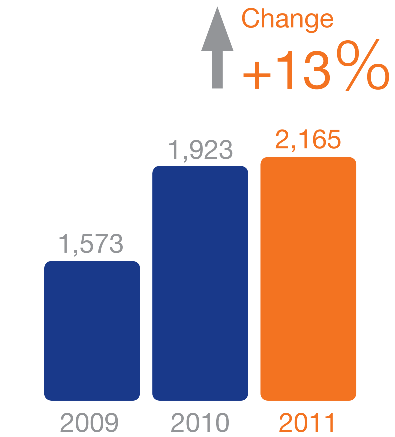
Cash Loans (TL million)



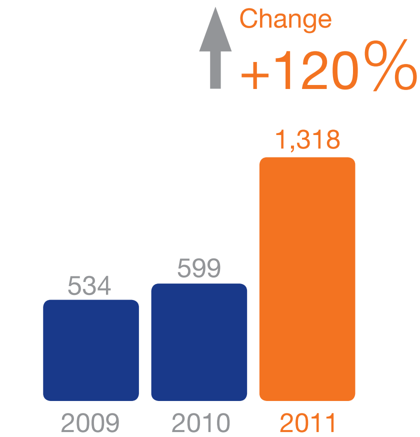
Total Deposits (TL million)



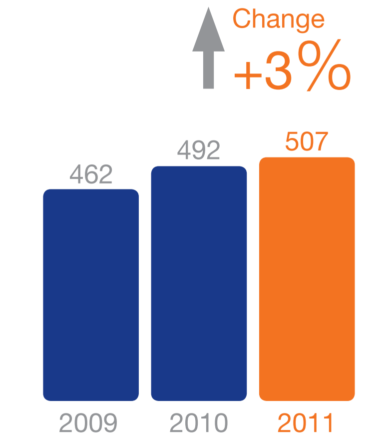
Non-Cash Loans (TL million)



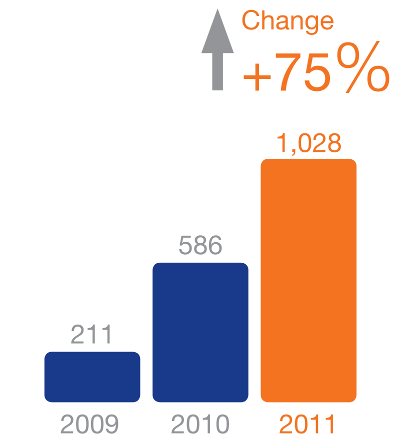
Total Securities (TL million)



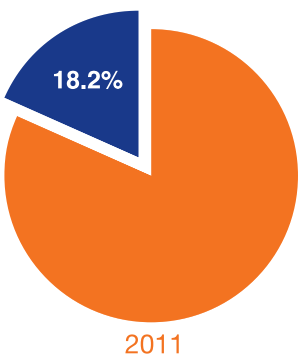
Total Equity (TL million)



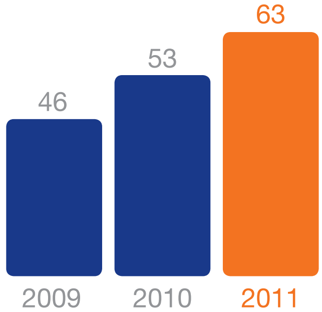
External Funds (TL million)



External Funds/Total Funds (%)



Number of Branches



Message from the Chairman

Despite the risks prevailing in the global financial markets, Turkish banking sector maintained its profitability and good asset quality.

The uncertainties in the global economy continue.
The concept of country risk has become more prominent in the global markets after sovereign debts reached unsustainable levels in several Eurozone countries following the global financial crisis. The sovereign bonds issued by countries in difficulties have experienced extreme losses in their value depending on the brisk rise in related country risks and the cost of financing debt increased tremendously.

We are experiencing times in which central banks are trying to pursue policies to support economic growth at one hand, and striving to curb inflationary pressures on the other.

Turkish economy and the banking sector proved to keep its strong performance.
The Turkish economy managed to sustain its high growth momentum in the first 9 months of the year in 2011. This trend, mainly funded by external sources, has come to slow-down during the course of the last quarter.

Both fiscal and monetary measures implemented in order to cool down the economy with respect to high current account deficit, imply some constraints for the Turkish banking sector in terms of growth and profitability for the period ahead.

Despite the risks prevailing in the global financial markets, Turkish banking sector maintained its profitability and good asset quality. Total assets of the sector grew by 21% to reach TL 1,218 billion at the end of 2011 compared to the previous year. At the first half of the year however, this growth rate stood at 13.8%. The growth of assets decelerated in the second half because of the regulatory changes that increased cost of lending and in the context of the Central Bank's tightening measures which consisted of expanding the interest rate corridor and decreasing the available funding to the market through repo tenders during the last quarter. In 2011, the asset growth of the banking sector, which originated from 'loans' and 'receivables from the Central Bank' items, were funded by the increase in deposits, repo transactions, obligations to foreign institutions and securities issued.

As of the end of the year the sector's total loans reached TL 682.9 billion with a 29.9% increase compared to the end-year 2010 figure. The share of the loans within the total assets stood at 56.1% The growth in the total equity of the banking sector lagged behind the growth rate in total assets, because of the 10.3% decrease in the sector's profitability figure compared to the previous year and the 93.7% decline in the securities portfolio revaluation differentials. In general, banks were well capitalized and the average capital adequacy ratio of the sector stood at 16.5% at the end of 2011.

ABank closed the year by achieving its targets in line with its organic growth strategy.

ABank continued to diversify and expand its customer portfolio while pursuing its organic growth strategy. 10 new branches were opened during 2011, which brought the total number of branches to 63 at the end of the year.

In spite of experiencing certain unfavorable impact as a result of the increasing competition, ABank managed to sustain its loan quality while attaining its targets pertinent to loan growth.

In terms of external funding, ABank successfully renewed its syndicated loan facility with a rollover ratio of 125%, which is an evidence of its strong reputation in the international markets. Investments leading to major conversion in its IT system aiming for higher efficiency and customer satisfaction is expected to exhibit positive outcomes on productivity in the short run. The Anadolu Group will continue supporting ABank in its growth strategies in order to pave the way for the bank to increase its market penetration.

ABank has been successfully implementing its strategies to be a strong mid-sized bank with a growing franchise. Our bank will endeavour to enhance its lending activity and profitability, by further developing its existing range of products and services and its customer segments, with a proactive approach and in line with market dynamics.

With its strong shareholder structure and resources, ABank is well positioned to materialize the investments required for growth. The Bank looks to the future with utmost confidence and reinforces its credible standing in the sector by combining its strength with quality services and professional human resources.

I would like to convey my sincere thanks to our staff for their dedication in reaching our goals and to our clients and correspondent banks for their confidence extended to ABank.

Yours faithfully,

Tuncay Özilhan
Chairman

Board of Directors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1 Tuncay Özilhan, Chairman
Born in 1947, Mr. Özilhan completed his secondary education in Saint-Joseph high school in İstanbul. He has graduated from İstanbul University, Faculty of Economics and has received his MBA from Long Island University in the United States. He has served as the General Director of Erciyas Brewery, Coordinator of the Beer Group and General Coordinator of the Anadolu Group. Mr. Özilhan was appointed as the CEO of the Anadolu Group in 1984 and he is the Chairman of the Anadolu Group since May 2007. He also serves as the Chairman for some of the Group companies. Mr. Özilhan is the Vice President of the High Advisory Council of the Turkish Industry & Business Association (TÜSIAD), Chairman of the Turkish – Japanese Business Council of the Foreign Economic Relations Board (DEİK), Honorary Consul of the Republic of Estonia and President of the Anadolu Efes Sports Club. He is the Chairman of ABank since April 1996.

2 İbrahim Yazıcı, Vice Chairman
Born in 1949. Graduated from Bursa University Business Administration Department, Faculty of Economic and Commercial Sciences. He holds an MBA from Atlanta University. Joined Anadolu Endüstri Holding in 1980, where he held various management positions until 1990. Since 1990 he has acted as the Chairman and Vice Chairman of several Anadolu Group Companies.

3 Bahattin Gürbüz, Member of the Board
Born in 1954. Graduated from Middle East Technical University, Department of Political Science and Public Administration. He holds an Executive MBA from Kavrakoğlu Management Institute. He has started his professional career at İşbank, Kayseri in Export-Import and Foreign Operations Department. In 1983, He joined Turkish Foreign Trade Bank as an Auditor and held various positions between 1983 and 2004. Between 1997 and 2004 he served as the Member of the Board of Directors of Dış Factoring, Dış Leasing, and Dışbank Malta. During the same period, he also served as the Executive Member of the Board of Poliport Kimya Sanayi. Between 2004-2005, he served as Consultant to Turkish Foreign Trade Bank. In 2006 he became the Member of Supervisory Board of D Commerce

Bank AD, Bulgaria and at the same time he served as Consultant to Alfa Group Companies. In April 2011 he joined ABank as a Board Member.

4 Cesur Kılınç, Member of the Board
Born in Istanbul in 1957. Graduated from the İstanbul University Faculty of Law. Prior to joining Anadolu Group, he worked as Legal Counsel for ENKA and Coşar Müşavirlik A.Ş. He joined Anadolu Group as Legal Director in 1994 and became the General Legal Counsel of Anadolu Group in 1999, Since 1999, he has also acted as a Board Member of ABank and since 2008, as a Board Member of ALease and AYatırım and other companies within the Anadolu Group.

5 Didem Çerçi, Member of the Board
Born in 1966, in Istanbul. Graduated from Boğaziçi University, Business Administration Department. She started her career at Bekoteknik Sanayi/Koç Holding as Product Manager in 1990. In 1991 she joined İktisat Bank and until 1994 she worked as Account Officer at Corporate Banking Department. In 1994 she joined WestLB, Istanbul Branch as Account Manager at Corporate Banking Department. In 1995 she joined to Demirbank and served as Senior Vice President at Corporate Banking Department. In 2000 she became Executive Vice President at Corporate Banking Department at Ulusalbank. In 2001 she became the Executive Vice President of Corporate Banking-Credit Risk Management at İktisat Bank. During the same period, she served as the Board Member of BKM-Bankalararası Kart Merkezi, İktisat Yatırım Menkul Değerler and Kablonet Iletişim Sistemleri. In 2002 she joined ING Bank A.Ş. and held Regional Manager, Senior Vice President and Executive Vice President positions at the Commercial Banking Department and also as Board Member of ING Factoring and ING Leasing. In January 2011 she has joined Aras Holding as the CFO and has joined ABank in April 2011 as a Board Member.

6 Güniz S. Şengölge, Member of the Board
Born in 1963. Ms. Şengölge graduated from the İstanbul Robert College and the Faculty of English Literature at Boğaziçi University, she hold a Masters Degree from the Department of International Management of İstanbul University. She began her banking career in 1985 at Citibank, İstanbul and later moved on to Credit Lyonnais, İstanbul and Societe Generale, İstanbul. In 1993, she joined Garanti Bank as Assistant Manager in the Marketing Division and held various managerial positions for 11 years. For the last 6 years she was Executive Vice President in charge of Corporate banking. In 2007 she joined ABank as a Board Member.

7 Kemal Semerciler, Member of the Board
Born in 1958, Mr. Semerciler graduated from Uludağ University, Faculty of Economic and Administrative Sciences. Started his career in 1981 in Yapı Kredi Bank as an inspector. He held various managerial positions in the Financial Control Department, Accounting Department, Board of Inspectors in Yapı Kredi Bank and served as the Assistant General Manager in charge of Compliance between 2006 and 2008. Between 2008 and 2009 he has served as the consultant to the CEO in Yapı Kredi Bank. During his tenure, he has also held various Board Member and Auditor positions in several affiliates of Yapı Kredi Bank. In March 2010 he joined ABank as a Member of the Board.

8 Mehmet Hurşit Zorlu, Member of the Board
Born in 1959, Mr. Hurşit Zorlu has a BSc degree in economics from Istanbul University. Mr. Zorlu previously worked with Toz Metal and Turkish Airlines. He began his career in the Efes Beverage Group (Anadolu Group) in 1984, as a Marketing Specialist. Throughout his career with the Efes Beverage Group, Mr. Zorlu was appointed to various posts including Asst. Marketing Manager, Asst. Project Development Manager, Project Development Manager and Business Development and Investor Relations Director and CFO. In April, 2008, he has been appointed as the CFO of Anadolu Group and Board Member of ABank.

9 Murat Arığ, Member of the Board and President of Finance Group
Born in 1960. Graduate of Boğaziçi University, Mechanical Engineering Department. MBA degree from Florida Institute of Technology. He has started his professional career as a marketing and credit analyst at İktisat Bank. In 1988, he joined Credit Lyonnais, İstanbul office, as an Assistant Manager responsible for marketing. From 1991 to 1994, he assumed responsibilities as Cross Border Leasing Manager at Credit Lyonnais Leasing International in Paris. After heading the İzmir Branch of Credit Lyonnais, Mr. Arığ became Executive Vice President for Corporate and Correspondent Banking at Credit Lyonnais İstanbul. In 1997, he became General Manager of ALease. He served as CEO of ABank between 2003 and 2010. Since February 2010 he has been the President of Finance Group in Anadolu Endüstri Holding A.Ş.

10 Mustafa Murat Akpınar, Member of the Board
Born in 1944, Mr. Mustafa Murat Akpınar graduated from İzmir School of Economic and Administrative Sciences. He started his career at İşbank in 1971 where he held several positions, latest being an Executive Vice President between 1996 and 2002. He has also served as an auditor and Board Member at TSKB from 1989 to 2005. Between 2005 and 2006 he was the Board Member of Is Leasing. He has joined ABank as a Board Member in April 2008.

11 Hamit Aydoğan, Member of the Board and CEO
Born in 1958. Graduated from Middle East Technical University, Political Science and Public Administration. He joined Yapı Kredi Bank as an Auditor in 1981, later held Managerial positions in branches in various regions between 1986 and 1993. Between 1993-1997 he served as the Executive Vice President responsible for Corporate Credits Marketing in Yapı Kredi Bank and held Board Member positions in Yapı Kredi Leasing and Yapı Kredi Factoring. After working as the CEO of Yapı Kredi Leasing and Koç Leasing between 1997-2003, he later served as the First Executive Vice President at Koçbank and Yapı Kredi Bank between 2003-2009. He joined ABank in August 2009 as the Board Member and the Credit Committee Member and has been serving as the CEO since February 2010.

Message from the CEO

ABank has reached its 2011 targets within the scope of its prudent growth strategy and exhibited a successful financial and operational performance in a year when the global economic conditions started to pose difficulties.

The adverse effects of the crisis have been limited on our economy and the banking sector.
The year 2011 will be remembered with growing concerns about the debt sustainability of certain countries in the European Union and the fluctuations in the markets that these unfavourable developments have caused. These problems will continue to cast shadow on the economies of these countries and the global markets as well.

In Turkey the policies of the Central Bank have been influential since the beginning of 2011. The low interest rate environment and increasing global risks resulted in a significant depreciation of the Turkish Lira, creating at the same time inflationary pressures which in return prompted the Central Bank to adopt a tighter policy to support the Lira. The Turkish economy has demonstrated a growth pattern that surpassed expectations up until the last quarter of the year, which was supported by strong domestic demand and funded by foreign financing.

Despite the ongoing difficulties in the world economy in 2011, Turkish banking sector grew its asset size and maintained its strong standing. On the other hand the measures adopted by the Central Bank of the Republic of Turkey and Banking Regulation and Supervision Agency, restrained growth in loans; which resulted in increasing competition within the sector during the second half of the year.

Diversifying funding resources have become much more critical in an environment where the Central Bank squeezed the monetary policy and liquidity in the markets. Attracting deposits created a competitive environment, also the funding secured by the sector through bond issuance expanded and the sector became more comfortable in terms of securing foreign funding from international markets.

The favorable trend in asset quality and maintenance of the capital based on strong equity is crucial in absorbing possible shocks from global financial markets.

In general, the Turkish banking sector closed the year 2011 with robust indicators, and reached higher levels in terms of loans to GDP ratio. The increased diversity in funding sources, improvement in asset quality, the narrowing of interest margins and increased efficiency can be named as other important developments for the period.

It has been argued that possible hikes in cost of funding during the period ahead, will certainly reflect positively on the net interest margin derived through rising interest rates of loans and this positive reflection will be crucial in determining the direction of the net profit figures for the period.

ABank has demonstrated a successful performance in the present conjuncture.

ABank has completed the year 2011 successfully by achieving its targets for the year despite all the difficulties and unfavourable market conditions. Our balance sheet expanded by 50% to reach TL 6.4 billion. Profit for the year 2011 amounted to TL 21 million.

Interest and non-interest income have shown substantial improvement and non-interest income recorded a 25% increase which has become a stable income base. The increase on branch revenues corresponds to 60% during the course of the last two months of the year with the support of the organizational restructuring and improvements in technology.

Our expenditure ratios have also been sound and the revenues more than making up for the expenses provides a comfortable cushion in terms of implementing our growth strategy.

Our capital adequacy ratio prevailed at a comfortable 13.7% at the end of the year, as a result of our sound equity base which has reached the level of TL 507 million. Capital base was further enhanced by the support of the subordinated loan received at the end of the year amounting EUR 30 million thanks to our credibility in the international arena. We have also secured a 1 year syndicated loan facility in the equivalent amount of USD 235 million- supported by the participation of 25 local and international financial institutions. Furthermore, the USD 40 million 5-year loan facility secured from the IFC and FMO, for the purpose of supporting women entrepreneurs in Turkey was another important milestone not only for ABank but also for Turkey, since it is the first of its kind in the country.

The external funds raised significantly enhance our capabilities in building up the liability side of our balance sheet. At the end of the year, the share of the external funds within the total liabilities was 18.2% and of the total foreign currency denominated funds, 80% was comprised by the funds secured from abroad.

We have recorded a 56% increase in total deposits which outscores the sector's performance in deposit growth. Total deposits equaling TL 4.3 billion at the end of the year contributed to the improvement in our loans to deposits ratio that ended the year at 116%. At the end of the year our deposit base comprised 67% of our total liabilities.

Our loan portfolio grew by 32.5% in 2011 to reach TL 4,281 million. Standing at 4.8%, our NPL ratio kept its modest level for a bank focusing on the financing of small and medium sized enterprises.

With its ratio of cash loans to total assets reaching 67%, our bank ranked number 2 in its immediate peer group.

2011 has been an important transition year for ABank.

Completion of the investment for the conversion of the technological infrastructure, progress in branch expansion schemes, enhancement of processing activity, resumption of retail banking activity, structuring of an SME weighted customer portfolio, gaining momentum in individual banking and continuous work of corporate communication centered around the "Happy Banking" concept and efforts to increase brand recognition constituted the main issues that we have concentrated during the year 2011.

ABank is implementing strategies to further improve concentration of the credit risk and expand the number of active customers while also attracting new clientele. In the medium term we're targeting a client base that spreads into smaller commercial enterprises in a mainly SME weighted portfolio.

ABank will continue to implement its organic growth strategy in the short and medium term with a cautious approach. Throughout this process, we will proceed with determination to increase the number of clients in main segments and our business volume, to continue expanding our branch network as well as our international funding base.

ABank is focused on growth and success with its highly skilled staff which embraces the deep-rooted corporate and business culture of the Anadolu Group.

I would like to extend my appreciation to our shareholders, our Board of Directors, all of my colleagues, our valued correspondents and our "Happy Banking" clients for their continuous support in achieving our targets.

Yours sincerely,

Hamit Aydoğan
CEO

Senior Management

1 Hamit Aydoğan, Member of the Board and CEO

Born in 1958. Graduated from Middle East Technical University, Political Science and Public Administration. He joined Yapı Kredi Bank as an Auditor in 1981, later held Managerial positions in branches in various regions between 1986 and 1993. Between 1993-1997 he served as the Executive Vice President responsible for Corporate Credits Marketing in Yapı Kredi Bank and held Board Member positions in Yapı Kredi Leasing and Yapı Kredi Factoring. After working as the CEO of Yapı Kredi Leasing and Koç Leasing between 1997-2003, he later served as the First Executive Vice President at Koçbank and Yapı Kredi Bank between 2003-2009. He joined ABank in August 2009 as the Board Member and the Credit Committee Member and has been serving as the CEO since February 2010.

2 A. Tolga Şenefe, EVP,Treasury

Born in 1969. Graduate of Istanbul University, Faculty of Economics and holds a master's Degree from Marmara University, Department of Accounting and Finance. He started his career at Istanbul Stock Exchange in 1992 as Assistant Inspector at the Board of Inspections Department. From 1995 to 1997 he served as Senior Vice President at Alfa Securities. Between 1997-2000 he worked as manager at Ulusal Bank. From 2000-2002 he served as Deputy General Manager at Ulusal Yatırım. From 2002-2003 he worked as director at Standard Invest Istanbul. Between 2004-2006 he served as General Manager at Ziraat Portfolio Management. Later he moved to Project Manager at Helix Management Consultants. Between 2007-2011 he served as Treasury Group Head at Anadolubank. He joined ABank in 2011 as Executive Vice President, Treasury.

3 Cem Şipal, EVP, Financial Control
Born in 1964. Mr. Şipal graduated from İstanbul University Econometrics Department. He received his MBA degree from Koç University in 1995. He first joined Yatırımbank and worked in the Credit Department. In 1991, he joined Koçbank and spent 10 years in the Financial Control Department, where he held various positions at different levels. He joined ABank in 2001.

4 Dilek Algan, EVP, Credit Monitoring, Restructuring and Legal Follow-up Department
Born in 1972. Graduate of Ankara University, Faculty of Political Science - Economics. She started her banking career at Dışbank in 1995 where she held various managerial positions until 2003. In 2003 she started to manage Fortisbank Risk Surveillance Unit as Vice President, between 2003 and 2008 she managed Risk Surveillance, Restructuring and Legal Follow-up Group in Fortisbank. In 2008 she joıned Finansbank and between 2008 and 2011 she served as Senior Vice President Corporate, SME and Micro Credits at the same institution. She joined ABank in 2011 as Executive Vice President, Credit Monitoring, Restructuring & Legal Follow-up.

5 Ertan Güvener, EVP, Information Technologies
Mr. Güvener graduated from the Middle East Technical University, Department of Electronic Engineering and he holds his master's degree from the same faculty. He started his banking career at Citibank in 1985 as Manager responsible for the Information Technology Department. After serving in various managerial positions, Mr. Güvener joined ABank as Executive Vice President, Information Technology in 2007.

6 Mehmet Saraç, EVP, Operations
Born in 1954, Mr. Saraç graduated from Atatürk University French Department of the Faculty of Literature. He started his career at Akbank in 1980 as Assistant Exchange Chief. From 1983 onwards, he held various managerial positions within the Operations Departments in several banks. After serving as the Assistant General Manager responsible for Operations at DenizBank for four years, he joined ABank in 2007 as the Executive Vice President, Operations.

