Fibabanka Anonim Şirketi

Financial Statements

At 31 December 2011

Together with the Independent Auditor's Report

Deloitte.

DRT Bağımsız Denetim ve
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To the Board of Directors of
Fibabanka A.Ş.
İstanbul

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Fibabanka A.Ş. (formerly named as Millennium Bank A.Ş.) (the "Bank"), which comprise the balance sheet as at 31 December 2011 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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.

Deloitte.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2011 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

İstanbul, 13 March 2012

DRT Bağımsız Denetim ve SMMM A.Ş.

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

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

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Fibabanka Anonim Şirketi
Balance Sheet
As at 31 December 2011
(Currency: Thousands of Turkish Lira (TL))

	Notes	31 December 2011	31December 2010
Assets			
Cash and balances with Central Bank	7	243,385	55,261
Due from banks	8	18,903	73,346
Financial assets at fair value through profit and loss		54,132	96,869
-Debt instruments	9	36,319	94,556
-Derivatives held for trading purpose	9	17,813	2,313
Financial assets available for sale	9	15,844	14
Loans and advances to customers	10	2,099,873	629,993
Property and equipment	12	12,123	7,126
Intangible assets	13	6,075	2,044
Deferred tax assets	18	20,248	22,919
Other assets	11	9,014	4,844
Total assets		**2,479,597**	**892,416**
Liabilities			
Derivatives held for trading purpose	9	16,315	23,543
Deposits from banks	14	45,547	114,708
Deposits from customers	15	2,011,789	635,560
Borrowings from banks	17	29,756	2,574
Other liabilities and provisions	16	18,446	6,019
Total liabilities		**2,121,853**	**782,404**
Equity			
Share capital	19	344,939	222,474
Capital advance	19	101,650	--
Unrealized losses on available-for-sale investments, net of tax	21	(1,727)	--
Accumulated losses	20	(87,118)	(112,462)
Total shareholder's equity		**357,744**	**110,012**
Total liabilities and shareholder's equity		**2,479,597**	**892,416**

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

Fibabanka Anonim Şirketi
Statement of Income
For the year ended 31 December 2011
(Currency: Thousands of Turkish Lira (TL))

	Notes	1 January- 31 December 2011	1 January- 31 December 2010
Interest income	24	176,614	78,366
Interest expense	24	(105,351)	(58,546)
Net interest income		**71,263**	**19,820**
Fees and commission income	25	13,072	5,283
Fees and commission expenses	25	(1,043)	(737)
Net fees and commission income		**12,029**	**4,546**
Net trading income	26	5,782	3,057
Other operating income	27	1,728	3,030
		7,510	**6,087**
Operating income		**90,802**	**30,453**
Personnel expenses	28	(34,696)	(24,229)
Depreciation and amortisation	12,13	(5,046)	(2,881)
Impairment reversals /(losses) on loans and advances to customers	10	737	(4,587)
Other expenses	29	(23,351)	(17,209)
Profit / (loss) before income tax		**28,446**	**(18,453)**
Income tax (charge)/benefit	18	(3,102)	653
Net profit / (loss) for the year		**25,344**	**(17,800)**

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

Fibabanka Anonim Şirketi
Statement of Comprehensive Income
For the year ended 31 December 2011
(Currency: Thousands of Turkish Lira (TL))

	Notes	1 January- 31 December 2011	1 January- 31 December 2010
Profit/(loss) for the year		**25,344**	**(17,800)**
Other comprehensive expense		--	--
-Additions to unrealized losses on available-for-sale investments, gross		*(2,158)*	--
-Tax effect of unrealized losses on available-for-sale investments		*431*	--
Other comprehensive expense for the year, net of tax	*21*	**(1,727)**	--
Total comprehensive income/(expense) for the year		**23,617**	**(17,800)**

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

Fibabanka Anonim Şirketi

Statement of Changes in Equity

For the year ended 31December 2011

(Currency: Thousands of Turkish Lira (TL))

	Notes	Share capital	Capital advance	Unrealized losses on available-for-sale investments	Accumulated losses	Total
Balances at 1 January 2010		**222,474**	--	--	**(94,662)**	**127,812**
Total comprehensive expense for the year		--	--	--	(17,800)	(17,800)
Net loss for the year	**20,21**	--	--	--	*(17,800)*	*(17,800)*
Balances at 31 December 2010		**222,474**	--	--	**(112,462)**	**110,012**
Share capital increase	**19**	122,465	--	--	--	122,465
Capital advance (*)	**19**	--	101,650	--	--	101,650
Total comprehensive income for the year	**20,21**	--	--	(1,727)	25,344	23,617
-Additions to unrealized losses on available-for-sale investments, gross		--	--	*(2,158)*	--	*(2,158)*
-Tax effect of unrealized losses on available-for-sale investments		--	--	*431*	--	*431*
-Net profit for the year		--	--	--	*25,344*	*25,344*
Balances at 31 December 2011		**344,939**	**101,650**	**(1,727)**	**(87,118)**	**357,744**

(*) As of 20 September 2011, the Bank decided to increase its paid in capital by 41,000,000 Euro in terms of TL equivalent. The first tranche of the related increase was transferred to the Bank on 10 October 2011 as 52,250 TL; the second tranche was transferred on 1 December 2011 as 49,400 TL. As of 31 December 2011, such capital payments are accounted for under the "Capital advance". Following the approval of the Banking Regulation and Supervision Agency, the extraordinary General Assembly was held on 26 January 2012 and the increase in paid in capital was registered. Accordingly, the Bank's nominal capital has increased to 426,650 TL.