7 Murat Özer, EVP, Human Resources
Born in 1967, Mr. Özer graduated from İstanbul University, Faculty of Economics. He started his banking career at Turkishbank in 1991. He joined ABank in 1992, where he held several positions in the Treasury Department before becoming Executive Vice President in 2004. He became the Executive Vice President in charge of Human Resources in June 2011.

8 Mutlu Çalışkan, EVP, Board of Inspections
Born in 1969, Mr. Çalışkan graduated from Galatasaray High School and Istanbul University Faculty of Economics in 1993. He started his career as an assistant auditor at Garanti Bank in 1994. Later on he joined İktisat Bank in 1996, where he served first as an auditor then as a manager at the Internal Audit Department between 1998 and 2002. Between 2003 and 2005 he worked as a manager at the Board of Inspections at ABank. In 2005 he became the Director of the Accounting, Budget and Management Control Department of Renault Mais A.Ş where he stayed for three years. In 2008 he returned to ABank as a manager at the Internal Control Department. In November 2011 he was appointed as EVP in charge of the Board of Inspections.

9 Muzaffer Öztürk, EVP, Corporate and Commercial Banking
Born in 1957. Graduated from Uludağ University, Bursa, Faculty of Economic and Administrative Sciences. Started his banking career at Yapı Kredi Bank, Istanbul as an Assistant Inspector in 1984 and became the Assistant Vice President of the Inspection Board in 1991. He became Branch manager from 1993 to 1997 serving at various branches in the same bank. From 1997 to 2000 he held the position of Corporate Banking Coordinator responsible from different groups of branches. In October 2000, he was appointed as EVP in charge of Retail and SME Marketing. He joined ABank in February 2011.

10 Sadık Saygıcı, EVP, Credit Administration
Born in 1952, Mr. Saygıcı graduated from İstanbul University, Faculty of Economics. He began his banking career at Akbank in 1977 as an Assistant Inspector. Later he worked at İktisat Bank as the EVP of the Credit Department. Mr. Saygıcı has held the EVP position at ABank Credit Department, from 1998 until 2012.

11 Şakir Sömek, EVP, International Financial Institutions
Born in Cyprus in 1963. Mr. Sömek graduated from the Business Administration Department of University of Wisconsin, River Falls in 1985 and received his M.A. degree in Economics at The American University, Washington, D.C., in 1987. He began his banking career at Turkish Bank in 1988 as an Account Officer. Later he has joined Industrial Bank of Cyprus as a Credit & Marketing Officer in 1990. In 1995, he has joined Körfezbank, where he held various positions in the Financial Institutions Department. Mr. Sömek joined ABank in 1998 as the Head of the International Financial Institutions Department where he was promoted to the Executive Vice President position in 2008.

12 Ziya Alpman, EVP, Retail Banking
Born in 1959, Mr. Alpman graduated from İstanbul Technical University. He started his banking career at Yapı Kredi Bank in 1985. In 1997, he joined Dışbank (Fortis Bank), where he was appointed the Executive Vice President of the Retail Banking Department. In 2007, he joined ABank as the Executive Vice President of Retail Banking.

Highlights from 2011…

ABank pursues its efforts in line with its strategies of becoming a medium-sized bank with 150 branches within 5 years.

In 2011, ABank:

- successfully continued to implement its 5-year strategic plan, which it had launched in 2010 in a bid to become a sound medium-sized bank;
- determined the pillars of its corporate strategy as expanding the number of its branches and entering the retail banking segment in order to reach a broader client base; with a focus to gain new customers, the Bank successfully reached its targets in both areas in 2011;
- accelerated its activities in the area of retail banking to address small-sized enterprises through enterprise banking and the middle and upper middle income groups through individual banking; the Bank also expanded its enterprise loan and individual loan volumes;
- achieved another success by obtaining a USD 235 million syndicated loan by virtue of its international credibility and strong relations with 25 well-known international financial institutions contributing to this facility from 12 different countries;
- received a special purpose long-term loan as the first Turkish Financial Institution to intermediating in an innovative project by providing a 5-year term loan worth USD 40 million from the International Finance Corporation (IFC) and the Entrepreneurial Development Bank of the Netherlands (FMO) in order to finance small and medium-sized enterprises owned by women entrepreneurs in Turkey;
- proceeded with its "Benim KOBİM Geleceğin Yıldızı" (My SME is the Star of the Future) social responsibility project, which is an education program held for SMEs in cooperation with the Boğaziçi University;
- finalized the groundwork to introduce new credit cards with the Bonus feature to its customers in 2012, in line with the outsourcing agreement reached with Garanti Bank;
- further reinforced its cash management product range in line with the POS agreement it entered into with Garanti Bank;
- virtually completed its organizational and system infrastructure efforts, which will support its organic growth;
- seamlessly launched a new banking system on 1 January 2012;
- restructured its marketing and credit organization at the Head Office and branches in order to improve flexibility and efficiency in decision making and operational aspects;
- accelerated its efforts to ensure that its business processes were executed through system automation in order to render such processes in a more effective manner;
- increased its total number of employees to 1,185 by reorganizing the departments and opening new branches;
- expanded its branch network to reach 63 in 2011 by opening 10 new branches in 9 cities; the Bank thus gained a broader branch network throughout Turkey with a presence in regions where around 90% of Turkey's GDP is being generated.

A Review of 2011 Activities

ABank demonstrated a strong performance in line with its growth targets in 2011

In 2011, ABank maintained its robust loan growth, which is strongly supported by its prudent risk policies reflected in its asset quality structure. The Bank's total cash loans increased by 32% to TL 4.3 billion, well above the sector's average.

ABank's consolidated total assets grew by 50% when compared to the 2010 figure to reach TL 6.4 billion. In 2011, which was a year of uncertainties in global markets, the Bank maintained a high level of liquidity, thus keeping the ratio of securities in its total assets at around 20%.

In parallel with its growth strategy, the Bank pursues its objectives to develop its retail banking segment and expand its SME client base. The Bank stands out among its peer group banks as an institution with particular interest in this segment. Taking into account of the synergy obtained through customers of the Anadolu Group, ABank captures sustainable revenue generation from these entities which are in general typical firms fitting in SME definition.

ABank supported its growth strategy by expanding its shareholders' equity by 3% YoY to TL 507 million by obtaining a subordinated loan amounting to € 30 million in 2011. This specific borrowing had a maturity of 10 years and was extended jointly by Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG – German Investment and Development Institution) and The European Fund for Southeast Europe (EFSE), globally known multilateral institutions.

The Bank recorded a capital adequacy ratio of 13.7% at the end of 2011. Total deposits, which currently comprise 67% of the Bank's total liabilities, and, at the same time, represent the Bank's primary source of funding, reached TL 4,308 million by the end of 2011. Loan/deposit ratio was 116% at the end of the year.

A stronger presence in corporate and commercial banking

In line with its customer segmentation scheme, ABank has adopted a customer- and solution-oriented approach in the areas of corporate and commercial banking and serves the companies with an annual turnover of TL 5 million or more in these two segments.

ABank offers its diversified portfolio of products and services to customers from different sectors through its 215 marketing sales staff, serving in a total of 63 ABank branches in 24 cities throughout Turkey.

ABank's fundamental and primary marketing strategy is to be a specialized bank, with relationship and solution-oriented approach catering small and medium-sized firms with financial services at global standards.

ABank reaches its customers with a holistic service approach, supported with complementary products to meet all their requirements and expectations. In this approach, the Bank outlines its customer profile in accordance with their value chain; meets its clients' working capital needs through flexible credit solutions; and aims to generate value in all phases of the production cycle by providing effective and timely solutions through a variety of deposit, investment and cash management products.

This approach also represents the core of the Bank's success in enhancing relations with customers and establishing customer loyalty.

Maintaining a well diversified risk profile

In 2011 ABank established a strategy; to broaden its existing risk profile, to improve customer concentration and cost/income balance, to capture new customers and at the same time to achieve sustainable and profitable growth through increasing product diversity.

80% of ABank's customer portfolio in corporate and commercial banking is comprised of SME segment companies. With a high SME penetration rate, ABank aims to distribute its risks to an increasing number of clients and to divert its profitability from being dependent on a limited number of companies, while placing this fundamental factor right at the heart of its marketing strategies.

In 2011 ABank focused on sustainable, well diversified and efficient growth by strengthening its sales teams in corporate and commercial banking, and by serving its customers with a business partnership approach.

In this context, the number of the Bank's active commercial/corporate customers rose by 52% to 7,859 and its cash loan volume increased by 32% reaching TL 4.3 billion.

Happy loans to happy enterprises!

ABank’s fundamental and primary marketing strategy is to be a specialized bank, with a relationship and solution oriented approach, providing small and medium-sized companies with financial services at global standards.

In line with the intensified marketing activities in 2011, ABank increased the number of its active customers in individual, enterprise and retail banking. Also, The Bank's loans portfolio grew rapidly and consistently.

Offering a diverse range of tailor made solutions to meet customers' needs

In 2011, ABank started to provide resources to meet its customers' long-term funding needs through tailor-made product packages for the tourism and agricultural sectors.

In addition to SME loans, ABank continued to extend project-based loans to corporate clienteles as well as international trade finance facilities. In 2011, the Bank successfully completed the on-lending process of the loans received from the European Investment Bank. These loans, the total amount of which was € 30 million, were utilized through Turk Eximbank, where ABank acted as an intermediary bank.

The Bank continued to contribute to export financing by intermediating in Eximbank loans and has allocated USD 130 million resources to exporters as of December 2011. The Bank once again surpassed its customers' expectations and requirements in foreign trade transactions with its diversified product portfolio.

ABank also allocates loans from external resources provided by the multilateral institutions such as International Finance Corporation (IFC), Black Sea Trade and Development Bank (BSTDB), Entrepreneurial Development Bank of the Netherlands (FMO), Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG – German Investment and Development Institution), The European Fund for Southeast Europe (EFSE), World Bank, and European Investment Bank (EIB), for the long term borrowing requirements of its customers.

ABank stepped up its efforts in project financing during 2011: the Bank provided € 19 million cash loan for a hydroelectric power plant project and USD 20 million in non-cash financing for a business center/office building.

Expanding its client base with cash management products

In parallel with its customers' needs, ABank serves all of its individual and corporate clients with cash management products, such as a check book, salary payments, bill payments (utilities, etc.), along with tax and social security premium payments, collective payments and automatic bill payment/collection systems.

With its experienced cash management team, ABank develops project-based DDS (Direct Debit System) products and produces tailored solutions for its customers' cash management requirements by implementing an infrastructure integrated into their accounting systems.

Cash management products such as DDS, provides a bridge between the parent company and its dealers and suppliers and ABank aims to help its customers reduce their operating costs and gain a cost advantage by strengthening their collection capabilities.

The total volume of transactions intermediated by the Bank in 2011 though DDS exceeded TL 4 billion.

A well defined strategy

ABank's corporate and commercial banking strategy in 2012 will be to support sustainable profitability through effective risk management and a strongly collateralized and diversified customer portfolio.

The Bank is also focused on strengthening its deposit base by focusing on improving its asset-liability structure, as well as maximizing its profit generating capabilities through selective customer portfolios while divesting itself from unprofitable business areas.

ABank also aims to enhance its relations with other Anadolu Group companies by further improving the existing synergy. Tailor-made products and services are developed to meet the requirements of customers in diverse business sectors.

Emphasizing Retail Banking activities

The organization of the Retail Banking Department has been completed at the end of 2010 and the Bank's retail banking operations continued to expand in 2011 particularly focusing on both the individual and enterprise banking segments.

With the launch of retail banking activities and the expansion of the Bank's branch network, ABank has stepped up its efforts to increase the volume of SME and micro enterprise loans as well as their share in the Bank's total loan portfolio.

Catering SMEs with an annual turnover of up to TL 5 million within the scope of enterprise banking, ABank aims to ensure a diversified risk distribution and to increase its market share by means of a broad client base.

The Bank set up its individual banking activities based on the principal of building a presence in the market with a portfolio of products and services that aim to meet the requirements of individual customer

As a result of the Bank's prudent policies and effective risk management approach, ABank's non-performing loans ratio stood at just 4.8% in 2011.

segments in mass–affluent segment as well as the professionals.

In its retail banking activities, the Bank aims to offer products which can be tailored to customers' needs, by allocating qualified time to customers based on the relationship banking approach. To reach this target, the Bank increased the number of marketing sales staff working in its branches - which are the primary point of contact with customers. "Happy Banking" motto has been adopted as the new philosophy in marketing and customer satisfaction. Through strong media support, brand recognition was highly emphasized reflecting the growth and dynamism.

As a result of intensified marketing activities, the total number of active customers in retail banking increased by 130% while the number of customers in enterprise banking demonstrated an 8-fold increase; the total number of active customers in the retail banking business line exceeded 21,000.

In line with the increasing number of customers, the Bank's retail loans portfolio grew rapidly and consistently. The Bank's individual loans volume recorded more than a fourfold increase and its enterprise loans volume recorded more than a twentyfold increase when compared to the previous year.

In 2011 ABank chalked up a significant achievement with regard to increasing its deposits base as well. The Bank implemented various campaigns to promote time deposit accounts; as a result of these activities, the Bank's customer deposits rose by 49% YoY to TL 3.7 billion. Besides, branches were given specific targets also to increase demand deposit composition of the liabilities. Eventually there has been 34% increase in demand deposits on YoY basis.

ABank to introduce ABank Bonus credit card to its customers in 2012

ABank will further improve its product diversity by offering credit cards bearing "Bonus" features, which is a popular brand in Turkey enjoying a large marketing network. This outsourcing effort is expected to boost cross-sell opportunities both in retail and commercial business activities. The initial target has been set to market credit cards to the existing customer portfolio as well as to staff and families of Anadolu Group companies.

In retail banking, the Bank aims to generate an innovative approach which makes efficient use of the technology and which grows stronger through sectoral collaborations. In this context, the Bank's move with the Bonus credit card was supported by the cooperation with sales points in the POS network. Through providing this network, the Bank will be able to gain new customers particularly in retail business.

Pursuing a more efficient strategy in retail banking

For its customers in individual and enterprise banking segments, the Bank has further improved its service quality and enhanced its product diversity, while focusing on improving its delivery channels. As a result of these efforts, the Bank aims to increase customer satisfaction and loyalty; increase the rate of new customer acquisition and strengthen its position in the sector.

ABank's business plans are established with the aim of expanding its products and services with deposit and investment products, insurance products, cash management products, credit cards and alternative delivery channels in order to serve a broader customer base and to best respond to the demands of its retail banking customers.

Retail banking activities gained momentum particularly during the last quarter of 2011. As a result of this momentum, the contribution of retail banking to the balance sheet and profitability became more visible. The introduction of ABank Bonus credit cards in 2012 will provide further positive contribution on the Bank's financials.

Restructuring to ensure efficiency in credit allocation processes

The new restructuring process has been supported by organizational changes, ensuring the efficiency of the processes.

In this context, the Bank was reorganized under a well-defined structure in the way that the credit allocation and credit monitoring functions are executed by separate units, and the Credit Allocation Department was restructured accordingly. The separation of these designated units aims to establish a more efficient credit allocation system and to better concentrate on credit allocation.

Major organizational changes in 2011:

- Customers in the Bank's corporate and commercial banking portfolio were classified under two groups: companies with an annual turnover of more than TL 25 million were categorized as (T1) and companies with an annual turnover of less than TL 25 million were categorized as (T2). Accordingly, the respective departments processing the credit proposals in favour of these customers were also separated based on this classification.

- The credit monitoring and risk structuring functions were assigned to the recently established Credit Monitoring Restructuring and Legal Follow-up Department. Consequently, the Bank ensured that the credit allocation and credit monitoring and restructuring activities are managed by different departments.
- The Retail Banking Credit Allocation Unit, which had operated under the Retail Banking Sales and Marketing Department, was transferred to the Credit Allocation Department, ensuring that the credit allocation activities are only undertaken by one department.
- After the conversion of the new technological system, credit allocation processes began to improve. Despite the increasing number of branches, duration of credit allocation periods were halved from 30 days to 15 days, increasing the Bank's competitiveness in terms of responding to customer needs on a timelier manner in comparison to its competitors.
- ABank aims to further accelerate the flow of its daily operations, as a result of improvements in its new IT infrastructure which has been particularly developed to enhance the Bank's ability to provide quality services to its clientele. For this purpose, the Bank engaged in a number of activities, such as converting completely to an online system for credit allocation, while further improving the speed and efficiency of the credit allocation processes.
- Limited authorization rights in credit allocation processes were granted by ABank Credit Committee to branches, in order to ensure that the Bank provided rapid and high-quality services to its expanding client base and to further enhance its competitive position.

The Credit Committee undertakes final decisions on credit limits for collateralized credits and non-collateralized credits under the authority of the committee delegated by the Board of Directors. These credit limits are allocated following the decision of the credit committee upon the proposal made by the Head Office. Decisions unanimously made by the credit committee are directly allocated, whereas decisions made by the majority are submitted to the Board of Directors for their approval.

ABank's priority is to sustain good asset quality

ABank endeavours to ensure that its loan portfolio has a balanced and widespread risk distribution and avoids risk concentration on the basis of customers and sectors, thus ensuring a balance between economic sectors.

Although the Bank does not, as a principle, apply priority to any sector in the allocation of loans, it pursues a policy in which no single sector should exceed 15% of the total loan exposure. The Bank's top 100 customers comprise a 29% share in the Bank's total risk portfolio. Total Related Party exposure to Group companies in the Bank's total loan portfolio stood at a modest 1.6% in 2011.

As a result of the Bank's prudent policies and effective risk management approach, ABank's non-performing loans ratio stood at just 4.8% in 2011, which can be deemed a reasonable level for a bank focused mainly on the SME segment.

Basel II criteria brings significant revisions and improvements to the Bank's risk management system

ABank accepted the "International Risk Management Principles" as one of the basic guidelines of its corporate organization. The Bank has also adopted a principle of compliance with the risk management criteria set forth in the Basel II Framework.

The ultimate goal of the Basel II criteria is to provide the facilities for the implementation of advanced internal rating methods, which would demonstrate the actual risk of any bank.

The credit risks that the Bank is subject to, both on and off the balance sheet, are monitored and managed both exclusively and on a portfolio basis through an IT-supported effective risk management model that makes use of current international methodologies.

The breakdown of the credit portfolio by sector, collateral, loan size and rating is analyzed on a periodical basis in order to balance the structure and quality of the credit portfolio at the targeted level.

Having increased its international trade volumes in line with its strategies, ABank diversified its external funding base and thus enabled improvements in its funding costs and in the maturity of the funding portfolio.

Customer selection and the monitoring of customers' credit ratings are performed by expert credit teams working with internal rating systems. The rating systems are continuously reviewed and monitored for their performance independently by the Risk Management Department.

In 2011 ABank renewed its existing rating system in order to comply with the Basel II criteria, to conduct customer evaluation under more objective criteria and improve its risk measurement capabilities.

With the support of its strong organizational and technological capabilities, the Bank intensively pursues efforts to improve the new system and to design more successful statistical models to meet requirements as they arise.

A strategy of establishing strong relations with international financial institutions represents an invaluable element of ABank's success

Its efforts in the area of international banking are one of ABank's basic competencies and a key element of its reputation. The Bank enjoys a prestigious position in the international arena thanks to its robust financial structure and its place under the roof of a respected shareholder such as Anadolu Group.

The Bank's International Financial Institutions Department primarily aims to establish long-term relations based on mutual benefits with the world's leading banks and financial institutions through a relationship and communication based approach.

The Bank's active correspondent network comprised of more than 140 banks at the end of 2011.

This widespread and effective correspondent network continues to expand in parallel with the needs and demands of ABank customers, as well as the developments in global financial markets.

ABank also enjoys strong relations with the world's leading export credit agencies and supranational institutions.

In line with these strategies, the International Financial Institutions Department promotes the Bank to its correspondent banks, credit rating agencies and supranational institutions and undertakes initiatives with them to expand the Bank's credit supply facilities and to diversify its products, services and solutions.

A successful year for ABank in providing external funds, despite a challenging global conjuncture

Having increased its international trade volumes in line with its strategies, ABank diversified its external funding base and thus enabled improvements in its funding costs and in the maturity of the funding portfolio.

ABank provides optimum, flexible and rapid solutions to the requirements of its customers in international trade with its experienced staff, sophisticated operating infrastructure, effective correspondent network and customer-oriented approach.

The Bank is an efficient and primary business partner of its customers in their international trade transactions, not only with developed countries, but also with relatively risky countries and emerging markets.

USD 235 million syndicated loan demonstrates the confidence in ABank

In May 2011, ABank received a USD 235 million equivalent dual currency tranche syndicated loan from a group of its major relationship banks. The loan was comprised of two tranches - € 133.5 million and USD 45 million.

This borrowing has marked one of the highlights of ABank's external funding activities, as being the largest amount to be received at one year maturity since the inception of the Bank. It was provided by 25 banks from 12 different countries and was intermediated to finance exports. The loan agreement was signed between ABank and the participating banks on May 17th, 2011.

Completed in a challenging global conjuncture, in which the Eurozone, in particular, was under the effects of the global financial crisis, this loan is quite significant in terms of confirming the confidence ABank enjoys in the eyes of the leading international banks.

A 5-year maturity, USD 40 million loan for women entrepreneurs from the IFC and FMO

In October 2011, the Bank received a USD 40 million 5-year term loan from the International Finance Corporation (IFC) and the Entrepreneurial Development Bank of the Netherlands (FMO) in order to finance small and medium-sized enterprises owned or managed by women entrepreneurs in Turkey.

A first in terms of supporting the initiatives of female entrepreneurs

Designed with the purpose of supporting women entrepreneurs, the fund represents a first of its kind provided by the International Finance

Corporation (IFC) to Turkey.
This innovative project reconfirms ABank's strength and presence in the SME segment. Moreover, the financial support is to be provided to women entrepreneurs; the increase in women's economic power will in turn bring an array of benefits, such as additional income contribution, household poverty reduction, improved nutrition and schooling for children, as well as more jobs for other women. Furthermore, this funding received a great media attention contributing to ABank's brand recognition and new customer portfolio.

€ 30 million subordinated loan from DEG and EFSE contributes to ABank's capital base

In December 2011, ABank notched up another success in international financial markets by receiving a € 30 million subordinated loan facility from Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG – German Investment and Development Institution) and The European Fund for Southeast Europe (EFSE).

The loan, to which DEG contributed € 20 million and with EFSE contributing € 10 million, has further strengthened ABank's capital base and will be utilized to finance micro, small- and medium-sized enterprises in Turkey, also contributing to the Bank's activities in SME banking. Through the intermediation of ABank, this funding has paved the way for the globally well known multilateral institution EFSE to initiate its first investment in Turkey.

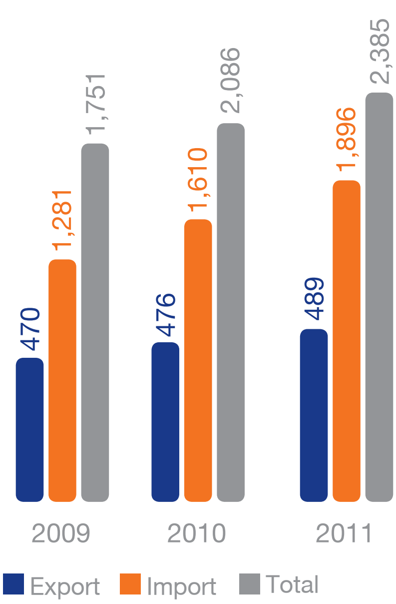
A growing international trade transaction volume and increasing volume of external funds

Supported by its close relations with the International Finance Corporation (IFC), the Bank took a significant step in international trade in 2011. With a new agreement with IFC, ABank was included in the IFC's Global Trade Finance Program.

In line with the Confirming Bank Agreement of the program, ABank is provided guarantee for its foreign trade transactions issued by the banks that are listed on IFC's list of "Issuing Banks", while the IFC undertakes the risk of the issuing bank.

The total volume of international trade transactions intermediated by ABank reached USD 2.4 billion in 2011. In parallel with this trend, the amount of funds provided from foreign banks also increased.

ABank International Trade Volume (USD million)



International credit limits supporting the Bank's competitive pricing policy

The credit limits provided to ABank from the world's leading banks and financial institutions confirm the Bank's high level of credibility in international markets.

Thanks to such credibility, the Bank is able to quote competitive prices for its customers' international trade transactions.
ABank's International Financial Institutions Department also helps the Treasury Department in maintaining strong relations with correspondent banks based on the principle of reciprocity.

The International Financial Institutions Department works on diversifying international trade products, expanding the correspondent network, increasing the credit lines provided from correspondent banks and generating new borrowing facilities.

Within the framework of new borrowing facilities, ABank keeps a close view of the opportunities in the international capital markets which Turkish banks have been successfully making use of in recent years through bond issuances in foreign countries.

ABank took steps towards becoming an environmentally-conscious bank by means of its Social and Environmental Risk Management System

The strong and long-standing relations between ABank and supranational institutions paved the way in establishing a new Social and Environmental Risk Management System and the system was integrated into ABank's decision making processes regarding loan supply.

Besides being a strong market player, ABank has rapidly gained expertise in derivatives transactions and aims to be a major player with a competitive edge in this area.

Launched in 2011, the system aims to

- set the principles and criteria for the evaluation of social and environmental risks and impacts of persons or projects that the Bank would supply loans to;
- determine the actions that the Bank must take in the event of non-compliance with these criteria as well as to identify the authorities and responsibilities of the Bank personnel; and
- set forth the rules with respect to the monitoring and reporting of ABank's Social and Environmental Risk Management System.

ABank is rated by Fitch Ratings

The international credit rating agency, Fitch Ratings, confirmed ABank's credit ratings as follows in its report dated August 2nd, 2011. Moreover, the Bank's Viability Rating was determined as bb within the framework of the new methodology, which was introduced for the first time in 2011. The Bank enjoys a good rating profile in the Turkish banking sector.

A strong market player in fund management and treasury transactions

With its market know-how and experience, ABank is actively involved in fixed income securities and money markets.

Besides being a strong market player, ABank has rapidly gained expertise in derivatives transactions and aims to be a major player with a competitive edge in this area, a criterion which has gradually gained importance in financial markets.

The success of the Treasury Department in financial transactions helps the Bank to provide liquidity from over-the-counter markets. In addition to the management of markets and liquidity risks, the Treasury Department fulfills an important function as a center of information and profit with its qualified personnel.

Rapid growth in Treasury transactions volume in 2011

TL and FX liquidity management, which is one of the most fundamental tasks of the Treasury Department, was successfully performed even in the most turbulent days of the global financial crisis.

FX and fixed-income securities strategies based on the Bank's expertise in maintaining the risk-income balance enabled ABank to demonstrate another successful performance in 2011. By increasing the volume of the over-the-counter fixed-income transactions, the Bank rapidly climbed its transaction ranking in the bonds and bills market. Likewise, the growth in the Bank's derivatives transactions in 2011 have also confirmed ABank's rising performance in this market.

ABank has also pursued efforts to become one of the most prominent active participants of the financial markets in Treasury transactions.

Multi-structuring on a function basis

ABank's Treasury Department is constituted of four sub-units. The Treasury Marketing Unit is responsible for sales and the Asset/Liability Management Unit is responsible for the management of the Bank's assets and liabilities positions in TL and FX. The Asset/Liability Management Unit has been categorized under two desks: Foreign Exchange Desk and TL Money Market/Liquidity Management Desk.

The FX Desk carries out TL/FX and FX/FX operations and supports the Treasury Marketing Unit particularly in international transactions by providing competitive prices.

The TL/Fixed Income Securities Desk manages the Bank's TL liquidity and determines the pricing of TL deposits and TL fixed-income securities.

The Trading Unit, on the other hand, is responsible for trading TL fixed-income securities FX and derivatives.

ABank Rating Notes	
Long Term Local Currency Rating	BB
Long Term Foreign Currency Rating	BB
Short Term Local Currency Rating	B
Short Term Foreign Currency Rating	B
Support Rating	5
Support Rating Floor	NF
Viability Rating	bb
National Long Term Rating	AA (tur)

Fitch Ratings announced the Bank's long-term outlook as "Stable".

Functioning under the Treasury Department, the Economic Research Unit performs research and studies for ABank's senior management, the Treasury Department and the Bank's customers. This unit prepares reports on a regular basis with respect to the trends and risks in the economy and markets and supports branches by presenting comprehensive analyses to the Bank's customers regarding market dynamics. The Economic Research Unit prepares its periodic and private reports in both Turkish and English.

Derivatives gaining more importance

In the light of global developments, the business environment in our country, as in the rest of the world, has developed an increasing level of interest in derivatives amid changing risk perceptions, the requirements of the real sector and the rapid growth of the financial markets.

Also offering services and solutions with high added value in derivatives markets, ABank's Treasury Marketing Unit intensively undertakes efforts to protect its customers against various risks.

The representatives of the unit visited the Bank's customers and branches throughout 2011, informing them of the benefits of derivatives products and how they are used, and also discussing recent developments in markets. They responded to customers' financial requirements by developing a range of tailored products. As a result of the close cooperation and synergy built with branches, the Bank attracted new customers, particularly in the SME segment, and achieved significant success in the sale of derivatives products.

Derivatives transactions have become a significant source of profit for the Treasury Department

Despite the challenges facing the Eurozone and some emerging European economies, Turkey offers strong growth potential. Turkey's economic growth and the Turkish real sector's requirements have increased demand and interest in derivatives transactions in order to hedge risks. At the same time, a higher number of derivatives are used to provide a guarantee against risks in the balance sheet in terms of assets-liabilities management, while exotic products that are more effective and complicated have gained more importance.

ABank aims to be one of the leading and strong players of the derivatives market.

Prudential market risk management

At ABank, FX, interest and liquidity risks are calculated according to the Value at Risk (VaR) method by meticulously analyzing, studying and using the data of Turkish capital markets.

This model sets out limits that are specifically designed for each product. The currently used in-house computer software, which produces detailed reports with respect to the positions carried by customers, allows the Bank management to continuously monitor the balance sheet in detail.

ABank monitors interest rate risk through the VaR model. This model allows sensitivity analyses to be made for various money market products, including loans, coupon and discount bonds, forward FX buying & selling transactions, forward interest transactions and interbank transactions.

At ABank, all purchase-sale and position limits are determined by the Board of Directors, and the members of the Asset-Liability Committee are reported of customers' positions on a weekly basis.

Treasury Control Unit

The function of the Treasury Control Unit, which reports to the Internal Audit Coordination Department, is to conduct necessary audits on prices and risk limits, as well as counterparty limits, and to report the results of such audits to the Asset-Liability Committee. These reports assist the Bank in keeping control of any risks it may be exposed to through market activities.

ABank's new system, Inter-Next which was completed at the end of 2011, entered operation and began to produce automatic reporting. The ability to monitor the system data assures a high level of productivity for the Bank.

ABank's new banking system – Inter-Next – enters operation

In parallel with ABank's growth plans, the year 2011 represented a milestone in the Bank's corporate history with the renewal of its technological infrastructure and initiation of its new banking system which is:

- more flexible and up-to-date;
- more compliant with information security standards;
- user-friendly; and
- offers easy data receiving, reporting and analysis making opportunities.

ABank's new system infrastructure platform, Inter-Next, entered operation on January 2nd, 2012 following a 7-month transition period.

ABank centrally processes transactions which require a specific level of expertise and are many in number ensuring risk control, efficiency increase and cost control.

During and after the transition, the Bank experienced rapid and trouble-free adaptation.

ABank's next target is to provide its customers with more comprehensive and better services by using the new system efficiently and making use of all the sophisticated features of the system.

Inter-Next:

- carried the Bank's technological infrastructure to a highly advanced level;
- introduced systemic flexibilities so that the Bank could adapt to new developments much more rapidly; this way, the Bank would easily harmonize new products and services with the system;
- allowed the Bank to establish a structure that is more compliant with CoBIT standards;
- allowed the Bank to establish a more flexible and simplified environment in terms of data access and reporting; the Bank would be able to render its risk management processes more effective as data from customers, which is measurable, traceable and auditable thanks to the new system, was received and analyzed rapidly and in accordance with desired criteria;
- provided the Bank with the opportunity to offer improved and faster services thanks to its customer-oriented structure;
- reduced systemic risks and dependencies;
- will allow the Bank to reduce its operating costs and increase its productivity; and
- will increase the Bank's managerial capability with numeric measurements on a customer, employee or source of profit basis.

Maximizing efficiency through central operations

ABank centrally processes transactions which require a specific level of expertise and are many in number ensuring risk control, efficiency increase and cost control.

The Central Operation Departments are responsible for the management of credit extension processes, international trade transactions, check and bond transactions, company payments, central seizure processes and query letters, as well as EFT and SWIFT transactions. In all of these transactions, the rate of centralization is 100% and risks are minimized by checking the presence (whether documents are present or not) and the contents of such documents. The support desk responds to all questions forwarded by branches and produces rapid solutions for problems.

By removing the operational work burden, the central operations allow branches' marketing units to maximize the time they allocate to their customers, marketing and sales.

Although the functions of the operating units in branches have been clearly defined, each employee is not only responsible for fulfilling their own function, but also learns to perform all operational transactions. This approach raises efficiency on one hand and transaction quality and speed on the other, thus increasing the level of customer satisfaction. This practice, which also increases employees' motivation, was increasingly reflected to the Bank's operating results in 2011.

In operational services, the Bank acts upon the understanding that each branch is a customer. By undertaking regular visits to branches, the Bank receives feedback from branches, opinions and recommendations through one-to-one negotiations and produces new solutions in order to further increase the service quality of branches. The Bank creates more efficient processes by continually reviewing its human resources and business processes in terms of efficiency.

The ultimate purpose of all these efforts that focus on operational excellence is to render flawless processes and increase service quality.

In 2011, the rate of ABank's accuracy rate in operational transactions was 99%.

Risk Management and Internal Audit Mechanism

Risk Management

The risk management department is responsible for the central management of the possible risks that the Bank could be subject to by means of an effective coordination throughout the Bank. The main purpose of risk management is to allocate capital (economic capital) to the business lines in line with the risks they carry and to increase the added value by maximizing the return on capital compared to the risk taken. ABank has adopted the "Principles of International Risk Management" as one of the basic guidelines for its corporate organization. The Bank has also adopted compliance with the principles of risk management set forth in the Basel II Framework as a principle.

At ABank, all policies and processes with respect to risk management were defined under the title;

"Working Principles for the Risk Management System". The Risk Management Process, which includes effective identification, measurement, monitoring and management of the risks that the Bank is subject to starts at the Board of Directors. The Bank's Risk Committee, Asset Liability Committee (ALCO), individual risk committees (such as Credit Risk Committee (CRC), Market Risk Committee (MRC), Operational Risk Committee (ORC)) and the Risk Management Department are the other important bodies in the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Bank.

The Bank's Risk Committee is responsible for defining the risk management strategies and policies to be pursued by the Bank, as well as presenting such strategies and policies to the approval of the Board of Directors and monitoring how they are implemented. Moreover, it is the duty and the responsibility of the Bank's Risk Committee to make basic decisions on the risk-income balance of all commercial departments of the Bank and to manage the risks in compliance with the limits determined by the Board of Directors. The ALCO is responsible for monitoring and managing any structural asset liability mismatch of the Bank, as well as monitoring and controlling, general market risks, liquidity risk and foreign currency exchange rate risk.

The individual risk committees are responsible for designing, monitoring and evaluating measurement methods for all risks that fall under the risk categories under their responsibility. Moreover, they determine all the principles and policies with respect to risk management processes and prepare the necessary action plans in order to minimize the risks and monitor how those plans are implemented.

The Market Risk Committee was established to implement risk policies regarding both the trading book and the investment book and to establish relevant control systems. In addition, it is the Market Risk Committee's responsibility to limit and minimize the potential adverse effects of market conditions on the Bank's profitability and economic value. The Committee provides recommendations to the Bank's Risk Committee with respect to the determination of methods to measure and limit risks arising from banking products, analyzes retroactive test results and performs efforts to support risk measurement methodologies by designing stress tests and alternative scenarios.

The basic function of the Credit Risk Committee is to monitor and evaluate the Bank's credit risks and check whether they comply with legal credit limits within the framework of the credit policies determined by the Board of Directors and the risk evaluation criteria determined by the Bank's Risk Committee. When it comes to credit risks, the Committee is also responsible for regularly reviewing the credit limits determined by the Bank, keeping these risks under control by allocating new limits, and monitoring risky credit amounts by taking scenario analyses and defined credit limits into account. The Committee also updates and implements credit risk measurement criteria in accordance with changing circumstances and any possible requirements which may arise.

The Operational Risk Committee is responsible for determining, reviewing and discussing the risks that may arise during the Bank's operations and defining the necessary actions to be taken to minimize these risks. In performing these studies, priority is given to the actions that must be taken to eliminate problems associated with the reporting of the Internal Control and Audit Board.

Working independently of the executive functions and reporting to the Audit Committee, the Risk Management Department is responsible for regularly monitoring and evaluating the risks within the framework of models and suitable assumptions and parameters, which are recommended by the Market Risk, Credit Risk and Operational Risk Committees and approved by the Bank's Risk Committee. The Department also checks and reports whether such risks are within the defined limits. Moreover, the Department determines risk-based limits to be applied to the respective profit centers, by using the amount of shareholders' equity and risk limits as determined by the Board of Directors regarding trading, asset-liability management and the Bank's credit portfolios subject to financial risk. As part of the same process, the Department is also responsible for monitoring any limit breaches and duly notifying the Bank's Risk Committee and senior management.

Internal Audit System

Board of Inspections

The Board of Inspections carries out its inspection activities under the Audit Committee, which was set up as per Article 24 of the Banking Law no. 5411. The Board is constituted of a President, two Vice Presidents, a sufficient number of Inspectors, who are specialized in bank auditing and information systems auditing, and a Secretary. The Board of Inspections has the right to perform inspection, investigation and examination on behalf of the Audit Committee in ABank branches, as well as the departments in the Head Office, in departments that are responsible for fulfilling Internal Control and Risk Management functions, and in subsidiaries that are controlled by the Bank.

The fundamental principles of the audit approach of the Board of Inspections are "proactive audit, preemptive approach", i.e. to be a partner of the management in order to plan activities to prevent problems instead of fixing them after they arise, as well as to act together with the Bank management during the planning stage, to perform risk-oriented audits in line with the International Internal Audit Standards and to add value to the Bank by providing consultancy services.

In order for internal audit activities to yield the expected results, all internal audit activities as well as all in-house activities, including those in branches and the Head Office, are analyzed on a regular basis in a risk sensitive manner in order to reveal any deficiencies, inadequacy or abuse. The Board states its opinions and undertakes recommendations to prevent any repeat of such deficiencies and to ensure effective and efficient use of resources. It checks the accuracy and reliability of information and reports submitted to the Bank and the senior management. By means of periodic and risk-sensitive audits, the Board checks the adequacy of internal control and risk management systems, soundness of electronic information systems and electronic banking services, accuracy and reliability of accounting registry entries and financial reports, compliance of operations with defined procedures and how internal control procedures are conducted to audit the operations, compliance of transactions with the law, regulations, in-house strategies and policies and other arrangements, precision and reliability of reports submitted to the Board of Directors and the Audit Committee and reports submitted to the respective legal authorities, and the activities of subsidiaries subject to consolidation.

Internal Control Coordination Department

The Internal Control Coordination Department operates under the guidance of the Supervision Committee and directly reports to the Board of Directors.
The Department performs its responsibilities to the Board through the Supervision Committee.

The Head Office Control Unit, Branches Control Unit and Fundamental Control and Support Units operate under the Department, and internal control personnel are assigned accordingly.

The Internal Control Coordination Department is designed to be a part of the Bank's daily functioning and conducts its activities in compliance with Turkish laws, regulations and other official communiqués as well as the Bank's internal procedures, intrinsic policies and principles.
The monitoring functions of the Department include:

- Monitoring the operational processes related to the implementation of banking activities
- Monitoring information systems and communication channels
- Monitoring financial reporting systems
- Checking the compatibility of new products, transactions and other outstanding or planned activities of the Bank with laws and related regulations, in-house policies and rules, and customary banking practices and principles.

The fundamental duty of the Department is to protect the Bank's assets and conduct monitoring and supervision to assure the integrity, reliability of the accounting and financial reporting systems and the timeliness of the data collection processes, and to ensure that the Bank's activities are implemented efficiently and in compliance with the laws and related regulations, along with the cardinal rules of banking.
The Internal Control System and the manner in which it carries out its duties are set out and designed according to the special features of the Bank's intrinsic activities, with the participation of the managers of relevant departments.

In addition to laying the very foundations of the Internal Control System, the Unit also coordinates various departments that conduct a range of control and supervisory duties in order to assure the integrity of the overall control function.

The Department builds and operates the structure in which the transactions and activities of the Bank are checked first by the personnel, who are responsible for auditing, and then by the assigned internal control personnel. In doing so, the Department also coordinates various departments that conduct a range of control and supervisory

Customer selection and the monitoring of the credit ratings of customers are performed by expert credit teams with the use of internal rating systems.

duties in order to assure the integrity of the overall control function and ensures that the Bank's activities are continuously audited for their compliance with the law, regulations, internal procedures and the ethical rules of banking.

The Department is authorized to monitor, examine and control the activities of branches, Head Office Departments and subsidiaries subject to consolidation on a daily, weekly, monthly and other periodical basis, and is also authorized to perform spot inspections. The Department also conducts special checks as requested by the Board and the Supervisory Committee. In order to monitor, examine and control the safe implementation of each function of the Bank from its internal control mechanisms, the staff of the Internal Control Coordination Department requires information based on reporting from relevant departments, and the Department examines various control documents and conducts other processes based on specific or general observations. The findings are reported or processed as warnings to be notified to the relevant departments. Moreover, the Department staff is authorized to demand additional explanations from the Bank's employees or seek their opinion regarding matters that are controlled, examined and monitored.

The Internal Control Coordination Department also follows up on corrections to any reported deficiencies. A steady flow of information is provided by the relevant department to the Internal Control Coordination Department relating to the correction of the problem as determined through the Department's findings.

The staff of the Department presents the outcomes of their studies to the Internal Control Coordinator. The Coordinator then prepares and communicates monthly reports to the Supervisory committee, the relevant members of the Board, the CEO and the relevant members of the senior management, along with advice and recommendations. The Coordinator may also share the findings with the branch and other smaller unit managers if deemed necessary. Periodic assessments based on these reports serve to develop and amend existing control systems and to ensure that necessary precautions are taken. These discussions are presented to the Supervisory Committee during quarterly meetings.

Information on Applied Risk Management Policies by Risk Type

Credit Risk

Credit risk is defined as the potential loss arising from a borrower's inability to meet its contractual financial obligations to the Bank. Credit risk is the risk of the highest concern for the Bank and it is vitally important to manage it appropriately. Therefore, credit risk management policies were set up to ensure the independence and integrity of the risk evaluation practices. Another purpose of these policies and procedures is to ensure that all personnel who are involved in the decision making process share same views in similar matters and reach similar actions, if necessary. All credit risks which the Bank is subject to, either on-balance or off-balance sheet, are monitored and managed individually and on a portfolio basis. In order to maintain the quality of the Bank's credit portfolio at a predefined level, the credit portfolio is analyzed on a regular basis and reported in terms of sectors, exposure, collateral structure, loan size, rating and other various aspects.

Customer selection and the monitoring of the credit ratings of customers are performed by expert credit teams with the use of internal rating systems. The rating systems are continuously reviewed and monitored for their performance independently by the Risk Management Department. In 2011 ABank renewed its existing rating system in order to comply with Basel criteria, to make customer evaluation with more objective criteria and to improve its risk measurement capability. The Bank intensively pursues efforts to improve the new system and to design more successful statistical models for arising requirements.

Market Risk

Market risk refers to the risk of any loss that may occur in the value of positions in trading accounts due to movements in interest rates, share prices and exchange rates. ABank calculates the legal capital requirement for market risk by using the standard method, which complies with the BRSA's regulations. Moreover, market risks associated with trading accounts are quantified and monitored on a daily basis through the Value at Risk (VaR) method. Measurements, which are performed using the exponentially weighted parametric, VaR, over the last 250 business days, constitute the basis of the Bank's risk-based trading limits. The validity of the VaR model is monitored through retroactively applied test methodology. In this methodology, theoretical losses/gains, which are calculated in the VaR model, are compared to the real losses/gains the next business day and any deviations, if any, are monitored. Within the scope of the retroactive tests, where the actual daily P/L value in 2011 was compared to the VaR which had been projected on the previous day, only 4 deviations were recognized.

Structural Interest Rate Risk
Market risks, which the Bank is exposed to through products such as credits, securities and deposits that bear interest sensitivity despite being monitored in non-trading accounts are monitored as structural interest rate risks. In this manner, the Bank aims to keep changes in its economic value within the limits which have been determined based on its shareholders' equity, in the event that the Bank is subject to defined standard interest shocks. Duration/gap reports, which are used in the measurement and management of the structural interest rate risk, are produced by placing those financial products that are monitored in non-trading accounts into the cash flow statements on a currency basis, according to the re-pricing periods or durations. The structural interest rate risk that the Bank is subject to because of maturity mismatch is measured by applying standard interest rate shocks to the gaps on a maturity slice basis and the risk is continuously monitored for its compliance with determined limits. The Asset Liability Committee takes necessary action to maintain the net economic value and to create a stable income structure.