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

Fibabanka Anonim Şirketi
Statement of Cash Flows
For the year ended 31December 2011
(Currency: Thousands of Turkish Lira (TL))

	Notes	1 January-31 December 2011	1 January-31 December 2010
Net profit/(loss) for the year		**25,344**	**(17,800)**
Adjustments for:			
Depreciation of property and equipment	12	3,360	1,798
Amortization of intangible assets	13	1,686	1,083
Impairment losses on loans and advances	10	(737)	4,587
Unearned revenue		1,609	(2,354)
Gain on sale of non-performing loans	27	(519)	-
Expense accruals/ (reversals) net		1,247	(527)
Employment termination benefits	16	426	88
Unused vacation pay provision	16	131	296
Other provisions (net)		171	199
Bonus accrual provision /(reversal)	27	-	(1,440)
Unrealized (gains)/losses on financial assets/liabilities		(34,364)	9,079
Deferred tax (charge)/benefit	18	3,102	(653)
Gain on sale of assets held for sale and tangible assets (net)		(399)	(1,216)
Operating profit/(loss) before changes in operating assets/liabilities		**1,057**	**(6,860)**
Changes in operating assets and liabilities:			
Net increase in balances with banks and central bank		(80,049)	(9,663)
Net decrease/(increase) in financial assets at fair value through profit & loss		57,791	(58,529)
Net (increase)/decrease in loans		(1,459,772)	77,549
Disposal of non-current assets held for sale		1,857	3,578
Net decrease/(increase) in other assets		818	(554)
Net increase/(decrease) in deposits		1,284,024	(155,572)
Net increase/(decrease) in other taxes & liabilities		10,881	(3,621)
Employment termination benefits paid	16	(429)	(18)
Net cash used in operating activities		**(183,822)**	**(153,690)**
Cash flow from investing activities:			
Purchase of available-for-sale securities		(52,181)	-
Proceeds from sale of available-for-sale securities		34,451	-
Purchase of premises & equipment	12	(8,615)	(478)
Sale of premises & equipment		320	218
Purchase of intangible assets	13	(5,717)	(1,061)
Net cash used in investing activities		**(31,742)**	**(1,321)**
Cash flow from financing activities:			
Proceeds from borrowing funding loans (net)		27,063	2,251
Proceeds from capital increase		122,465	-
Proceeds from capital advance		101,650	-
Net cash provided by financing activities		**251,178**	**2,251**
Net (decrease)/increase in cash & cash equivalents		**35,614**	**(152,760)**
Cash & cash equivalents at the beginning of the year	7	**78,193**	**229,776**
Foreign exchange effect on cash and cash equivalents		11,220	1,177
Cash & cash equivalents at the end of the year	7	**125,027**	**78,193**

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

1 Reporting entity

The origin of Fibabanka A.Ş. ("the Bank") dates back to 1984 when it was established as a branch of Manufacturers Hannover Trust Company in New York. In 1991, the status of the Bank as a branch was converted to a corporation. In 1992, the name of the Bank was changed as Chemical Bank A.Ş. as a result of a global merger of Manufacturers Hannover Trust Company with Chemical Bank. The Sürmeli Group acquired 99.97% of the shares in 1997 and the name of the Bank was changed as Sitebank A.Ş. ("Sitebank").

On July 10, 2001, the ownership of Sitebank was transferred to the Savings Deposit Insurance Fund ("SDIF") following the decision of the Banking Regulation and Supervision Agency ("BRSA"). Under the SDIF ownership, Sitebank continued to be fully authorized to carry out banking activities and punctually met all its obligations, which were also guaranteed by the SDIF, until it was sold to Novabank S.A. ("Novabank"), a subsidiary of Banco Comercial Portugues, S.A. (Millennium BCP) on 24 January 2002. The sale and purchase entailed acquisition of 100% of share capital of Sitebank (TL 3,900 in nominal terms) together with selected assets and liabilities, including five branches. After the acquisition, the Bank restructured all of its lines of business and IT systems. In April 2003, the name of the Bank was changed as BankEuropa Bankası A.Ş.. On 4 July 2003, the Bank has started its banking operations in the largest three cities in Turkey. In 2006 BCP has decided to change the name of all its subsidiaries as "Millennium Bank" and for this purpose the name of the Bank changed as "Millennium Bank A.Ş." on 28 November 2006. On 21 February 2006, the Bank's shares held by Novabank were transferred to BCP Internacional II, Sociedade Unipessoal SGPS Lda. BCP Internacional II, Sociedade Unipessoal SGPS Lda is a holding company settled in Portugal and all of its shares are controlled by Millennium BCP.