Liquidity Risk
The purpose of the Liquidity Risk Management Department is to prevent the sum of cash held by the Bank and the borrowing resources available to the Bank from falling below a pre-determined ratio of the sum of deposits and other liabilities that require creation of liquidity. The department aims to ensure that necessary precautions are taken in a timely and proper manner to tackle possible liquidity risks associated with cash-flow volatility caused by market conditions and/or the Bank's balance sheet structure. The Bank monitors its liquidity position in TL and FX terms, as well as in terms of total liquidity. Moreover, the Bank's liquidity status is monitored within the framework of the "Communiqué on the Measurement and Assessment of the Bank's Liquidity Adequacy", which was published by the Banking Supervision and Regulation Agency on November 1st, 2006; while the Risk Management Department reports on the issue to the ALCO and the Market Risk Committee. The Bank's liquidity is monitored according to legal liquidity adequacy ratios and various parameters that are internally determined, and tested under various "stress" assumptions, while test results are reported to the Committee and the Board of Directors.

Operational Risk
An operational risk is defined as the possibility of a direct or indirect loss, caused by people, processes, systems and external factors. The Risk Management Department is responsible for defining, measuring and following up operational risks that fall under the risk definition, as well as establishing coordination of respective managerial initiatives. All respective units, particularly the Internal Control and Audit Committee, contribute to the efforts aimed at determining and eliminating the operational risks that arise during the Bank's operations. The compliance of services with relevant regulations and the Bank's current procedures and policies is followed closely. Records of events leading to monetary losses are stored in a database established with the aim of following up operational risks. Operational events that frequently occur or lead to significant losses are evaluated at the Operational Risk Committee, while these events are managed by undertaking the necessary action plans after determining the reasons of such losses and increasing internal control and audit activities.

Human Resources
At ABank, successful employees, those who have displayed a high level performance and who produce added value, are given the opportunity to be promoted to the highest positions, while the Bank usually fills its vacancies at managerial levels internally. All horizontal and vertical career opportunities arising within the Bank are announced to the employees first through the intranet portal, while the employees are offered the chance to map out their own future career plans and work to their own preferences through the "Vacant Positions Model".

At ABank, "Management Trainee" programs are organized in order to train the managers of the future. The Bank recruits and trains English speaking graduates from Economics, Business Administration and Engineering departments, after a series of tests and interviews. Following 3 months of basic banking training, the recruits are appointed to the respective departments and branches. To this end, the Bank attaches great importance to its career management efforts. The Bank aims to ensure the continuity of its human resources via "Career Training".

ABank held training programs on a function basis for all personnel employed in the branches within the framework of the transformation of its main banking system.

At ABank, job applications can be submitted through the Bank's website, by e-mail or by fax. All applications are recorded on the Bank's human resources database. The entries in the database are kept for one year. In case of any additional staffing requirement as part of the Bank's annual labor force planning set out in the beginning of each year, or in case of any vacant positions, candidates are selected from this database and those who have the required credentials are invited for interview.

Highlights of the Bank's HR activities in 2011:

- Efforts were conducted to improve the Bank's Human Resources software and reporting processes. Additionally, the Bank carried out efforts to integrate its human resources software into the new system during the conversion of the core banking system.
- The sales premium practice has been introduced for the branches.
- 31 branches have been visited in order to increase the motivation of branch personnel and for the purpose of in-house communication.
- The Bank completed a "Management Trainee" program for a period of 49 days for 26 employees, who had recently joined ABank. After the training programs, these employees were appointed to their positions in the Head Office departments and the branches.
- ABank held training programs on a function basis for all personnel employed in the branches within the framework of the transformation of its main banking system. A total of 572 employees participated in these training sessions that lasted for 48 days, where a total of 7,966 hours of training was provided.
- The total training time, excluding system training, was 48,737 hours in 2011, representing an average of 43 hours per employee over the year.

Human Resources Statistics

Number of Personnel	2009	2010	2011
Head Office	392	435	452
Branches	607	651	733
TOTAL	**999**	**1,086**	**1,185**

Gender and Age	2009	2010	2011
Male Staff	53%	53%	52%
Female Staff	47%	47%	48%
Average Age	34	34	35

Educational Background of Staff	2009	2010	2011
Primary School Graduates	31	28	25
High School Graduates	204	188	186
University Graduates	673	794	857
Post Graduate Degrees	91	76	114
Number of Personnel Fluent in a Foreign Language	380	443	471

Average Seniority	2009	2010	2011
	5	5	5.7

Happy practices in happy banking!

With its experience and vision, ABank brings its customers the best practices at international standards, while raising its quality trend by combining its expertise with technology.

Human Resources Policy

ABank's HR policy aims to support the continuous development of its employees in line with the Bank's targets and strategies by means of performance and internal customer evaluation and career planning systems.
ABank's human resources policy encompasses the following values:

- Delivering excellence to customers within the limits of economic rationale,
- An unwavering commitment to honesty,
- Upholding banking discipline at all times,
- rewarding the employees' success,
- Encouraging creativity and
- Adhering to social responsibilities

ABank's Human Resources Department plays a strategic role for the Bank. In coordination with other units, the department executes modern human resources programs that are based on success in order to achieve the Bank's goals.

Social Responsibility

The ABank management, within the framework of its social responsibility principle, supports economic development in order to improve the community's quality of life, while continuing its activities aiming to raise the value of the Bank; it pursues policies that respect the law, as well as all respective business lines and the environment. ABank also endeavours to contribute in improving the banking sector and to increase people's confidence in the sector.

Our social contribution project: Benim KOBİM Geleceğin Yıldızı (My SME is the Star of the Future)
ABank launched a social responsibility project, entitled "Benim KOBİM Geleceğin Yıldızı" (My SME is the Star of the Future), which is a training program designed for SMEs.

Training programs that have been organized with the cooperation between ABank and Boğaziçi University Lifetime Training Center (BÜYEM) aimed to ensure that people, who work in the executive positions of SMEs, acquire the necessary managerial capabilities and knowledge to improve their personal and professional skills, ultimately ensuring that SMEs gain the required educated and qualified labor force.

In the project, which completed its second year, more than 800 SME managers in 6 cities throughout Turkey (Eskişehir, Trabzon, Denizli, Kayseri, Samsun and Mersin) received their certificates from the Boğaziçi University. In 2011, 379 people completed the training programs held in Bursa, Gaziantep and Mersin, and received their certificates.

Social and Environmental Risk Management Procedure
With an understanding that sustainable banking and sustainable development can be only achieved with an undestroyed nature, the Bank set up its "Social and Environmental Risk Management Procedure" in 2011; provided the necessary trainings; and integrated the procedure into its credit allocation procedures.

With this system launched in 2011, ABank established its principles for the determination and evaluation of the social and environmental risks of the financing provided by the Bank. The system aims to set out the principles and criteria for the evaluation of social and environmental risks and impacts of people or projects that the Bank would supply loans to, as well as to determine the actions that the Bank must take in the event of non-compliance with these criteria, to identify the authorities and responsibilities of the Bank personnel, and to set forth the rules with respect to the monitoring and reporting of ABank's Social and Environmental Risk Management System.

It is an important criterion for ABank that the activities of real and corporate bodies, who the Bank is in a loan relationship with, have minimum negative impact not only on the environment and the community, but also on public health and safety.

Corporate Governance

ABank's management believes that an effective corporate governance system, within an individual company and across an economy as a whole, helps provide the confidence necessary for the proper functioning of a market economy. Therefore, the set of relationships among the Bank's management, its board, its shareholders and other stakeholders has been structured in line with the Principles of Corporate Governance set out by the OECD and the Turkish Capital Market Board (CMB).

ABank is committed to implementing accepted standards of corporate governance. Accordingly, all management procedures and practices depend on four pillars of corporate governance;
i) Transparency,
ii) Equality,
iii) Responsibility and
iv) Accountability.

With the exception of information deemed to contain trade secrets and is not yet available to the public, ABank discloses information about the Bank, with or without financial content, in an accurate, thorough, rational, interpretable and accessible manner. In compliance with legal and regulatory requirements, ABank communicates information in a timely, reliable, consistent, and orderly fashion and distributes such information to the investment community. Comprehensive information on ABank can also be accessed through its regularly updated website (www.abank.com.tr).

The Accounting and Finance Group is responsible for procedural actions regarding investors (Capital Increases, AGM, etc), as well as for duly informing the public. Questions forwarded to the management by investors, except those regarding proprietary information, are answered immediately and appropriately. The Annual General Meeting (AGM) notice is provided via the media and internet, meeting all of the requirements stipulated by the CMB and related regulations. All shareholders are invited to attend the AGM. When the Board of Directors decides on the date of the AGM, the information is immediately communicated to the CMB and the İstanbul Stock Exchange (ISE). Shareholders may apply to attend the AGM. Information and guidance about procedures and voting may be obtained from ABank's branches, headquarters and its internet website. There are no privileged voting rights stated in the Articles of Association. No subsidiary owns shares in the Bank. It is possible to vote by proxy.

The processes and policies of ABank's management structure are designed to comply with the legal and regulatory framework and to provide clarity and transparency in decision-making and accountability. The Board of Directors has eleven members, five of whom are independent. The Board of Directors formulates ABank's vision, mission, and short and long-term strategic objectives. The Board meets at least twice a month, where the Board of Directors measures the Bank's progress against its strategic objectives and evaluates performance. The annual budget of the Bank and its strategic plan are approved by the Board of Directors, which also follows up the budget and its actual implementation, receives information about variations from the budget, and follows up its decisions. The Board of Directors tracks strategic objectives, budget targets, and actual figures through internal and external audit systems. The Board also monitors various financial and non-financial indicators on a particular customer, branch, business unit, or general basis. The Board of Internal Auditors is responsible for submitting internal audit reports directly to the Board of Directors.

In compliance with Banking Law, ABank has established a Risk Committee. The Bank's Board members play an important role in the management of the Bank's risk exposure by developing strategies, policies, limit systems, and procedures through the activities of the Risk Committee. The Risk Committee is headed by an independent Board member. An independent Board member also heads the Audit Committee of the Board, bearing the responsibility of ensuring the accuracy of financial information provided to all stakeholders.

The Corporate Governance Committee was established in 2005 and is also headed by an independent Board member. The Committee monitors compliance.

The ultimate controlling shareholders of the Bank are announced in annual reports and on the Bank's internet website. ABank strives to maintain the highest standards by providing guidance to all its employees; as part of this effort, employees are guided and educated to conduct themselves within the standards of professional and ethical conduct. Ethical principles of ABank has been revised in 2011 in line with the Ethical Code of the Turkish Banks Association and approved by ABank's Board of Directors on 01.08.2011 as "Instructions on

Ethical Principles and Working Regulations". The principles are announced briefly to public on ABank's website. Top management of the Bank ensures that all the employees and managers comply with the rules set by the ethical principles of ABank. All applications regarding career planning, professional training, disciplinary rules, ethical codes, fringe benefits, and all other rights and employee-related issues are available to all staff on a closed circuit corporate portal, or "Intranet." The Intranet has also been set up to provide information to employees; all announcements have been transferred from a paper environment to an electronic site. In addition to cost cutting and efficient communications, the intranet aims to underscore the importance of a common corporate culture.

ABank's Board members, managers of all levels and employees are in a position to obtain insider information. ABank restricts those individuals in a position to obtain insider information from trading its equity shares. ABank places great emphasis on the management of relations with the Bank's stakeholders. Not only shareholders, but also potential investors, the public, regulatory bodies, customers, suppliers, employees and others are defined as stakeholders. Relations with customers and suppliers are carried out within the framework of ethical rules and in accordance with written procedures. All employees are aware that the most important means of creating an advantage over competitors is to provide the best service to customers and act accordingly. Employees endeavor to solve any customer problems, provided that they fall within the confines of general principles and the Bank's procedures, and take measures and exert every effort to prevent recurrence. The Bank has a Customer Complaints Division dedicated to customer relations, where all customer complaints are analyzed thoroughly and immediately by this department and resolved appropriately. Suppliers are evaluated by the Purchase Department.

ABank seeks to maximize its employees' competencies, efficiency, and satisfaction through its performance evaluation and career planning system. The Bank has a transparent and fair performance management system and reward system which encourages and supports high performance. In accordance with article 6 of the "Regulation on Corporate Governance Principles of the Banks", a new committee has been established on 19.09.2011 for the purpose of monitoring and auditing the Bank's payroll practices on behalf of the Board of Directors and 2 of the Bank's Board Members have been assigned as the members of the new committee. The committee conducts its activities in line with BRSA's "Regulation on Corporate Governance Principles" which has been published in the Official Gazette dated 01.11.2006 number 26333. Participation in management is always encouraged; the personal opinions of the staff on improvements to daily workload are collected through an evaluation system that is analyzed carefully. The Human Resources Unit is organized in conformity with the structures, requirements, and expectations of the other business units so as to support these units on all human resources issues. No complaints concerning discrimination have been received from employees. ABank is committed to the development of our society. The Bank's donation policy is defined in the Bank's Articles of Association. The Anadolu Foundation was established 30 years ago and is engaged primarily in education, health, the arts, and sport; it has completed a wide range of projects, including hospitals, health centers, schools, dormitory buildings, and sport complexes. While these have been donated to the state, free scholarships are granted to competent students in need of financial support. In 2005, the foundation completed the non-profit Anadolu Medical Center. All income generated from this contemporary health center will be channeled to meet education and research expenditures. At least 10% of the patients at the Anadolu Medical Center are treated free of charge. The Anadolu Medical Center provides seminars and organizes special programs to spread public awareness of free checkups, patient education programs, first aid courses, and protective medication.

Anadolu Group in Brief

ANADOLU GROUP

Anadolu Group; one of Turkey's leading conglomerates operating in beer, soft drinks, automotive, retail, finance and energy sectors in 16 countries with over 80 companies. Anadolu Group ("Group") was founded in the early 1950's by the Yazıcı and Özilhan families, which are jointly the major shareholders of all Group operations through their respective holding companies, Yazıcılar Holding A.Ş. and Özilhan Sınai Yatırım A.Ş.

The Group is structured and primarily managed in five principal sectors; beer, soft drinks, automotive, financial services, retail and other operations, which include energy, tourism, consumer durables, IT, and healthcare services. The Group has strong expertise in doing business in partnership with globally reputable companies and brands, such as Coca-Cola, SABMiller, Beck's, Foster's, Isuzu, Kia, Lada, Geely, Lombardini, Faber-Castell, McDonald's and Johns Hopkins.

The combined revenues of the Group as of year-end 2011 equal to approximately TL 8.9 billion. The total number of employees in the Group is around 23,000.

Anadolu Group's Extensive Operating Geography

● Efes ● Coca-Cola

Coca Cola İçecek (CCI) Market Information

Country	Market Share 2011-end	Market Position 2011-end
Turkey	70%	1
Pakistan	28%	2
Kazakhstan	37%	1
Azerbaijan	57%	1

Sources: IMF, EIU, UN Estimate, TCCC, Nielsen MEMRB

Anadolu Efes Market Information

Country	Market Share 2011-end	Market Position 2011-end
Turkey	87%	1
Kazakhstan	47%	1
Russia	18%	2
Moldova	n.a.	1
Georgia	n.a.	1
Ukraine	n.a.	4

Highlights from Operations

Beer Operations

The flagship company of Anadolu Group's beer operations is Anadolu Efes, Biracılık ve Malt Sanayi A.Ş. (Anadolu Efes) established in 2000. Anadolu Efes came into existence through the merger of 5 beer, 2 malt factories, the first of which was established in 1969. Currently, Anadolu Efes is the leader in the Turkish beer market with over 85% share and also runs international beer operations through its subsidiary Efes Breweries International (EBI), based in the Netherlands. Anadolu Efes beer division operates in 7 countries (Turkey, Russia, Kazakhstan, Moldova, Georgia, Serbia and Belarus) with 14 breweries producing a total beer capacity of 35 million hectoliters and 7 malteries with a total malt capacity of 290,000 tons. As of 2011-end, Anadolu Efes generated sales volume figure of 45 mhl, with a YoY growth of 4%, and net sales revenues of TL 4,761 million, with a YoY growth of 14%.

Anadolu Efes has recently established a strategic alliance with SABMiller. In this context, SABMiller's Russian and Ukrainian operations were acquired by Anadolu Efes, which thereby became the second largest beer company in Russia with eight breweries and one additional brewery in Ukraine. As a part of this transaction, 24% shares of Anadolu Efes were transferred to SABMiller.

Anadolu Efes is listed on the Istanbul Stock Exchange (ISE) with a market capitalization (Mcap) of approximately USD 8.4 billion as of April 2012--end.

Soft Drinks Operations

Coca-Cola İçecek A.Ş. (CCI), which is 50.3% owned by Anadolu Efes, runs Coca-Cola bottling operations in 10 countries (Turkey, Kazakhstan, Azerbaijan, Pakistan, Kyrgyzstan, Tajikistan, Turkmenistan, Jordan, Iraq, Syria) with 20 production facilities yielding a total bottling capacity of 980 million unit/case. As of 2011-end, CCI generated sales volume figure of 762 million u/c with a YoY growth of 15% and net sales revenues of TL 3,409 million, with a YoY growth of 23%.

CCI is listed on the ISE with Mcap of approximately USD 3.6 billion as of April 2012-end.

Automotive Operations

Anadolu Group has been active in the automotive sector since the beginning of the 1960s. In the automotive sector, Anadolu Group imports and markets KIA, Lada and Geely branded passenger cars and light commercial vehicles and also Cooper and Avon branded tires in Turkey, and runs operational fleet leasing operations, with an overall 10,000 vehicles fleet size.

Anadolu Group is also a manufacturer in the automotive sector. Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. (Anadolu Isuzu) is one of the leading medium-size coach manufacturing companies in Europe whose major shareholders are the Anadolu Group from Turkey, and Isuzu Motors and Itochu Co. from Japan. Its main fields of operation are the production and marketing of light duty trucks and midibuses. Since the establishment of the company in 1984, more than 125,000 vehicles have been manufactured in accordance with the Isuzu Motors license agreement.

Through Anadolu Motor Company, Anadolu Group also produces generators, engines, spare parts; imports and distributes Lombardini & Honda branded engines and applications, LS branded tractors and Gallignani branded balers.

Retail Operations

Anadolu Group's retail operations as a manufacturer include import, production and export of writing instruments in partnership with Faber-Castell (Adel Kalemcilik), and a leading production company in edible oil sector with Komili and Kırlangıç brands in Turkey (Ana Gıda). Recently, Adel Kalemcilik established a trade and distribution company with Faber Castell in Russia (Faber-Castell Anadolu).

As an importer and distributor in the retail sector, Anadolu Group has exclusive operating rights of McDonald's in Turkey since 2005, which is operating with 177 restaurants around Turkey as of 2011-end with over 4,000 employees. The Group also operates in the IT and tourism sectors.

Finance Operations

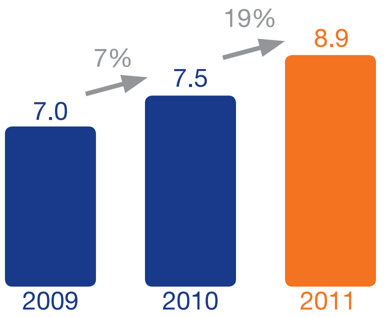
The Group has operations in the banking sector with Alternatifbank A.Ş., which is mainly active in commercial/corporate banking with a focus on the SME segment. Under finance division Group also operates a leasing company (ALease) and a brokerage firm (AYatırım).

Energy Operations

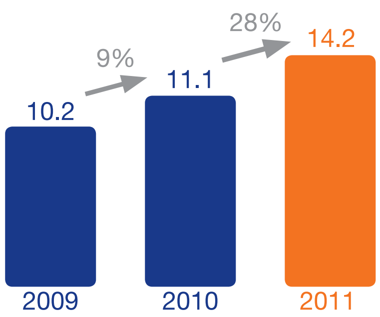
Anadolu Group is strategically targeting to be one of the leading players in the energy sector. Anadolu Group is partners with Turkey-based Doğuş Holding and Turkey-based Doğan Holding in Aslancık hydroelectric power plant in Black Sea region (120 MW), which is in the construction phase and expected to be operational by the end of 2013. Anadolu Group is also constructing a hydroelectric power plant in Georgia (Paravani), with

Anadolu Group Financial Indicators

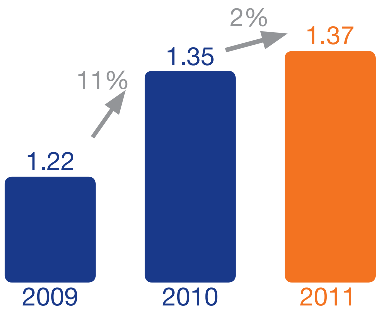
Net Sales
(TL billion)



Asset Size
(TL billion)

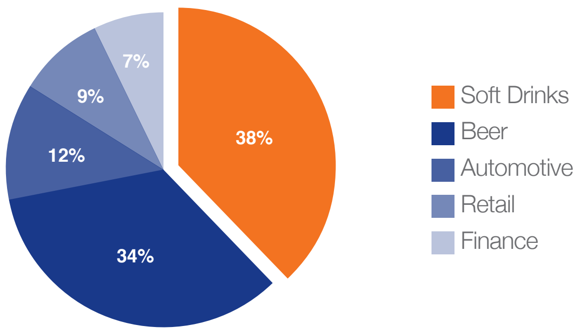


EBITDA*
(TL billion)



*Excluding financial services sector operations

Breakdown of Revenues in 2011



85.5 MW capacity and expected to be completed in 2014. Finally, the flagship project of Anadolu Group in energy sector is a thermal power plant with a total capacity of 1,200 MW in Gerze in the Black Sea region of Turkey, which is currently in the environmental report stage.

Other Operations

Anadolu Etap Tarım Ürünleri A.Ş., which is 33.3% owned by Anadolu Efes, has joined Anadolu Group in 2009. The company is one of the largest manufacturers of fruit juice ingredients in Turkey and is currently filling Cappy branded fruit juice and nectars for Coca-Cola. In addition, the company is serving the beverage and food industry with many tailor-made products, primarily in Turkey, Europe, Russia, CIS and the Middle East.

Anadolu Group also holds 23% share in Polinas, a leading manufacturer in the flexible packaging industry.

Corporate Social Responsibility

Anadolu Group pays special attention on corporate social responsibility projects. Anadolu Education and Social Assistance Foundation has created more than 40 perpetual pieces in social fields, such as education and healthcare, since its establishment in 1979. It is also granting scholarships every year to around 850 students; a total of 15,000 scholarships have been granted thus far.

Anadolu Medical Center (Istanbul) has exclusive affiliation with Johns Hopkins Medicine of Baltimore, USA and has the largest and technologically most advanced healthcare investment in the region. Anadolu Group has made major contributions to sports as well. Established in 1976, Anadolu Efes Sports Club was the first Turkish basketball team that brought the European Title to Turkey and the first and only Turkish basketball team that was qualified for final four in Euroleague.

Anadolu Group also supports arts and culture with organizations of music festivals and sponsorship of various projects each year. In the recent years, the Group has been also very active in supporting new tourism projects especially in eastern regions of Turkey.

Subsidiaries

ABank Financial Subsidiaries

AYatırım

AYatırım is a wholly-owned subsidiary of ABank and acts as a boutique investment bank specialized in asset management and brokerage services for domestic and international clients in the Turkish equity and derivatives markets. Founded in 1997, AYatırım is a member of the İstanbul Stock Exchange, the Turkish Derivatives Exchange and is regulated by the Capital Markets Board of Turkey.

The Company had a market share of 0.6% in the overall trading volume of the İstanbul Stock Exchange a share of 0.7% in the Turkish derivatives market in 2011.

The Asset Management Unit manages six ABank domestic mutual funds and Alternatif Yatırım Ortaklığı (an investment trust company) which is listed on the ISE with a total mutual fund/closed fund size of around USD 66 million at the end of 2011. A discretionary portfolio management service is offered to large-scale investors. The total fund size held by individual/institutional investors totaled USD 18 million in December, 2011.

AYatırım distributes its products through five branches, a call center and the Internet. ABank branches also act as agents of AYatırım.

The Company's largest shareholder is ABank, with a 99.99% share, while the Company's paid-in capital was TL 8.5 million as of 31 December, 2011.

Alternatif Yatırım Ortaklığı

Alternatif Yatırım Ortaklığı is an ABank subsidiary established in 1995. Operating under the regulatory framework of the Capital Markets Board, the Company's main activities involve the management of stock, repo and other securities portfolios on domestic exchanges. Alternatif Yatırım Ortaklığı is Turkey's 3th largest investment trust and commands a 6% market share of assets managed by investment trusts in Turkey.

The Company's paid-in capital stood at TL 22.3 million as of December 31, 2011, with 95.96% of its shares trading on the İstanbul Stock Exchange (ISE).

Anadolu Group Financial Subsidiaries

ALease

Established in 1997 as the Anadolu Group's leasing arm, ALease is a prominent player of the leasing sector since its inception. The Company offers high quality financial leasing services to a well-diversified clientele. Having made it a principle to adhere to the highest business ethics in its operations, ALease enjoys a respected presence in the market owing to fast, flexible and quality solutions produced in line with the expectations of its selected customers.

SMEs are the key constituents of ALease's client portfolio. In the year 2011, ALease increased its business volume by 6% year on and captured a business volume of USD 93 million on the basis of 355 contracts signed.

ALease puts into the strategy of diversifying its delivery channels via ABank branches and the representative offices. Within the total transactions realized by ALease in 2011, those referred by its sister company ABank have 63% share. ALease has 3 representative offices. Company expanded its delivery network in 2011, through a new representative office in Adana, in addition to those active in Ankara and İzmir.

ALease's net lease receivables and total assets stood at USD 150 million and USD 193 million respectively in 2011 and the Company posted USD 1.3 million in net profit.

ALease attaches importance to business continuity and productivity. In this context, the Company invested in a new software designed for operational productivity and enhanced management reporting.

As of year-end 2011 ALease employed a total of 61 people.

Consolidated Financial Statements Together With Auditor’s Report 31 December 2011

Independent Auditor's Report

pwc

To the Board of Directors of Alternatifbank A.Ş.

We have audited the accompanying consolidated financial statements of Alternatifbank ("the Bank") and its subsidiaries ("the Group") which comprise the consolidated balance sheet as of 31 December 2011 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Talar Gül, SMMM
Partner

Istanbul, 22 March 2012

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
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Alternatifbank A.Ş.

Consolidated Balance Sheet At 31 December

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

	Note	2011	2010
ASSETS			
Cash and balances with the Central Bank of Turkey	6	503,029	230,359
Loans and advances to banks	7	111,650	70,603
Financial assets held for trading			
- Trading securities	8	199,321	207,632
- Derivative financial instruments	9	45,733	4,889
Loans and advances to customers		4,280,845	3,231,021
Investment securities			
- Available-for-sale	11	290,592	182
- Held-to-maturity	11	828,300	391,159
Other intangible assets	12	3,442	2,526
Property and equipment	13	24,237	19,295
Deferred income tax assets	18	8,248	9,443
Other assets	14	142,719	120,030
Total assets		**6,438,116**	**4,287,139**
LIABILITIES			
Deposits from banks	15	660,555	309,062
Due to customers	16	3,647,555	2,448,372
Other borrowed funds	17	1,064,537	642,594
Obligations under finance leases		356	991
Derivative financial instruments	9	23,841	15,168
Current income taxes payable	18	3,915	9
Other provisions	19	15,654	10,871
Retirement benefit obligations	20	4,081	3,907
Other liabilities	21	235,926	201,318
Subordinated debt	17	274,470	162,374
Total liabilities		**5,930,890**	**3,794,666**
EQUITY			
Share capital	22	300,000	300,000
Share premium	22	85	85
Other reserves	23	3,836	8,017
Retained earnings	23	183,746	164,535
Equity attributable to shareholders of the Parent		**487,667**	**472,637**
Non-controlling interests in equity		19,559	19,836
Total equity		**507,226**	**492,473**
Total liabilities and equity		**6,438,116**	**4,287,139**

The accompanying notes set out on pages 47 to 97 form an integral part of these consolidated financial statements.

Alternatifbank A.Ş.

Consolidated Income Statement for the Year Ended 31 December

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

	Note	2011	2010
Interest income	24	520,157	346,272
Interest expense	24	283,895	170,300
Net interest income		236,262	175,972
Fee and commission income	25	43,710	35,078
Fee and commission expense	25	3,433	2,938
Net fee and commission income		40,277	32,140
Foreign exchange gains and losses, net		(15,683)	4,523
Trading gains and losses, net	26	4,210	(27,285)
Gains / losses from investment securities, net	26	4,052	356
Other operating income		10,915	14,399
Operating income		3,494	(8,007)
Impairment losses on loans and credit related commitments, net	28	(83,857)	(23,319)
Other provisions		(276)	(697)
Other operating expenses	27	(168,857)	(140,179)
Profit before income tax		27,043	35,910
Income tax expense	18	(6,158)	(4,870)
Profit for the year		20,885	31,040
Attributable to:			
Equity holders of the Bank		20,782	28,726
Non-controlling interest		103	2,314
		20,885	31,040
Basic earnings per share attributable to the equity holders of the Bank (expressed in TL per thousand share)	2.23	0.06927	0.09575

The accompanying notes set out on pages 47 to 97 form an integral part of these consolidated financial statements.

Alternatifbank A.Ş.

Consolidated Statement of Comprehensive Income for the Year Ended 31 December

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

	Note	2011	2010
Profit for the year		20,885	31,040
Foreign exchange gain/loss		-	-
Net gains on available- for sale financial assets, net of tax			
- Unrealised net gains arising during the year, before tax		-	-
- Net change in fair value of financial assets transferred to income statement		(2,301)	(361)
Income tax relating to components of other comprehensive income		(3,451)	73
Other comprehensive income for the period, net of tax		(5,752)	(288)
Total comprehensive income for the year		15,133	30,752
Total comprehensive income attributable to:			
Equity holders of the parent entity (total)		15,030	28,438
Non-controlling interests (total)		103	2,314

The accompanying notes set out on pages 47 to 97 form an integral part of these consolidated financial statements.

Alternatifbank A.Ş.

Consolidated Statement Of Changes In Equity for the Year Ended 31 December

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

		Attributable to equity holders of the Bank						
	Note	Share capital	Share premium	Other Reserves	Retained earnings	Total	Non-cont. interest	Total equity
Balance at 1 January 2010		300,000	85	5,410	138,704	444,199	17,522	461,721
Net change in available for sale investments, net of tax	23	-	-	(288)	-	(288)	-	(288)
Net income recognised directly in equity		-	-	(288)	-	(288)	-	(288)
Profit for the year		-	-	-	28,726	28,726	2,314	31,040
Total recognised income for the year		-	-	(288)	28,726	28,438	2,314	30,752
Transfer to statutory reserves		-	-	2,895	(2,895)	-	-	-
Balance at 31 December 2010		300,000	85	8,017	164,535	472,637	19,836	492,473
Net change in available for sale investments, net of tax	23	-	-	(5,752)	-	(5,752)	-	(5,752)
Net income recognised directly in equity		-	-	(5,752)	-	(5,752)	-	(5,752)
Profit for the year		-	-	-	20,782	20,782	103	20,885
Total recognised income for the year		-	-	(5,752)	20,782	15,030	103	15,133
Transfer to statutory reserves		-	-	1,571	(1,571)	-	(380)	(380)
Balance at 31 December 2011		300,000	85	3,836	183,746	487,667	19,559	507,226

The accompanying notes set out on pages 47 to 97 form an integral part of these consolidated financial statements.

Alternatifbank A.Ş.
Consolidated Cash Flow Statement for the Year Ended 31 December

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

	Note	2011	2010
Cash flows from operating activities			
Interest received		520,157	335,908
Interest paid		(283,895)	(170,299)
Fees and commissions received		37,324	31,029
Income from banking services		6,386	4,049
Trading income		11,973	5,286
Recoveries of loans previously written off		(86,551)	(35,692)
Fees and commissions paid		(3,434)	(2,937)
Cash payments to employees and other parties		(100,288)	(75,648)
Cash received from other operating activities		10,917	21,418
Cash paid for other operating activities		(66,150)	(49,481)
Taxes paid		(1,193)	(4,872)
Cash flows from operating profits before changes in operating assets and liabilities		45,246	58,761
Changes in operating assets and liabilities:			
Trading securities		8,310	(180,396)
Loans and advances		(1,049,823)	(509,933)
Other assets		(57,617)	(44,840)
Deposits from other banks		(147,209)	(82,594)
Deposits		1,203,338	(61,523)
Other money market deposits		349,477	214,450
Other liabilities		18,779	59,291
Assets classified as held for sale		(864)	28
Net cash (used in) operating activities		324,391	(605,517)
Cash flows from investing activities			
Purchases of available for sale securities		(1,041,367)	(1)
Proceeds from sale and redemption of available-for-sale securities		749,097	31,594
Purchases of held to maturity securities		(841,231)	(217,202)
Redemption of held to maturity securities		435,901	310,384
Purchases of premises and equipment		(14,283)	(8,169)
Proceeds from sale property and equipment		9,120	-
Purchase of intangible assets		(1,862)	(962)
Net cash from / (used in) investing activities		(704,625)	115,644
Cash flows from financing activities			
Proceeds from / (payments for) funds borrowed		528,290	407,742
Payments of finance lease liabilities		(635)	(1,287)
Net cash from / (used in) financing activities		527,655	406,455
Net increase in cash and cash equivalents		192,667	(24,657)
Effects of foreign exchange-rate changes on cash and cash equivalents		(26,048)	721
Cash and cash equivalents at beginning of the year	5	193,640	217,576
Cash and cash equivalents at end of the year	5	360,259	193,640

The accompanying notes set out on pages 47 to 97 form an integral part of these consolidated financial statements.

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

NOTE 1 - GENERAL INFORMATION

Alternatifbank A.Ş. (a Turkish joint stock company - "the Bank") was incorporated in Istanbul on 6 November 1991 and started operations in February 1992, The Bank was acquired by Anadolu Group in 1996, Certain shares of the Bank, representing 4.16% of the total, are listed on the Istanbul Stock Exchange ("ISE").

The registered office address of the Bank is at Cumhuriyet Caddesi No: 46 Elmadağ / Istanbul.

The consolidated financial statements of the Bank were authorized for issue by the management on 22 March, 2011. The ultimate parents of the Bank are Yazıcılar Holding A.Ş., Özilhan Sınai Yatırım A.Ş. and Anadolu Endüstri Holding A.Ş. The Bank is a member of Anadolu Group.

For the purposes of the consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as "the Group".

The operations of the Group consist of banking, brokerage and portfolio management in capital markets conducted mainly with local customers.

The Bank provides banking services through 63 (2010: 53) branches in Turkey.

The subsidiaries and the Bank's shareholding included in consolidation and their shareholding percentages at 31 December 2011 and 2010 are as follows:

	Place of Incorporation	Effective shareholding % 2011	Effective shareholding % 2010
Alternatif Yatırım A.Ş.(1)	İstanbul/Turkey	99.99	99.99
Alternatif Yatırım Ortaklığı A.Ş.(2)	Istanbul/Turkey	52.60	52.60

The principal activities of the consolidated subsidiaries are as follows:

(1) Alternatif Yatırım A.Ş. renders brokerage and investment banking services to customers in line with the rules of the Capital Market Board of Turkey.

(2) Alternatif Yatırım Ortaklığı A.Ş. is a closed ended mutual fund managing portfolios which are made up of the capital market instruments according to the rules of the related regulation and the Capital Market Law. Alternatif Yatırım Ortaklığı A.Ş. is a subsidiary since the Bank has the power to govern the financial and operating policies of such subsidiary under a statute, to appoint or remove the majority of the members of the board of directors and to cast the majority of votes at the meetings of board of directors. The Bank holds also a golden share which leads to full control. The Bank applied entity concept method for the changes in ownership interests in this subsidiary. Therefore; where there is a subsequent increase in the ownership interest in this subsidiary, the carrying amount of the non-controlling interest is adjusted to reflect the change in its interest in the subsidiary's net assets. The difference between the amount by which the non-controlling interest is so adjusted and the consideration paid, if any, is recognized directly in equity and attributed to equity holders of the Bank. No goodwill is recognized on a such transaction.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Presentation of Financial Statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale securities, financial assets at fair value through profit and loss and derivative financial instruments that have been measured at fair value.

The Bank and its subsidiaries are incorporated in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations on accounting and tax legislation in Turkey. The accompanying financial statements differ from the financial statements prepared for statutory purposes in that they reflect certain adjustments, appropriate to present the financial position, results of operations and cash flows in accordance with IFRS, which are not recorded in the accounting books of Group's entities.

In the accompanying financial statements, certain reclassifications are made to prior year financial statements for comparative purposes.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and all its subsidiaries, drawn up to 31 December 2011.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to benefit from its activities. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The Bank also consolidates a subsidiary in which it has less than 50% shareholding since it has power to govern the financial and operating policies of such subsidiary under a statute, to appoint or remove the majority of the members of the board of directors and to cast the majority of votes at the meetings of board of directors.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Bank, using consistent accounting policies.

The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and income statement, respectively.

All intra-group balances, transactions and unrealized gains on intra-group transactions are eliminated including inter-company profits and unrealized profits and losses. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

2.3 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in related accounting policies.

2.4 Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in TL, which is the Company's functional and the Group's presentation currency.

2.5 Foreign Currency Transactions and Translation

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

2.6 Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	50 years
Furniture and fixtures and motor vehicles	5 years
Office equipment	5 years
Leasehold improvements	5 years, or over the period of the lease if less than 5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset's fair value less costs to sell and value in use. Impairment losses are recognized in the income statement. There is no impairment recorded related to premises and equipment.

An item of premises and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

2.7 Intangible Assets

Intangible assets acquired separately from a business are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. There is no impairment recorded related to intangible assets. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Patents and licenses mainly relate to software and were amortized over their useful economic lives of 5 years. Development costs for software were amortized over their useful economic useful lives of 5 years. There are no intangible assets with indefinite useful lives.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

2.8 Intangible Assets

Investment properties are stated at cost less accumulated depreciation and any impairment in value. Investment properties are depreciated on a straight-line basis over the estimated useful live which is 50 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sale.

2.9 Investments and Other Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value. The Group determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Group. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost; change in value is not recognized.

Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in this category. Trading securities are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exist. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on investments held-for-trading are recognized in income.

Held- to- maturity securities

Non-derivative financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgments. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances - for example selling an insignificant amount close to maturity - it will be required to classify the entire class as available- for- sale. The investments would therefore be measured at fair value; not amortized cost.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process. Interest earned with holding held to maturity securities is reported as interest income.

Available- for- sale securities

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses on re-measurement to fair value are recognized as a separate component of equity until the investment is derecognized, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. However, interest calculated on available-for-sale financial assets using effective interest method is reported as interest income.

Interest earned on available-for-sale investments is reported as interest income. Dividends received are included in dividend income, if any.

For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned on such loans and receivables is reported as interest income.

Repurchase and Resale Transactions

The Group enters into sales of securities under agreements to repurchase such securities at a fixed price at a fixed future date. Such securities, which have been sold subject to a repurchase agreement ('repos'), are recognized in the balance sheet and are measured in accordance with the accounting policy of the security portfolio which they are part of. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreement using the effective interest method. Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as loaned securities when the transferee has the right by contract or custom to sell or re-pledge the collateral. The counterparty liability for amounts received under these agreements is included in other money market deposits.

Securities purchased with a corresponding commitment to resell at a fixed price at a specified future date ('reverse repos') are not recognized in the balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using the effective interest method.

Netting off Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when the rights to receive cash flows from the asset have expired; or while retaining the right to receive cash flows from the asset the Group has also assumed an obligation to pay them in full without material delay to a third party; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.10 Impairment of Financial Assets

Assets carried at amortized cost

In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from a portfolio of loans and individual loans and held to maturity investments. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

a) Significant financial difficulty of the issuer or obliger;
b) A breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
c) The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
d) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
e) The disappearance of an active market for that financial asset because of financial difficulties; or
f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
   i) Adverse changes in the payment status of borrowers; or
   ii) National or local economic conditions that correlate with defaults on the assets in the group of financial assets.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured based on the difference between the asset's carrying amount and the estimated recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in the income statement. The estimated recoverable amount of a collateralized financial asset is measured based on the amount that is expected to be realized from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Loans with principal and/or interest overdue for more than 90 days are considered as non-performing and are assessed for impairment.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts previously written off are included in income.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its recoverable amount. There is no impairment recorded related to assets carried at cost.

Available-for-sale financial assets

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

2.11 Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and balances with the Central Bank of Turkey, deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

2.12 Interest - bearing Deposits and Borrowings

All deposits and borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs. After initial recognition interest-bearing deposits and borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

2.13 Employee Benefits

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Group is required to pay lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such defined benefit plan is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

Defined Contribution Plans

For defined contribution plans the Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

2.15 Share Capital

Share capital is recognized at the nominal amount and amounts received in excess of the par value are recognized in share premium account. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction.

2.16 Leases

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lesser by way of penalty is recognized as an expense in the period in which the termination takes place.

2.17 Income and Expense Recognition

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate of the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. Asset management fees and custody service fees that are continuously provided over an extended period of time are recognized ratably over the period service is provided. Fee for bank transfers and other banking transaction services are recorded as income when collected.

Loans with principal and/or interest overdue for more than 90 days are considered as non-performing and interest thereon is not recognized until collection.

2.18 Income Tax

Tax expense / (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except for the taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes related to the same taxable entity and the same taxation authority.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

2.19 Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held-for-trading. Derivative financial instruments are initially recognized at fair value on the date which a derivative contract is entered into and subsequently re-measured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in the income statement.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and the fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

In the absence of forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency forward and swap transactions are determined by comparing the period end foreign exchange rates with the forward rates discounted to the balance sheet date. The resulting gain or loss is reflected to the income statement. In determination of the fair values of interest rate swaps, discounted values calculated using the fixed and floating interest rates between the transaction date and re-pricing date are used. Fair value of option transactions are determined by comparing the option rates discounted to balance sheet date with the period end foreign exchange rates and the resulting gain or loss is reflected to the income statement taking into account exercisability of the option. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

2.20 Fiduciary Assets

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the balance sheet, since such items are not treated as assets of the Group.

2.21 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

2.22 Adoption of New and Revised Standards

(a) New standards and amendments

- IAS 32 (amendment), "Financial instruments: Presentation", is effective for annual periods beginning on or after 1 February 2010. The amendment recognizes that the previous requirement to classify foreign-currency-denominated rights issued to all existing shareholders on a pro rata basis as derivative liabilities is not consistent with the substance of the transaction, which represents a transaction with owners acting in their capacity as such. The amendment therefore creates an exception to the 'fixed for fixed' rule in IAS 32 and requires rights issues within the scope of the amendment to be classified as equity. The amendment should be applied retrospectively. Early adoption is permitted.

- 19, "Extinguishing financial liabilities with equity instruments", is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a 'debt for equity swap'). Early adoption is permitted. The interpretation should be applied retrospectively from the beginning of the earliest comparative period presented, as adoption in earlier periods would result only in a reclassification of amounts within equity.

- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2010. The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. Also clarifies the transition provisions of the amendments to IFRS 7. Earlier adoption is permitted. Early adoption is required for a first-time adopter that has a first reporting period that begins earlier than 1 July 2010 in order to benefit from the disclosure relief.

- IAS 24 (revised), "Related party disclosures", is effective for annual periods beginning on or after 1 January 2011. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. Earlier adoption is permitted either for the entire standard or for the reduced disclosures for government-related entities.

- IFRIC 14 (amendment), "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction", is effective for annual periods beginning on or after 1 January 2011. The amendment removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. The amendment also results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense. It will apply from the beginning of the earliest comparative period presented. Earlier adoption is permitted.

- Annual Improvements to IFRSs 2010. Amendments effect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 27, IAS 34 and IFRIC 13.

(b) Forthcoming requirements

- IFRS 7 (amendment), "Financial instruments: Disclosures", is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Comparative information is not needed in the first year of adoption. Earlier adoption is permitted.

- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. Earlier adoption is permitted.

- IAS 12 (amendment), "Income taxes", is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes - recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Early adoption is permitted.

- IAS 1 (amendment), "Presentation of financial statements", is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Early adoption is permitted.

- IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Early adoption is permitted.

- IFRS 9, "Financial instruments", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

- IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

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

- IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRIC 20, Stripping costs in the production phase of a surface mine.

2.23 Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income by the weighted average number of shares outstanding during the year concerned.

	2011	2010
Profit attributable to equity holders of the Bank	20,782	28,726
Weighted average number of ordinary shares in issue (thousand)	300,000	300,000
Basic earnings per share (expressed in TL per 1,000 share)	0.06927	0.09575

2.24 Comparatives

Comparative figures are reclassified, where necessary, to conform to changes in presentation of the 31 December 2010 consolidated financial statements. In order to be consistent with the presentation of financial statements dated 31 December 2011, there are certain reclassifications made on consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statements of changes in equity, consolidated income and expenses accounted under shareholders' equity and consolidated cash flow statements at 31 December 2010.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies (Note 2) and financial risk management (Note 4). Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group fails to keep these investments to maturity other than for certain specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost.

Impairment losses on loans and advances. The methodology and assumptions used for estimating both the amount and timing of future cash flows from a portfolio of loans are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair value of derivatives. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

Tax legislation. Turkish tax, currency and customs legislation is subject to varying interpretations as disclosed in Note 18.

Deferred income tax asset recognition. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by Management and extrapolated results thereafter. The business plan is based on Management expectations that are believed to be reasonable under the circumstances.

NOTE 4 - FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

To maintain and improve the soundness of its operations, the Bank accords top management priority to upgrading its risk management systems and capabilities. According to the Bank's "Risk Management Policy", Financial Risks are composed of Market, Credit and Liquidity risks. These risks are supervised by the "Bank Risk Committee" while the various Risk Committees and Risk Control Unit carry out the risk management related tasks. Risk Management Policy includes details about the framework for defining, measuring, monitoring and managing the risks taken by the business units across the bank. Risk Management Policy covers sound and optimum capital allocation quantification of the actual risks establishment of dynamic risk limit.

The Bank determines risk-based limits, with respect to available economic capital and monitors actual risks against these limits.

All risks (market, credit or liquidity), arising from any type financial instrument are subject to aforementioned risk based limits.

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

A. Credit risk

Seeking to maintain a sound asset portfolio and prevent non-performing loans, the Bank has clearly separated its sales-related departments and credit management department. Credit Officers at the Bank work under a strict and centralized credit approval process, comprise well defined operating and lending policies, reflecting the Bank's commitment to a strong credit culture. The Bank has its own score-sheet and rating scale and uses the output of this internal rating tool in managing the credit portfolio, setting limits, and policies of pricing and collateralization. This tool uses a two-tier rating system; first an obligor rating mapped to a default probability bucket. Second, a facility rating that determines the severity in case of default, such as the quality of the collateral and guarantees and the seniority of the facility. Obligor rating process is mainly built upon the score-sheet, which takes both financial and qualitative data as input, yet it allows professional judgment to significantly influence a rating where this is appropriate. The risk rating system generates the key data for calculating credit risk provisions (expected loss), and the required economic capital (unexpected loss). The Bank sees the expected loss as a predictable cost of doing business and pass on this cost to the borrowers. Unexpected loss, however, is defined as the volatility of the average loss rate and covered with a balance sheet cushion of economic capital. The final step is the optimum allocation of the capital across the profit centers and eventually the evaluation of the risk-adjusted performance of each.

Credit quality per class of financial assets is as follows;

a. Information on types of loans and specific provisions:

2011	Corporate	SME	Consumer	Total
Standard Loans	1,697,991	2,284,557	100,098	4,082,646
Loans under close monitoring	67,969	78,205	1,985	148,159
Non-performing loans	77,829	134,764	1,718	214,311
Specific and generic provision (-)	68,028	91,009	5,234	164,271
Total	1,775,761	2,406,517	98,567	4,280,845

2010	Corporate	SME	Consumer	Total
Standard Loans	1,639,402	1,471,806	41,108	3,152,316
Loans under close monitoring	806	9,962	124	10,892
Non-performing loans	59,223	90,738	88	150,049
Specific and generic provision (-)	36,787	45,058	391	82,236
Total	1,662,644	1,527,448	40,929	3,231,021

b. Information on loans and receivables past due but not impaired:

2011	Corporate	SME	Consumer	Total
Past due up to 30 days	44,882	66,629	6,173	117,684
Past due 30-60 days	67,969	75,464	833	144,266
Past due 60-90 days	-	2,741	1,152	3,893
Total	112,851	144,834	8,158	265,843

2010	Corporate	SME	Consumer	Total
Past due up to 30 days	69,582	89,469	574	159,625
Past due 30-60 days	358	6,984	124	7,466
Past due 60-90 days	448	2,978	-	3,426
Total	70,388	99,431	698	170,517

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

c. Information on debt securities, treasury bills and other bills:

2011

Fitch's Rating	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)(**)	Total
AAA(*)	161,601	290,592	828,300	1,280,493
Unrated	13,291	-	-	13,291
Total	174,892	290,592	828,300	1,293,784

(*) Consists of Turkish Republic government bonds and treasury bills.
(**) Held-to-maturity investments consist of Yapı ve Kredi Bankası A.Ş. bonds amounted to TL 42,020.

2010

Fitch's Rating	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
BB+(*)	186,428	12	391,159	577,599
Unrated	202	-	-	202
Total	186,630	12	391,159	577,801

(*) Consists of Turkish Republic government bonds and treasury bills.

d. Information on rating concentration:

Credit risk of the Bank is evaluated via internal assessment system. Loans are graded on the basis of their probability of default, are aligned from highest (the best) ratings to lowest (sub-standard) ratings as below and non-performing loans (impaired ones) are shown at the bottom of the table.

The rating category named as ''high" indicates that debtor has a sound financial structure, the category ''standard" displays that debtor has a good and satisfactory financial structure, while the category named as ''sub-standard" indicates that debtor's financial position is not sound.

	2011	2010
High Grade (A,B)	49.32%	54.61%
Standard Grade (C)	46.26%	37.58%
Sub Standard Grade (D)	3.59%	4.55%
Impaired (E)	0.65%	1.17%
Not rated	0.17%	2.09%

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

e. Information on the amount subject to credit risk:

	2011	2010
Balance sheet items subject to credit risk:	5,757,572	3,947,137
Loans and advances to banks and financial institutions	111,650	70,603
Loans and advances to customers	4,280,845	3,231,021
- Corporate	1,775,761	1,662,644
- SME	2,406,517	1,527,448
- Consumer	98,567	40,929
Trading financial assets	199,321	207,632
- Government bonds	161,601	186,428
- Other securities	37,720	21,204
Investment securities	1,118,892	391,341
- Government bonds	1,118,892	391,171
- Share certificates	-	170
Other assets	46,864	46,540
Off- balance sheet items subject to credit risk:	4,571,103	3,463,639
Financial guarantees	2,164,639	1,922,881
Credit commitments and other liabilities	2,406,464	1,540,758
Total	10,328,675	7,410,776

f. Fair value of collaterals (loans and advances to customers):

Collateral mainly comprises the following: cash funds, deposits, mortgages of real estate at the land registry and mortgages of real estate built on allocated land, export documents, guarantees, and acceptances and pledge on vehicles.

2011	Corporate	SME	Consumer	Total
Watch listed loans	181,779	191,549	8,604	381,932
Loans under legal follow - up	388,729	273,301	1,117	663,147
Total	570,508	464,850	9,721	1,045,079

2010	Corporate	SME	Consumer	Total
Watch listed loans	23	29,573	1,730	31,326
Loans under legal follow - up	114,798	196,302	13	311,113
Total	114,821	225,875	1,743	342,439

Type of Collaterals	2011	2010
Real-estate mortgage	976,477	319,679
Car pledge	851	-
Cash and cash equivalents	1,105	824
Other	66,646	21,936
Total	1,045,079	342,439

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

g. Concentration of credit risk based on geographical regions:

	Turkey	EU	Other	Total
Cash and balances with the Central Bank of Turkey	503,029	-	-	503,029
Loans and advances to banks	56,781	45,944	8,925	111,650
Financial assets held for trading				
-Trading securities	199,321	-	-	199,321
-Trading derivatives	23,767	21,879	87	45,733
Loans and advances to customers, net				
- Corporate	1,756,905	-	18,856	1,775,761
- SME	2,406,517	-	-	2,406,517
- Consumer	98,567	-	-	98,567
Investment securities				
- Available-for-sale	290,592	-	-	290,592
- Held-to-maturity	828,300	-	-	828,300
Other intangible assets	3,442	-	-	3,442
Property and equipment	24,237	-	-	24,237
Deferred income tax assets	8,248	-	-	8,248
Other assets	131,250	10,486	983	142,719
As of 31 December 2011	6,330,956	78,309	28,851	6,438,116
As of 31 December 2010	4,232,809	22,796	31,534	4,287,139
Letter of guarantees	1,533,919	-	-	1,533,919
Letter of credits	373,495	-	-	373,495
Acceptance credits	216,104	-	-	216,104
Other commitments and contingencies	41,121	-	-	41,121
As of 31 December 2011	2,164,639	-	-	2,164,639
As of 31 December 2010	1,922,881	-	-	1,922,881

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

h. Sectoral concentration:

	2011		2010	
	Cash	Non-cash	Cash	Non-cash
Trade	1,168,142	511,702	664,561	376,888
Finance	106,159	64,575	384,421	108,190
Construction	451,216	443,428	317,362	391,735
Textile	305,461	124,282	210,265	114,131
Production	327,541	168,646	190,959	124,790
Iron and Steel	179,285	189,938	176,155	163,223
Transportation	215,119	88,163	141,658	89,216
Mining	111,089	25,454	127,911	33,628
Food and Beverage	191,108	102,739	114,080	93,125
Automotive	120,046	41,328	96,701	39,578
Tourism	126,760	4,803	74,674	5,614
Forest Product and Agriculture	131,697	48,477	72,812	63,236
Machinery	88,233	61,239	55,173	48,314
Chemical	91,734	35,579	51,389	33,344
Paper	33,154	16,867	24,939	11,570
Petroleum	51,858	51,880	23,645	60,979
Electrics and Electronics	30,390	6,890	20,460	6,882
Others	501,813	178,649	416,043	158,438
Total	4,230,805	2,164,639	3,163,208	1,922,881
Loans in arrears	214,311	-	150,049	-
Allowance for individually impaired loans	(108,130)	-	(52,967)	-
Allowance for collectively impaired loans	(56,141)	-	(29,269)	-
Total	4,280,845	2,164,639	3,231,021	1,922,881

i. Carrying amounts per class of financial assets whose terms have been renegotiated:

	2011	2010
Loans and advances to customers		
- Corporate lending	6,707	19,646
- Small business lending	16	3,578
- Consumer lending	-	-
Total	6,723	23,224

B. Market Risk

The Group takes an exposure to market risks which arise from open positions in interest rate, currency and equity products all of which are exposed to general and specific market movements, This risk group is handled in two broad categories, Trading and Structural Interest Rate Risk, which requires different models and assumptions, Trading Risk refers to the daily volatility of values of tradable assets, such as Foreign Exchange, Fixed Income Securities, Stocks, and related derivative instruments, Value-at-Risk (VaR) is the primary tool for day-to-day monitoring of trading-related market risk, VaR is a statistical measure of the potential losses that could occur due to movements in market rates and prices under normal market circumstances, Trading limit violations are reported through all levels of risk management including the related member of the Board and senior management on a daily basis, Unless otherwise told by the member of the Board, Treasury Department is obliged to unwind its excess positions the following day,

Secondly, Structural Interest Rate, addresses the risk which stems from sensitivity of the relatively illiquid items of the balance sheet to the shifts of the yield curve, Market risk exposure of the Group as a whole is bound by the economic capital allocated by the Board.

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

C. Currency Risk

The Group centralized its currency risk and assigned Treasury Department to manage this risk. In principle, the balance sheet is assumed to be currency risk free. Any residual currency risk is treated as trading risk and it is subject to Value-at-Risk limits and nominal limits set by the Board.

2011	Foreign currency					
	US$	EUR	Other	Total	TL	Total
Assets						
Cash and balances with the Central Bank of Turkey	116,766	222,645	630	340,041	162,988	503,029
Loans and advances to banks	11,016	63,859	1,553	76,428	35,222	111,650
Financial assets held for trading						
- Trading securities	496	5	-	501	198,820	199,321
- Trading derivatives	20,610	-	-	20,610	25,123	45,733
Loans and advances to customers(1)	1,185,157	532,156	-	1,717,313	2,563,532	4,280,845
Investment securities						
- Available-for-sale	-	-	-	-	290,592	290,592
- Held-to-maturity	42,021	-	-	42,021	786,279	828,300
Other intangible assets	-	-	-	-	3,442	3,442
Property and equipment	-	-	-	-	24,237	24,237
Deferred income tax assets	-	-	-	-	8,248	8,248
Other assets	10,685	794	-	11,479	131,240	142,719
Total assets	1,386,751	819,459	2,183	2,208,393	4,229,723	6,438,116
Liabilities						
Deposits from banks	6,048	-	-	6,048	654,507	660,555
Due to customers	863,851	345,464	12,675	1,221,990	2,425,565	3,647,555
Other borrowed funds and subordinated debt	747,154	542,914	-	1,290,068	48,939	1,339,007
Obligations under finance leases	-	356	-	356	-	356
Derivative financial instruments	-	-	-	-	23,841	23,841
Current income taxes payable	-	-	-	-	3,915	3,915
Other provisions	-	-	-	-	15,654	15,654
Retirement benefit obligations	-	-	-	-	4,081	4,081
Other liabilities	32,747	40,393	866	74,006	161,920	235,926
Total liabilities	1,649,800	929,127	13,541	2,592,468	3,338,422	5,930,890
Net balance sheet position	(263,049)	(109,668)	(11,358)	(384,075)	891,301	507,226
Off-balance sheet derivative instruments net notional position	286,332	115,726	12,185	414,243	(386,674)	27,569
Net foreign currency position	23,283	6,058	827	30,168	504,627	534,795
31 December 2010						
Total assets	964,596	453,938	1,132	1,419,666	2,867,473	4,287,139
Total liabilities	1,052,718	678,594	3,012	1,734,324	2,552,815	4,287,139
Net balance sheet position	(88,122)	(224,656)	(1,880)	(314,658)	314,658	-
Off-balance sheet derivative instruments net notional position	70,670	219,391	2,044	292,105	(287,113)	4,992
Net foreign currency position	(17,452)	(5,265)	164	(22,553)	27,545	4,992

(1) Collective impairment allowance of TL 56,141 is presented as TL balance in the above currency position table.

At 31 December 2011, assets and liabilities denominated in foreign currency were translated into TL using a foreign exchange rate of TL1.9065=US$1, and TL2.4592=EUR1 (2010: TL 1,5460 = US$1, and TL 2,0491 = EUR1).

For the purpose of calculating currency risks, foreign currency indexed loans and securities have been reported in table above in the relevant currency of indexation.

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

Foreign currency sensitivity

The Group is mainly exposed to EUR and USD currencies.

The following table details the Group's sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies. A positive number indicates an increase in profit or loss and other equity where the TL strengthens against the relevant currency.

2011	Change in foreign currency	Effect of profit / loss	Effect of equity
USD	(+/-)10%	+/- 2,328	+/- 2,328
EUR	(+/-)10%	+/- 606	+/- 606

2010	Change in foreign currency	Effect of profit / loss	Effect of equity
USD	(+/-)10%	+/- 1,745	+/- 1,745
EUR	(+/-)10%	+/- 527	+/- 527

D. Interest Rate Risk

The net present value of the Banking Book are driven by interest rate differentials in terms of maturity and market characteristics. Trading securities are sensitive to treasury bill rates, therefore they are treated in the trading book and subject to Value-at-Risk limits. Items such as loans, deposits and other interest rate sensitive assets and liabilities are assumed to be sensitive to the structural changes in the interest rates and thus classified in the banking book. The relevant risk is measured with simulation based interest rate models. Applied limits on the risks posed by the asset-liability mismatches are derived from the capital set aside by the Board for Asset-Liability Management purposes.

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the re-pricing date.

Interest rate sensitivity:

If interest rates had been increased / decreased by 1% in TL and FC and all other variables were held constant, the Group's:

Change in interest rate 31 December 2011	Effect of profit / loss	Effect of equity
(+) 1%	(18,566)	(18,566)
(-) 1%	16,350	16,350

Change in interest rate 31 December 2010	Effect of profit / loss	Effect of equity
(+) 1%	(3,572)	(3,572)
(-) 1%	4,313	4,313

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

The table below summarises the Group's exposure to interest rate risk at 31 December 2011 and 2010. Included in the table are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

2011	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with the Central Bank of Turkey	-	-	-	-	503,029	503,029
Loans and advances to banks	88,290	-	-	-	23,360	111,650
Financial assets held for trading						
- Trading securities	11,334	112,520	4,028	46,911	24,528	199,321
- Trading derivatives	31,549	14,184	-	-	-	45,733
Loans and advances to customers	2,992,698	542,813	525,004	160,072	60,258	4,280,845
Investment securities						
- Available-for-sale	61,339	55,814	43,265	130,174	-	290,592
- Held-to-maturity	535,887	292,413	-	-	-	828,300
Other intangible assets	-	-	-	-	3,442	3,442
Property and equipment	-	-	-	-	24,237	24,237
Deferred income tax assets	-	-	-	-	8,248	8,248
Other assets	204	10	-	-	142,505	142,719
Total assets	3,721,301	1,017,754	572,297	337,157	789,607	6,438,116
Liabilities						
Deposits from banks	654,490	5,719	-	-	346	660,555
Due to customers	3,179,053	133,532	84	-	334,886	3,647,555
Other borrowed funds and subordinated debt	658,629	680,378	-	-	-	1,339,007
Obligations under finance leases	140	216	-	-	-	356
Derivative financial instruments	8,267	15,574	-	-	-	23,841
Current income taxes payable	-	-	-	-	3,915	3,915
Other provisions	-	-	-	-	15,654	15,654
Retirement benefit obligations	-	-	-	-	4,081	4,081
Other liabilities	4,477	5,116	15,801	-	717,758	743,152
Total liabilities	4,505,056	840,535	15,885	-	1,076,640	6,438,116
Net interest repricing gap	(783,755)	177,219	556,412	337,157	(287,033)	-

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

2010	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with the Central Bank of Turkey	-	-	-	-	230,359	230,359
Loans and advances to banks	60,320	-	-	-	10,283	70,603
Financial assets held for trading						
- Trading securities	10,876	270	160,991	14,493	21,002	207,632
- Trading derivatives	2,516	1,968	405	-	-	4,889
Loans and advances to customers	2,551,689	198,487	363,374	49,658	67,813	3,231,021
Investment securities						
- Available-for-sale	12	-	-	-	170	182
- Held-to-maturity	294,167	23,630	73,362	-	-	391,159
Other intangible assets	-	-	-	-	2,526	2,526
Property and equipment	-	-	-	-	19,295	19,295
Deferred income tax assets	-	-	-	-	9,443	9,443
Other assets	144	9	-	-	119,877	120,030
Total assets	2,919,724	224,364	598,132	64,151	480,768	4,287,139
Liabilities						
Deposits from banks	302,389	-	-	-	6,673	309,062
Due to customers	2,175,406	23,332	6,788	-	242,846	2,448,372
Other borrowed funds and subordinated debt	524,284	280,684	-	-	-	804,968
Obligations under finance leases	172	514	305	-	-	991
Derivative financial instruments	5,499	6,414	3,255	-	-	15,168
Current income taxes payable	-	-	-	-	9	9
Other provisions	-	-	-	-	10,871	10,871
Retirement benefit obligations	-	-	-	-	3,908	3,908
Other liabilities	343	-	-	-	693,447	693,790
Total liabilities	3,008,093	310,944	10,348	-	957,754	4,287,139
Net interest repricing gap	(88,369)	(86,580)	587,784	64,151	(476,986)	-

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

The table below summarises weighted average interest rates for financial instruments by major currencies outstanding at 31 December 2011 and 2010 based on yearly contractual rates.

	2011			2010		
	US$ (%)	EUR (%)	TL (%)	US$ (%)	EUR (%)	TL (%)
Assets						
Cash and balances with the Central bank of Turkey	-	-	-	-	-	-
Loans and advances to banks	2.94	0.30	0.83	0.50	0,53	7.13
Financial assets held for trading	10.47	5.50	10.79	8.84	-	7.17
Investment securities						
- Available-for-sale	-	-	9.54	-	-	6.60
- Held-to-maturity	6.00	-	8.95	-	-	7.42
Loans and advances to customers	7.72	7.91	17.83	6.04	6.58	11.71
Liabilities						
Deposits from banks	3.90	-	-	-	-	7.92
Due to customers	5.27	4.94	11.54	3.15	3.07	8.71
Other borrowed funds and subordinated debt	2.71	3.44	7.34	3.24	3.98	8.12

E. Liquidity Risk

Liquidity risk refers to the possibility of an institution being unable to access necessary funds due to declining fund-raising capacity, The Group closely monitors its overall liquidity level and operates under strict limits based on stress conditions. To address liquidity risk, the Group has adopted a unified approach to TL and foreign currency fund-raising opportunities. The key limit puts a ceiling on the share of overnight borrowing in the current funding pool and acts as a warning signal for the senior management to adjust the composition and/or the pricing of the borrowing instruments.

The Group uses domestic and foreign markets for its liquidity needs, Low level of liquidity needs enables an easy way of loan borrowing from the corresponding markets (Central Bank of the Republic of Turkey ("CBRT"), ISE, Interbank money market, ISE Settlement and Custody Bank and other markets). The Group has a lower ratio of the deposits compared to other banks with similar-sized balance sheets; this indicates that larger loans can be obtained from the markets when needed. The potential cash resources are: money market debts which can be obtained from the domestic banks and repurchase transactions in foreign markets with Eurobonds in the portfolio.

The Group's fund resources consist mainly of deposits. The investments portfolio consists mainly of the held to maturity investments.

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

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. According to BRSA regulations the liquidity ratios during the year was as follows:

2011	Primary Maturity Segment		Secondary Maturity Segment		Stock Values
	FX	FX + TL	FX	FX + TL	FX + LT
Average (%)	222.11	196.05	146.59	135.96	11.86
Highest (%)	415.32	255.04	232.20	155.77	13.81
Lowest (%)	146.63	149.26	105.15	110.34	8.82

2010	Primary Maturity Segment		Secondary Maturity Segment		Stock Values
	FX	FX + TL	FX	FX + TL	FX + LT
Average (%)	152.74	198.28	111.27	137.66	8.08
Highest (%)	335.51	312.47	142.58	162.45	9.72
Lowest (%)	104.83	140.54	94.79	119.80	7.13

The following table presents the cash flows payable by the Group under non-derivative financial liabilities remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

2011	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Liabilities					
Deposits from banks	654,913	5,719	-	-	660,632
Due to customers	3,522,277	141,567	94	-	3,663,938
Other borrowed funds	141,427	661,374	226,632	502,275	1,531,708
Total liabilities	4,318,617	808,660	226,726	502,275	5,856,278

2010	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Liabilities					
Deposits from banks	309,164	-	-	-	309,164
Due to customers	2,429,119	23,817	7,168	-	2,460,104
Other borrowed funds	228,203	426,274	28,192	206,669	889,338
Total liabilities	2,966,486	450,091	35,360	206,669	3,658,606

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

The following table represents the outstanding derivative cash flows of the Group on undiscounted contractual maturity basis:

Derivatives settled on a gross basis

2011	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives held for trading:						
Foreign exchange derivatives:						
- Outflow	670,706	358,437	565,837	111,700	-	1,706,680
- Inflow	665,501	362,816	580,296	119,065	-	1,727,678
Total outflow	670,706	358,437	565,837	111,700	-	1,706,680
Total inflow	665,501	362,816	580,296	119,065	-	1,727,678

2010	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives held for trading:						
Foreign exchange derivatives:						
- Outflow	401,928	93,830	281,718	77,045	-	854,521
- Inflow	405,145	93,761	279,926	70,660	-	849,492
Total outflow	401,928	93,830	281,718	77,045	-	854,521
Total inflow	405,145	93,761	279,926	70,660	-	849,492

F. Operational risk

Operational risk is defined as the risk of losses due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. Legal and compliance risk is a sub-category of operational risk: it is the risk to earnings from violations or non compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards, The Group has Risk Management and Internal Control practices to keep operational risks under control and minimize it by operating under detailed written procedures. All documents, including Risk Management policies and contingency procedures, are kept up-to-date and accessible to all staff in electronic media.

For the regulatory purposes and consideration in statutory capital adequacy ratio, on a consolidated base the Group calculates the amount subject to operational risk with the basic indicator method in accordance with the Section 4 of the " Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No, 26333 dated 1 November 2006, namely "The Calculation of the Amount Subject to Operational Risk", based on the gross income of the Group for the years ended 2010, 2009 and 2008, As of 31 December 2011, the total amount subject to operational risk is calculated as TL 445,848 (2010: TL 439,573) and the amount of the related capital requirement is TL35,668 (2010: TL 35,166).

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

G. Capital management

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("BIS"), These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)) its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which comprises participations to financial institutions, special and preliminary and pre-paid expenses, negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk and market risk, In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

The Group's regulatory capital position on a consolidated basis is as follows:

	2011	2010
Tier I capital	495,020	460,697
Tier II capital	281,107	189,111
Deductions	518	-
Total regulatory capital	775,609	649,808
Amount subject to credit risk	5,072,733	3,762,371
Amount subject to market risk	150,013	70,225
Amount subject to operational risk	445,848	439,573
Capital adequacy ratio (%)	13.68	15.21

H. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

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

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value.

	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Loans and advances to banks	111,650	111,650	70,603	70,603
Investment securities (held-to-maturity)	828,300	823,689	391,159	397,913
Loans and advances to customers	4,280,845	4,630,672	3,231,021	3,396,489
Financial liabilities:				
Deposits from banks	660,555	660,666	309,062	309,062
Due to customers	3,647,555	3,662,749	2,448,372	2,453,705
Other borrowed funds and subordinated debt	1,339,007	1,481,984	804,968	810,232

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

Loans and advances to banks

The fair value of overnight deposits is considered to approximate its carrying amounts. The estimated fair value of long term interest bearing placements is based on discounted cash flows using prevailing money market interest rates at the balance sheet date with similar credit risk and remaining maturity.

Loans and advances to customers

Loans and advances to customers are net of allowances for impairment. The estimated fair value of loans and advances to customers represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates with similar credit risk, currency and remaining maturity to determine their fair value.

Investment securities

Fair value for held-to-maturity securities is based on market prices or prices prevailing at the balance sheet date announced by the ISE.

Due to customers, deposits from banks, other borrowed funds

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of other borrowings without quoted market price is of estimated future cash flows expected to be paid using money market interest rates prevailing at the balance sheet date with similar credit risk, currency and remaining maturity.

The estimated fair value of interest bearing liabilities due to customers is based on discounted cash flows of estimated future cash flows expected to be paid.

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

Fair value hierarchy

IFRS 7 requires classification of line items at fair value presented at financial statements according to the defined levels. These levels depend on the observability of data used during fair value calculations, Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

There are not any significant transfers between Level 1 and Level 2 of the fair value hierarchy.

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

Assets and liabilities measured at fair value

2011	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
- Debt securities	161,601	13,281	-	174,892
- Derivatives	-	45,733	-	45,733
- Equity securities	24,439	-	-	24,429
Available-for-sale financial assets				
- Investments securities - debt	290,592	-	-	290,592
Total assets	476,632	59,014	-	535,646
Financial liabilities at fair value through profit and loss				
- Derivatives	-	23,841	-	23,841
Total liabilities	-	23,841	-	23,841

Share certificates that are not quoted in the exchange are recognized at cost and are not included in the table above.

F. Fiduciary activities

The Group provides custody services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. Fiduciary capacity of the Group is as follows:

	2011	2010
Investment securities held in custody	860,824	859,415
Cheques received for collection	280,203	116,385
Commercial notes received for collection	31,844	30,100
	1,172,871	1,005,900

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

NOTE 5 - CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	2011	2010
Cash and cash equivalents	46,021	28,791
Demand deposits with the Central Bank of Turkey	202,620	94,253
Loans and advances to banks (with original maturity less than three months)	111,618	70,596
Total	360,259	193,640

NOTE 6 - CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY

	2011	2010
Cash and cash equivalents		
Cash in hand - foreign currency	25,928	18,191
Cash in hand - TL	20,093	10,600
	46,021	28,791
Demand deposits at central banks		
Foreign currency	59,725	40,281
TL	142,895	54,108
	202,620	94,389
Reserve deposits at central banks		
Foreign currency	254,388	107,179
	254,388	107,179
Total	503,029	230,359

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to the Central Bank of the Republic of Turkey's Communiqué numbered 2005/1 "Required Reserves". The Bank's total domestic liabilities excluding the items stated in the Communiqué as deductibles, the deposits accepted on behalf of foreign branches from Turkey and loans obtained by the banks but followed under foreign branches constitute the required reserves liabilities.

As of the balance sheet date, according to CBRT's Communiqué about Required Reserves No. 2005/1, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity 11%; for deposits up to 3-months maturity 11%; for deposits up to 6-months maturity 8%; for deposits up to 1-year maturity 6%; for deposits up to 1-year and longer maturity 5%; for TL liabilities other than deposits up to 1-year maturity 11%; for TL liabilities other than deposits between 1- and 3-years maturity 8%; for TL liabilities other than deposits more than 3-years maturity 5%; for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturities 11%; for FC liabilities other than deposits up to 1-year maturity 11%; for FC liabilities other than deposits up to 3-years maturity 9%; and for FC liabilities other than deposits more than 3-years maturity 6%.

No interest is charged by CBRT for Turkish Lira and foreign currency denominated reserve requirements.

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

NOTE 7 - LOANS AND ADVANCES TO BANKS

	2011			2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
TL:						
Nostro/ demand deposits	419	-	419	326	-	326
Time deposits	-	-	-	-	1,001	1,001
Interbank money market	34,801	-	34,801	21,492	-	21,492
	35,220	-	35,220	21,818	1,001	22,819
Foreign currency:						
Nostro/ demand deposits	3,118	19,824	22,942	831	9,126	9,957
Time deposits	18,444	35,044	53,488	30,041	7,786	37,827
	21,562	54,868	76,430	30,872	16,912	47,784
Total	56,782	54,868	111,650	52,690	17,913	70,603

NOTE 8 - FINANCIAL ASSETS HELD FOR TRADING

	2011	2010
Government bonds and treasury bills	136,021	21,881
Government bonds and treasury bills sold under repurchase agreements	25,580	164,547
Other debt securities	13,281	202
Total debt securities	174,882	186,630
Equity securities - listed	24,439	21,002
Total equity securities	24,439	21,002
Derivative financial instruments	45,733	4,889
Total financial assets held for trading	245,054	212,521

Government bonds and treasury bills are discount and coupon securities issued by the Government of the Republic of Turkey. Other debt securities represent corporate bonds issued by companies incorporated in Turkey.

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises the following derivative instruments:

"Currency forwards" represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions.

"Currency swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of the principal as well. The Group risks are represented by the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market. To control the level of risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

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

Options are the right to buy or sell for the buyer and are the obligations for the writer an asset at a specified price until a specified expiration date. Options are traded for clients' needs.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

2011

	Contract/ notional amount	Fair values Assets	Fair values Liabilities
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	303,817	2,728	3,488
Currency swaps	838,223	19,023	565
OTC currency options	2,092,318	19,778	19,788
Interest rate swaps	200,000	4,204	-
Total derivative assets / (liabilities) held for trading	3,434,358	45,733	23,841
Current		36,373	23,841
Non-current		9,360	-

2010

	Contract/ notional amount	Fair values Assets	Fair values Liabilities
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	183,390	1,279	462
Currency swaps	1,096,657	820	11,917
OTC currency options	423,966	2,790	2,789
Total derivative assets/ (liabilities) held for trading	1,704,013	4,889	15,168
Current		4,889	15,168
Non-current		-	-

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

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS

2011

	Corporate	SME	Consumer	Total
Performing loans	1,697,991	2,284,557	100,098	4,082,646
Loans under close monitoring	67,969	78,205	1,985	148,159
Loans under legal follow - up	77,829	134,764	1,718	214,311
Gross	1,843,789	2,497,526	103,801	4,445,116
Specific allowance for impairment	49,817	57,541	772	108,130
Collective allowance for impairment	18,211	33,468	4,462	56,141
Total allowance for impairment	68,028	91,009	5,234	164,271
Net	1,775,761	2,406,517	98,567	4,280,845
Current				3,451,544
Non-current				829,301

2010

	Corporate	SME	Consumer	Total
Performing loans	1,639,402	1,471,806	41,108	3,152,316
Loans under close monitoring	806	9,962	124	10,892
Loans under legal follow - up	59,223	90,738	88	150,049
Gross	1,699,431	1,572,506	41,320	3,313,257
Specific allowance for impairment	24,436	28,443	88	52,967
Collective allowance for impairment	12,351	16,615	303	29,269
Total allowance for impairment	36,787	45,058	391	82,236
Net	1,662,644	1,527,448	40,929	3,231,021
Current				2,728,213
Non-current				502,808

Reconciliation of allowance account for losses on loans and advances by class is as follows:

	2011				2010
	Corporate	SME	Consumer	Total	Total
At 1 January	36,787	45,058	391	82,236	131,659
Provision for loan impairment	37,112	48,362	4,846	90,320	79,359
Amounts recovered during the year	(5,871)	(2,411)	(3)	(8,285)	(128,782)
Loans written off during the year as uncollectible (-)	-	-	-	-	-
At 31 December	68,028	91,009	5,234	164,271	82,236

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

NOTE 11 - INVESTMENT SECURITIES

(i) Securities available-for-sale

	2011	2010
Debt securities - at fair value:		
Government bonds and treasury bills	290,592	12
Equity securities - at fair value		
Unlisted	-	170
Total securities available-for-sale	290,592	182
Current	8,189	-
Non-current	282,403	182

Government bonds and treasury bills are discount and coupon securities issued by the Government of the Republic of Turkey.

Net losses from changes in the fair value of available-for-sale investment securities, net of tax TL 5,752 (2010: TL 288 net losses). There is an impairment amounting to TL 2,865 recognised for available-for-sale debt securities.

The movement in available-for-sale securities at 31 December is as follows:

	2011	2010
At 1 January	182	31,775
Additions	1,039,507	-
Disposals / redemption	(749,097)	(31,593)
Changes in fair value	-	-
At 31 December	290,592	182

(ii) Securities held-to-maturity

	2011	2010
Debt securities - at amortised cost - listed:		
Government bonds and treasury bills	311,323	243,440
Corporate bonds and treasury bills	42,021	-
Government bonds and treasury bills sold under repurchase agreements	474,956	147,719
Total securities held-to-maturity	828,300	391,159
Current	335,640	81,504
Non-current	492,660	309,655
Total investment securities	828,300	391,159

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

The movement in held-to-maturity securities at 31 December is as follows:

	2011	2010
At 1 January	391,159	475,337
Additions	518,181	232,472
Disposals / redemption	(83,207)	(310,384)
Impairment losses	2,167	(6,266)
At 31 December	828,300	391,159

Government bonds and treasury bills are discount and coupon securities issued by the Government of the Republic of Turkey.

NOTE 12 - OTHER INTANGIBLE ASSETS

	2011	2010
Cost	37,549	35,687
Accumulated amortisation	(34,107)	(33,161)
Net book amount	3,442	2,526

Movements of other intangible assets were as follows:

2011

	Rights and licenses	Software	Total
Cost			
At 1 January	31,150	4,537	35,687
Additions	1,694	168	1,862
Disposals	-	-	-
At 31 December	32,844	4,705	37,549
Accumulated amortisation			
At 1 January	(28,907)	(4,254)	(33,161)
Amortisation charge (Note 27)	(764)	(182)	(946)
Disposals	-	-	-
At 31 December	(29,671)	(4,436)	(34,107)
Net book amount at 31 December	3,173	269	3,442

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

2010

	Rights and licenses	Software	Total
Cost			
At 1 January	30,281	4,507	34,788
Additions	932	30	962
Disposals	(63)	-	(63)
At 31 December	31,150	4,537	35,687
Accumulated amortisation			
At 1 January	(28,166)	(4,071)	(32,237)
Amortisation charge (Note 27)	(741)	(183)	(924)
Disposals	-	-	-
At 31 December	(28,907)	(4,254)	(33,161)
Net book amount at 31 December	2,243	283	2,526

NOTE 13 - PROPERTY AND EQUIPMENT

	2011	2010
Cost	82,579	71,031
Accumulated depreciation and impairment	(58,342)	(51,736)
Net book amount	24,237	19,295

2011	Furniture and Office Equipment	Leasehold Improvements	Motor Vehicles	Leasing	Total
Cost					
At 1 January	35,967	26,612	186	8,266	71,031
Additions	6,776	5,218	-	-	11,994
Disposals	(356)	-	(90)	-	(446)
At 31 December	42,387	31,830	96	8,266	82,579
Accumulated depreciation and impairment					
At 1 January	(29,695)	(15,082)	(154)	(6,805)	(51,736)
Depreciation charge (Note 27)	(2,240)	(3,925)	(7)	(775)	(6,947)
Disposals	261	-	80	-	341
At 31 December	(31,674)	(19,007)	(81)	(7,580)	(58,342)
Net book amount at 31 December	10,713	12,823	15	686	24,237

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

2010	Furniture and Office Equipment	Leasehold Improvements	Motor Vehicles	Leasing	Total
Cost					
At 1 January	37,907	22,912	191	9,907	70,917
Additions	3,353	4,788	28	-	8,169
Disposals	(5,293)	(1,088)	(33)	(1,641)	(8,055)
At 31 December	35,967	26,612	186	8,266	71,031
Accumulated depreciation and impairment					
At 1 January	(33,571)	(13,010)	(175)	(7,282)	(54,038)
Depreciation charge (Note 27)	(1,369)	(2,695)	(12)	(1,157)	(5,233)
Disposals	5,245	623	33	1,634	7,535
At 31 December	(29,695)	(15,082)	(154)	(6,805)	(51,736)
Net book amount at 31 December	6,272	11,530	32	1,461	19,295

At 31 December 2011, there is no provision for impairment on property and equipment (2010: None).

NOTE 14 - OTHER ASSETS

	2011	2010
Receivables from check clearance	36,670	27,109
Asset held for resale	34,509	28,189
Contractually sold repossessed assets	29,802	28,938
Collaterals given for securities	16,076	3,571
Collaterals given for derivative transactions	11,469	12,423
Prepaid expenses	7,672	6,555
Others	6,521	13,245
Total	142,719	120,030
Current	43,910	33,663
Non-current	98,809	86,367

Assets held for resale represent mainly foreclosed assets received against uncollectible loans and advances to customers, to be sold as required by the Turkish Banking Law. Movements in assets held for resale at 31 December were as follows:

	2011	2010
Net book amount at 1 January	28,189	12,355
Additions	23,728	39,916
Disposals	(17,173)	(23,859)
Impairment charge for the year, net	(235)	(223)
Net book amount at 31 December	34,509	28,189

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

NOTE 15 - DEPOSITS FROM BANKS

	2011			2010		
	Demand	Term	Total	Demand	Term	Total
Foreign currency:						
Foreign banks	-	5,719	5,719	6,662	-	6,662
Domestic banks	329	-	329	-	-	-
	329	5,719	6,048	6,662	-	6,662
TL:						
Domestic banks	17	-	17	11	-	11
Foreign banks	-	-	-	-	1,535	1,535
Funds deposited under repurchase agreements	-	654,490	654,490	-	300,854	300,854
	17	654,490	654,507	11	302,389	302,400
Total	346	660,209	660,555	6,673	302,389	309,062
Current	346	660,209	660,555	6,673	302,389	309,062
Non-current	-	-	-	-	-	-

NOTE 16 - DUE TO CUSTOMERS

	2011			2010		
	Demand	Term	Total	Demand	Term	Total
Foreign currency deposits:						
Saving deposits	28,495	492,945	521,440	21,548	374,533	396,081
Commercial deposits	128,123	572,426	700,549	81,585	408,606	490,191
	156,618	1,065,371	1,221,989	103,133	783,139	886,272
TL deposits:						
Saving deposits	42,552	1,223,471	1,266,023	26,954	875,772	902,726
Commercial deposits	135,716	1,012,973	1,148,689	76,781	531,603	608,384
Funds deposited under repurchase agreements	-	10,854	10,854	-	15,012	15,012
Public sector deposits	-	-	-	35,978	-	35,978
	178,268	2,247,298	2,425,566	139,713	1,422,387	1,562,100
Total	334,886	3,312,669	3,647,555	242,846	2,205,526	2,448,372
Current	334,886	3,312,585	3,647,471	242,846	2,198,738	2,441,584
Non-current	-	84	84	-	6,788	6,788

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

NOTE 17 - OTHER BORROWED FUNDS AND SUBORDINATED DEBT

	2011	2010
Foreign institutions and banks		
Syndication loans	415,025	298,092
Subordinated debt	274,470	162,374
Other	335,617	123,630
Total foreign	1,025,112	584,096
Domestic banks	313,895	220,872
Total domestic	313,895	220,872
Total	1,339,007	804,968
Current	794,611	804,968
Non-current	544,396	-

As of 31 December 2011, funds borrowed from foreign institutions include a syndicated credit facility, in the amount of EUR 133.5 million and USD45 million dual-tranche multi-currency term loan facility dated 25 May 2011, with an interest rate of annual Libor+1.70% provided by 25 international banks with Commerzbank acting as agent, and matures on 23 May 2012.

As of December 31, 2009, the Bank's foreign currency funds borrowed include a syndicated loan of US$ 30 million and EUR 31 million obtained on 20 April 2009 with a maturity of 12 months. Funds borrowed are unsecured.

At 29 December 2010, the Bank obtained a subordinated loan amounting to US$105 million, with ten years maturity with an interest rate of Libor+4.5%. The loan was obtained from International Finance Corporation, Black Sea Trade and Development Bank and FMO Amsterdam. At 29 December 2011, the Bank obtained a subordinated loan amounting to EUR 30 million, with ten years maturity with an interest rate of Libor+4.5%. The loan was obtained from DEG Koln and EFSE SA.Sıcav-SIF. With the written approval of BRSA, the loans have been approved as subordinated loans and can be taken into consideration as supplementary capital within the limits of "Capital Adequacy Regulation". Some of the Group's borrowing contracts including subordinated debt are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators.

NOTE 18 - TAXATION

	2011	2010
Current tax expense	(4,963)	(7,039)
Deferred tax (expense)	(1,195)	2,169
	(6,158)	(4,870)

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return, Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis,

Corporate Tax Law numbered 5520 became effective as of 1 January 2006 with the Official Gazette numbered 26205 published on 21 June 2006. By the issue of this law, Corporate Tax Law numbered 5422 was abolished.

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

Under the Corporate Tax Law numbered 5520, the applicable corporate tax rate is 20% for 2011 (2010: 20%). Corporate tax is payable at a rate of 20% over the corporate tax base of the company after adjusting for certain disallowable expenses, exempt income, investment allowance and other additions and deductions. The annual corporate income tax return is required to be filed until 25th day of the fourth month following the close of the related fiscal year. Payments will be carried out in single installment until the end of the month in which the tax return is to be filed.

Dividends paid to non-resident corporations, which have a fixed place of business or permanent representative in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax, Provisions of bilateral treaties are reserved.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their quarterly determined corporate income. Advance tax return is filed by the 14th of the second month following the each quarterly period and is payable on the 17th of the same month, Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to offset against other liabilities to the government.

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira, In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively, Inflation adjustment has not been applied as these conditions were not fulfilled in the year 2009.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments, Tax authorities have the right to audit tax declarations and accounting records for 5 years, and may issue re-assessment based on their findings for tax purposes.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years, Tax losses cannot be carried back to offset profits from previous periods.

75% of the capital gains of corporations' from sale of participation shares and property which have been in their assets at least for two years is exempt from corporate tax provided that this amount is kept in a special reserve account in the liabilities side of the balance sheet for 5 years,

Reconciliation between the theoretical tax amount that would arise using the basic tax rate of the Parent and the actual taxation charge for the year is stated below:

	2011	2010
Profit before income taxes	27,043	35,910
Theoretical income tax of the applicable tax rate of 20%	(5,409)	(7,182)
Expenditure not allowable for income tax purposes	(8,429)	(10,525)
Non taxable income	12,519	11,088
Effect of non-taxable consolidation adjustments	(4,839)	1,749
Income tax expense	(6,158)	(4,870)

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

Deferred income taxes

For all subsidiaries and the Parent, deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in fiscal year 2010 under the liability method using a principal tax rate of 20% at 31 December 2011 (2010: 20%).

The deferred income tax asset and liability represent the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the financial statements compared to the local tax return in accordance with the applicable tax law.

The temporary differences giving rise to the deferred income tax assets and deferred income tax liabilities are as follows:

	Cumulative Temporary Differences		Deferred Tax Asset/Liability	
	2011	2010	2011	2010
Loan loss impairment provision	70,032	38,766	14,007	7,753
Revaluation of derivative instruments at fair value	-	10,364	-	2,074
Valuation differences on investment securities	-	6,757	-	1,351
Bonus provision	8,752	6,585	1,750	1,317
Employee termination benefits and vacation pay liability	6,954	6,329	1,391	1,266
Court case provision	987	826	197	165
Other	1,384	1,144	277	229
Deferred income tax assets	88,109	70,771	17,622	14,155
Reversal of specific loan provision deducted for tax purposes	10,389	19,365	2,078	3,873
Difference between carrying value and tax base of property and equipment	4,726	4,191	946	839
Revaluation of derivative instruments at fair value	21,513	-	4,303	-
Valuation differences on investment securities	10,234	-	2,047	-
Deferred income tax liabilities	46,862	23,556	9,374	4,712
Deferred income tax assets, net	41,247	47,215	8,248	9,443

The movements of deferred income taxes at 31 December were as follows:

	2011	2010
1 January	9,443	7,214
Charge for the year, net	(1,195)	2,169
Tax assets charged to equity	-	60
31 December	8,248	9,443

At 31 December 2011, there are no deductible temporary differences for which no deferred tax asset is recognised in the balance sheet (2010: None).

Income tax effects relating to components of other comprehensive income

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

NOTE 19 - OTHER PROVISIONS

	2011	2010
Provision for losses on credit related commitments	13,891	9,502
Other legal provision	987	826
Other	776	543
Total	15,654	10,871
Current	-	-
Non-current	15,654	10,871

Other legal provisions

At 31 December 2011, the Group is involved in number of legal disputes, The Group's lawyers advise that, owing to developments in some of these cases; it is probable that the Group will be found liable. Therefore, the management has recognised a provision of TL 987 (2010: TL 826) as the best estimate of the amount to settle these potential obligations.

NOTE 20 - RETIREMENT BENEFIT OBLIGATIONS

	2011	2010
Balance sheet obligations for:		
- Reserve for employment termination benefits	4,081	3,907
	4,081	3,907

The movement in the reserve for employee benefits is as follows:

	2011	2010
1 January	3,907	3,000
Interest costs	182	140
Actuarial gains and losses	1,027	97
Annual charge	345	1,152
Paid during the year	(1,380)	(482)
31 December	4,081	3,907

Under the Turkish Labour Law, the Parent and its subsidiaries are required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (63 for women and 64 for men), Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement, The amount payable consists of one month's salary limited to a maximum of TL 2,805.04 (1 January 2010: TL 2,623.23) for each year of service.

There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement.

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

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. In the consolidated financial statements, the Group reflected a liability calculated using the projected unit credit method and based upon the factors derived using their experience of personnel terminating their services and being eligible to receive employment termination benefits. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

Accordingly the following financial and demographical actuarial assumptions were used in the calculations of the provision:

	2011	2010
Discount rate (%)	4.66	4.66
The probability of retirement (%)	90.48	90.48

NOTE 21 - OTHER LIABILITIES

	2011	2010
Blocked accounts	92,706	94,285
Clearing accounts	36,670	27,109
Cheques in collection	27,491	29,959
Collaterals received for securities	16,076	3,572
Taxes other than income and withholdings	14,363	8,062
Bonus	8,832	6,675
Provision for unused annual vacation	2,895	2,434
Other	36,893	29,222
Total	235,926	201,318
Current	30,278	3,560
Non-current	205,648	197,758

NOTE 22 - SHARE CAPITAL AND SHARE PREMIUM

The historic amount of share capital of the Company consists of 300 million (2010: 300 million) authorised shares with a nominal value of TL 1 each. The Company's authorised capital amounts to TL 300,000 (2010: TL 300,000).

The issued and fully paid-in share capital and share premium are as follows:

	2011		2010	
Shareholders	Participation rate (%)	TL thousand	Participation rate (%)	TL thousand
Anadolu Endüstri Holding A.Ş.	77.71%	233,142	77.71	233,142
Other	22.29%	66,858	22.29	66,858
Historical share capital	100.00	300,000	100.00	300,000
Share premium		85		85
Total share capital and share premium		300,085		300,085

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

NOTE 23 - RETAINED EARNINGS AND OTHER RESERVES

	2011	2010
Statutory reserve	9,587	8,016
Revaluation reserve - available-for-sale investments	(5,751)	1
Total other reserves	3,836	8,017
Retained earnings	183,746	164,535

Movements in other reserves were as follows:

	Statutory reserves	Revaluation reserves	Total
At 1 January 2011	8,016	1	8,017
Net change in available-for-sale investments, net of tax	-	(5,752)	(5,752)
Transfer to statutory reserves	1,571	-	1,571
At 31 December 2011	9,587	(5,751)	3,836

	Statutory reserves	Revaluation reserves	Total
At 1 January 2010	5,121	289	5,410
Net change in available-for-sale investments, net of tax	-	(288)	(288)
Transfer to statutory reserves	2,895	-	2,895
At 31 December 2010	8,016	1	8,017

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code, the Group is required to create the following legal reserves from appropriation of earnings, which are available for distribution only in the event of liquidation or losses:

a) First legal reserve, appropriated at the rate of 5% of net income, until the total reserve is equal to 20% of issued and fully paid-in share capital.

b) Second legal reserve, appropriated at the rate of at least 10% of distribution in excess of 5% of issued and fully paid-in share capital, without limit. It may be used to absorb losses.

After deducting taxes and setting aside the legal reserves as discussed above, the remaining balance of net profit is available for distribution to shareholders.

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

NOTE 24 - NET INTEREST INCOME

	2011	2010
Interest income on:		
Loans and advances:		
- to banks	1,389	4,523
- to customers	436,780	286,870
Trading and investment securities	74,605	49,081
Other	7,383	5,798
Total interest income	520,157	346,272
Interest expense on:		
Due to customers	214,554	142,214
Other borrowed funds and subordinated debt	36,279	16,555
Repurchase agreement	23,550	10,632
Deposits from banks	6,940	250
Other	2,572	649
Total interest expense	283,895	170,300
Net interest income	236,262	175,972

NOTE 25 - NET FEE AND COMMISSION INCOME

	2011	2010
Fee and commission income on:		
Letter of guarantee	25,061	20,462
Brokerage	7,687	5,109
Banking services	6,386	4,049
Letter of credit	3,949	3,400
Portfolio and other management fees	-	1,548
Other	627	510
Total fee and commission income	43,710	35,078
Fee and commission expense on:		
Debit card commissions	1,185	928
CBRT Interbank money market transaction commissions	712	542
Correspondent bank commissions	626	583
Effective and future transaction commissions	127	123
Transfer commissions	20	26
Other	763	736
Total fee and commission expense	3,433	2,938
Net fee and commission income	40,277	32,140

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

NOTE 26 - TRADING GAINS AND LOSSES, NET

	2011	2010
Trading securities	(8,350)	7,663
Derivative financial transactions	12,560	(34,948)
Net Income / (Loss)	4,210	(27,285)

Net trading income from derivative financial instruments includes gains and losses from spot and forward contracts, options, futures, and swaps due to changes in interest rates.

Net gains from investment securities amounting to TL 4,052 (2010: TL 356) comprise of net results on disposals of available for sale financial assets.

NOTE 27 - OTHER OPERATING EXPENSES

	2011	2010
Staff costs	99,700	81,063
Depreciation on property and equipment (Note 13)	6,947	5,233
Amortisation of intangible assets (Note 12)	946	899
Depreciation and amortisation	7,893	6,132
Operational lease expenses	16,824	13,064
Marketing and advertisement costs	2,247	1,365
Repair and maintenance expenses	897	722
Other	41,296	37,833
General administrative expenses	61,264	52,984
Total	168,857	140,179

Reserve for employment termination benefit, accrual for unused vacation rights and provision for personnel bonus are included in the staff costs in the table above.

NOTE 28 - IMPAIRMENT LOSSES ON LOANS AND CREDIT RELATED COMMITMENTS

	2011	2010
Impairment losses on loans and receivables (Note 10)	(79,468)	(24,723)
Impairment losses on credit related commitments (Note 19)	(4,389)	1,404
Total	(83,857)	(23,319)

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

NOTE 29 - ASSETS PLEDGED AND RESTRICTED

The Group has the following assets pledged as collateral:

	2011		2010	
	Assets	Related liability	Assets	Related liability
Trading securities (Note 8)	25,580	25,089	164,547	159,564
Investment securities (Note 11)	474,956	633,751	147,719	147,500
Other assets pledged[1]	27,545	-	15,934	-
Total	528,081	658,840	328,200	307,064

[1] Other assets pledged are the collaterals given to the counter parties of the derivative financial instruments and other collaterals given.

Held for trading and held-to-maturity securities whose total carrying amount is TL 500,536 as of 31 December 2011 (2010: TL 312,266) are pledged to banks and other financial institutions against funds obtained under repurchase agreements (Note 15 and Note 16). Total amount of funds obtained under repurchase agreements is TL658,840 as of 31 December 2011 (2010: TL 307,064).

Held for trading and held-to-maturity securities are also pledged to regulatory authorities for legal requirements and other financial institutions as a guarantee for stock exchange and money market operations. These are mainly the CBRT, ISE Settlement and Custody Bank and other financial institutions and amount to TL 82,151 (2010: TL 60,752).

At 31 December 2011, the Group's reserve deposits that are not available to finance the Group's day-to-day operations amount to TL 254,388 (2010: TL 107,179).

NOTE 30 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of its activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these financial statements, including letters of guarantee, acceptances and letters of credit. The following is a summary of significant commitments and contingent liabilities at 31 December.

Legal proceedings

Due to the nature of its business, the Group is involved in a number of claims and legal proceedings, arising in the ordinary course of business. The Group recognises provisions for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated (Note 19).

In respect of the further claims asserted against the Group ,which according to the principles outlined above, have not been provided for, it is the opinion of the management and its professional advisors that such claims are either without merit, can be successfully defended or will not have a material adverse effect on the Group's financial position.

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

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as and if required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table shows the outstanding credit related commitments of the Group:

2011[1]	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	1,533,919	-	-	-	1,533,919
Letter of guarantees	-	348,960	24,535	-	373,495
Acceptance credits	-	132,451	83,653	-	216,104
Other commitments	-	30,070	11,051	-	41,121
Total	1,533,919	511,481	119,239	-	2,164,639

2010[1]	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	1,351,843	-	-	-	1,351,843
Letter of guarantees	-	319,297	32,559	-	351,856
Acceptance credits	-	45,798	151,331	-	197,129
Other commitments	-	5,447	16,606	-	22,053
Total	1,351,843	370,542	200,496	-	1,922,881

[1] Based on original maturities,

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

NOTE 31 - SEGMENT ANALYSIS

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. Secondary information is reported geographically.

The Group is organized into two main business segments which are organized and managed separately according to the nature of the products and services provided.

2011	Commercial Banking	Investment Banking	Other	Group
Net interest income[1]	144,425	32,820	30,879	208,124
Net fees and commission income and other operating income[1]	81,875	(1,761)	(540)	79,574
Dividend income	-	680	32	712
(Provisions for) / recoveries from impairment loan receivables[1]	(82,901)	-	-	(82,901)
Trade gain / loss	2,956	(10,512)	-	(7,556)
Other operating expenses[1]	(110,628)	(19,825)	(40,560)	(171,013)
Profit before income tax	35,727	1,402	(10,189)	26,940
Tax provision	-	(602)	(5,556)	(6,158)
Profit from after income tax	35,727	800	(15,745)	20,782
Non-controlling interest	-	-	103	103
Net profit	35,727	800	(15,642)	20,885
Asset and liabilities				
Segment assets	4,476,059	1,920,093	41,964	6,438,116
Total assets	4,476,059	1,920,093	41,964	6,438,116
Segment liabilities	3,750,725	1,849,813	330,352	5,930,890
Unallocated liabilitites	-	-	507,226	507,226
Total liabilities	3,750,725	1,849,813	837,578	6,438,116

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

2010	Commercial Banking	Investment Banking	Other	Group
Net interest income[1]	101,713	36,776	32,824	171,313
Net fees and commission income and other operating income[1]	50,488	(26,003)	(3,916)	20,569
Dividend income	-	464	-	464
(Provisions for)/ recoveries from impairment loan receivables[1]	(24,591)	-	-	(24,591)
Other operating expenses[1]	(99,417)	(16,901)	(17,839)	(134,157)
Profit before income tax	28,193	(5,664)	11,069	33,598
Tax provision	-	(195)	(4,677)	(4,872)
Profit from after income tax	28,193	(5,859)	6,392	28,726
Non-controlling interest	-	-	2,314	2,314
Net profit	28,193	(5,859)	8,706	31,040
Asset and liabilities				
Segment assets	3,336,671	877,336	73,132	4,287,139
Total assets	3,336,671	877,336	73,132	4,287,139
Segment liabilities	2,517,149	1,050,322	227,195	3,794,666
Unallocated liabilitites	-	-	492,473	492,473
Total liabilities	2,517,149	1,050,322	719,668	4,287,139

[1] Classification differences with income statement exist since business reporting of the Bank was used.

NOTE 32 - RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, The Group is controlled by Anadolu Endüstri Holding A.Ş. owning 77.71% of the ordinary shares.

A number of transactions were entered into with related parties in the normal course of business.

(i) Balances with related parties:

	2011		2010	
	Total	Share in total %	Total	Share in total %
Loans and advances to customers, net	5,439	0.13	11,808	0.37
Total assets	5,439		11,808	
Due to customers	776,186	21.03	483,048	19.73
Obligations under finance leases	356	100	991	100.00
Total liabilities	776,542		484,039	
Credit related commitments	95,571	4.42	94,961	4.94
Total commitments and contingent liabilities	95,571		94,961	

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

(ii) Transactions with related parties:

	2011		2010	
	Total	Share in total %	Total	Share in total %
Interest income on loans and advances to customers	3,353	0,77	2,960	1.03
Total interest and fee income	3,353		2,960	
Interest expense on deposits	44,336	20,66	23,034	16.20
Other operating expense	1,625	0.96	1,776	1.32
Total interest and fee expense	45,961		23,034	

Salaries and other benefits paid to the Group's key management approximately amount to TL 8,276 as of 31 December 2011 (2010: TL 6,977).

NOTE 33 - ASSETS UNDER MANAGEMENT

At 31 December 2011, the Group manages 6 (2010: 6) mutual funds which were established under Capital Markets Board Regulations. At 31 December 2011, the Funds' investment portfolio mainly includes government bonds, treasury bills and share certificates amounting to TL 51,115 (2010: TL 51,115). In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates and provides other services and charges management fees ranging from 0,005% to 0,010% (2010: 0.005% to 0.012%). At 31 December 2011, management fees earned by the Group amounted to TL1,598 (2010: TL 1,550).

NOTE 34 - POST BALANCE SHEET EVENTS

Parent company, the Bank, has authorized General Management about legal procedures to increase its issued capital from TL 300,000 to TL 420,000 as it is below authorized capital ceiling, TL 1,000,000, and to offset additional TL 120,000 from extraordinary reserves as it is free of cost with BOD decision with the number 4/A and dated 20 February 2012.

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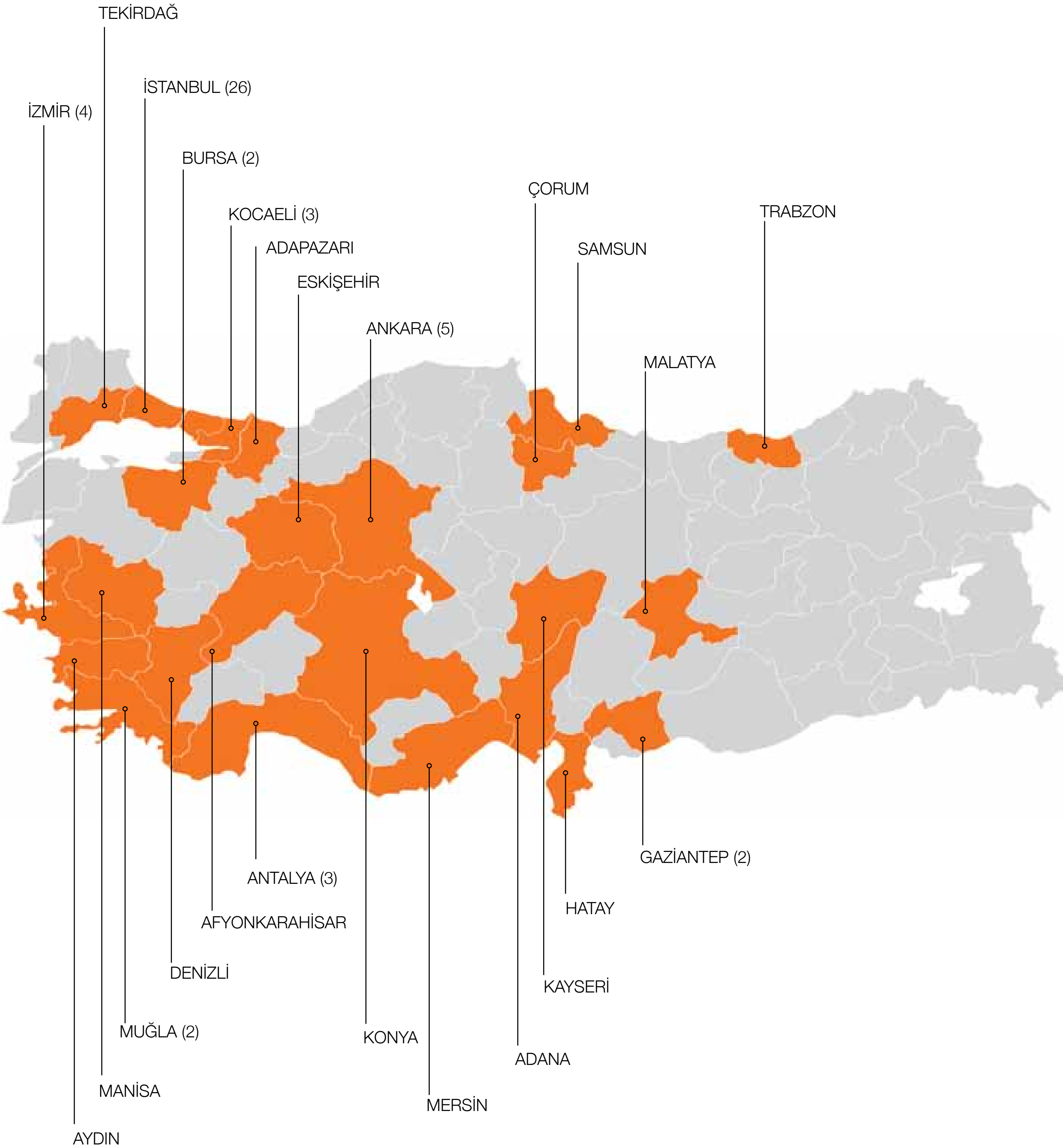
in 24 cities of Turkey through 63 branches

ABank will continue to spread the "Happy Banking" concept throughout Turkey with its customized service approach.

ABank's Network in Turkey

ABank expanded its branch network to reach 63 in 2011 by opening 10 new branches in 9 cities; the Bank thus gained a broader branch network throughout Turkey with a presence in regions where around 90% of Turkey's GDP is being generated.



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Afyonkarahisar	Afyonkarahisar Branch	Dumlupınar Mah. Ordu Bulvarı, Süleyman Göncen Cad. No:2 Merkez/ Afyonkarahisar	+90 272 213 22 40	+90 272 213 22 16
Adapazarı	Adapazarı Branch	Yenigün Mah.Yenicami Sk. Palmiye İş Merkezi No:8 Sakarya	+90 264 272 25 10	+90 264 272 25 22
Ankara	Ankara Branch	Cinnah Cad. 56/14 06690 Çankaya Ankara	+90 312 442 21 40	+90 312 442 41 61
	Balgat Branch	Ceyhun Atuf Kansu Cad. No: 106/A Çankaya Ankara	+90 312 472 18 00	+90 312 472 10 40
	Ostim Branch	Alınteri Bulvarı No: 80 06370 Ostim Ankara	+90 312 385 69 10	+90 312 385 69 20
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	Antalya Branch	Balbey Mah. İsmet Paşa Cad. No: 3-4 07040 Antalya	+90 242 243 22 03	+90 242 247 77 85
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Bursa	Bursa Branch	Kırcaali Mah. Kayalı Sok. Ortaklar İş Merkezi No: 34/ B 16220 Bursa	+90 224 272 68 80	+90 224 272 68 90
	Nilüfer Branch	İzmir Yolu Girişi F. S. M Bulvarı No: 128/19 16010 Bursa	+90 224 247 36 00	+90 224 245 40 97
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	Beylikdüzü Branch	Yakuplu Merkez Mah. Hürriyet Bulvarı No:1 SkyPort Residence Beylikdüzü	+90 212 879 26 80	+90 212 879 26 93
	Caddebostan Branch	Bağdat Cad. Çetintaş Apt. No: 265/A Caddebostan 34728 İstanbul	+90 216 363 49 90	+90 216 411 89 07
	Efes Merter Branch	Bahçelievler Mah. Şehit İbrahim Koparır Cad No: 4 Bahçelievler İstanbul	+90 212 449 38 67	+90 212 677 55 13
	Gaziosmanpaşa Branch	Cumhuriyet Meydanı No:19 Gaziosmanpaşa/İstanbul	+90 212 581 83 83	+90 212 581 85 08
	Güneşli Branch	Gülbahar Cad. Evren Mah. Günnur Sok No: 1 34212 Güneşli İstanbul	+90 212 550 63 53	+90 212 550 81 37
	Hadımköy Branch	Akçaburgaz Mah. Hadımköy Yolu No: 190 Esenyurt Hadımköy İstanbul	+90 212 886 85 50	+90 212 886 11 82
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	Şişli Branch	Halaskargazi Cad. Çankaya Apt No: 150/ A Şişli 34371 İstanbul	+90 212 219 41 51	+90 212 219 41 63
	Tuzla Organized Industry Zone Branch	Kimya Sanayicileri Organize Sanayi Bölgesi Melek Aras Bulvarı A Blok No: 2 Kat: 2 Tuzla İstanbul	+90 216 593 17 99	+90 216 593 17 95
	Ümraniye - İmes Branch	İmes Sanayi Sitesi C Blok 302 Sok. No: 2 Yukarı Dudullu 34735 İstanbul	+90 216 364 53 53	+90 216 364 53 52
	Ümraniye Branch	Alemdağ Cad. No: 160 Ümraniye İstanbul	+90 216 505 70 20	+90 216 505 70 18
İzmir	Gaziemir Branch	Akçay Cad. No: 213/1 35410 Gaziemir İzmir	+90 232 252 55 77	+90 232 252 18 45
	İzmir Branch	Şehit Nevres Bulvarı No: 23/A Alsancak 35210 İzmir	+90 232 422 69 10	+90 232 463 90 19
	Karşıyaka Branch	Cemal Gürsel Cad. 164/1 Karşıyaka 35600 İzmir	+90 232 369 99 00	+90 232 369 19 67
	Pınarbaşı Branch	Kemalpaşa Cad. No: 19/A Zemin Kat Pınarbaşı 35060 İzmir	+90 232 479 90 10	+90 232 479 90 14
Kayseri	Kayseri Branch	Cumhuriyet Mah. Millet Cad. No: 36 38040 Kayseri	+90 352 222 11 11	+90 352 222 35 40
Kocaeli	Anadolu Sağlık Merkezi Branch	Cumhuriyet Mah. 2255. Sok. No: 3 Çayırova Gebze Kocaeli	+90 212 314 29 21	+90 262 653 63 14
	Gebze Branch	Osman Yıldız Mah. İstanbul Cad. No: 64 Gebze 41400 Kocaeli	+90 262 643 20 00	+90 262 643 61 44
	İzmit Branch	Karabaş Mah. Cumhuriyet Cad. No: 180 İzmit 41100 Kocaeli	+90 262 322 06 05	+90 262 322 06 30
Konya	Konya Branch	Fevzi Çakmak Mah Ankara Yolu Üzeri No 212 Karatay 42090 Konya	+90 332 342 54 66	+90 332 342 24 29
Malatya	Malatya Branch	İzzetiye Mah. Posta Cad. No: 14 Malatya	+90 422 324 95 95	+90 422 324 95 82
Manisa	Manisa Branch	75. Yıl Mah. Bahri Sarıtepe Cad. No: 67/A Manisa	+90 236 233 94 30	+90 236 236 03 78
Mersin	Mersin Branch	Camiişerif Mah. İstiklal Cad. No: 32 33060 Mersin	+90 324 237 90 00	+90 324 237 78 71
Muğla	Bodrum Branch	Kıbrıs Şehitleri Cad. No 112 Bodrum 48400 Muğla	+90 252 313 90 07	+90 252 313 42 30
	Marmaris Branch	Tepe Mah. Ulusal Egemenlik Cad. 71. Sokak No: 1 Marmaris Muğla	+90 252 413 21 00	+90 252 413 21 13
Samsun	Samsun Branch	Merkez Kale Mah Kazımpaşa Cad. No: 21 55000 Samsun	+90 362 432 34 55	+90 362 432 63 87
Tekirdağ	Çorlu Branch	Kazimiye Mah. Omurtak Cad. Kılıçoğlu Plaza (Kipa Karşısı) A blok Zemin Kat No: 4 Çorlu 59850 Tekirdağ	+90 282 673 63 63	+90 282 673 63 73
Trabzon	Trabzon Branch	Kemerkaya Mah. Maraş Cad. Ahmet Selim Teymur Sokak No: 5/A 61200 Trabzon	+90 462 322 31 55	+90 462 321 95 46

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