On 10 February 2010, the shareholders of the Bank and Credit Europe N.V. signed a share purchase agreement to transfer 95% of the Bank's shares to Credit Europe N.V. Credit Europe Bank N.V. is owned by Credit Europe Group N.V. which is a banking group founded in Holland and an affiliate of Fiba Holding A.Ş.. The legal approval process of BRSA (Banking Regulation and Supervision Agency) finalized as of 10 December 2010 and sale process has been completed as of 27 December 2010.

In the extraordinary General Assembly held on 25 April 2011 the name of Millennium Bank A.Ş. has been changed as Fibabanka A.Ş. (the "Bank").

The Bank is authorized to perform all types of commercial banking activities and transactions, and operates mainly in retail, SME and corporate banking segment.

The Bank currently has 21 branches and its head office is located at the following address: Emirhan Cad. Barbaros Plaza İş Merkezi No: 113 Dikilitaş/Beşiktaş İstanbul.

(Currency-Thousands of Turkish Lira (TL))

2 Application of new and revised International Financial Reporting Standards (IFRSs)

The following new and revised IFRSs have been applied in the current year and have affected the amounts reported and disclosures in these financial statements. Details of other new and revised IFRSs applied in these financial statements that have had no material impact on the financial statements are set out in further sections.

(a) New and Revised IFRSs affecting presentation and disclosure only

Amendments to IAS 1 *Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)*	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Bank has chosen to present such an analysis in the statement of changes in equity. Such amendments have been applied retrospectively.

(b) New and Revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have also been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IAS 24 *Related Party Disclosures (as revised in 2009)*	IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Bank is not a government-related entity.
Amendments to IFRS 3 Business Combinations	As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure'). The application of the amendments has had no effect on the amounts reported in the current and prior years because the Bank has no business combination.

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(b) New and Revised IFRSs applied with no material effect on the financial statements (continued)

Amendments to IAS 32 *Classification of Rights Issues*

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Bank has not issued instruments of this nature.

Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Bank's financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognized in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Bank has not entered into any transactions of this nature.

Improvements to IFRSs issued in 2010

Except for the amendments to IFRS 3 and IAS 1 described earlier in section (a), and (b), the application of *Improvements to IFRSs* issued in 2010 has not had any material effect on amounts reported in the financial statements.

(Currency-Thousands of Turkish Lira (TL))

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(c) New and Revised IFRSs in issue but not yet effective

The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	*Disclosures – Transfers of Financial Assets; Offsetting of Financial Assets and Financial Liabilities*
IFRS 9	*Financial Instruments*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*
Amendments to IAS 12	*Deferred Taxes – Recovery of Underlying Assets*
IAS 19 (as revised in 2011)	*Employee Benefits*
IAS 27 (as revised in 2011)	*Separate Financial Statement*
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Amendments to IAS 32	*Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Bank management does not anticipate that these amendments to IFRS 7 will have a significant effect on the Bank's disclosures. However, if the Bank enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(c) New and Revised IFRSs in issue but not yet effective (continued)

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 was amended to defer the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 to annual periods beginning on or after 1 January 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods beginning on or after 1 January 2013. The amendments continue to permit early application. The amendments modify the existing comparative transition disclosures in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 depending on the entity's date of adoption and whether the entity chooses to restate prior periods.

The Bank management anticipates that IFRS 9 will be adopted in the Bank's financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS11.

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(c) New and Revised IFRSs in issue but not yet effective (continued)

Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that all of these five standards are applied early at the same time.

The Bank management anticipates that these five standards will have no material effect on the Bank's financial statements.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with early adoption permitted.

The Bank Management anticipate that IFRS 13 will be adopted in the Bank's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(c) New and Revised IFRSs in issue but not yet effective (continued)

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognized in prior years regarding the Bank's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Bank's financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Banks' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

On 19 October 2011 the IASB issued an Interpretation, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after 1 January 2014.

3 Significant accounting policies

(a) Statement of compliance

The Bank maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the Turkish Accounting Standards as promulgated by the Banking Regulation and Supervision Agency ("BRSA") and also the Turkish Commercial Code (collectively, "Turkish GAAP").

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. The Bank adopted all IFRS, which were mandatory as of 31 December 2011. The accompanying financial statements are authorized for issue by the directors on 13 March 2012.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods to be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey was 35.61% for the three years ended 31 December 2005 based upon the producer price index announced by the Turkish State Institute of Statistics ("SIS").

(c) Functional and presentation currency

These financial statements are presented in TL, which is the Bank's functional currency. All financial information presented in TL has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2010.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the effect on the amounts recognised in the financial statements are described in notes 3.f to 3.t.

(Currency-Thousands of Turkish Lira (TL))

3 Significant accounting policies (continued)

(e) Reclassification of Comparative Information

If the presentation or classification of the financial statements is changed in the current year, in order to maintain consistency, financial statements of prior years are also reclassified in line with the related changes.

In 2010, unearned loan commission income amounting to TL 4,848 recognized in other liabilities has been offset with loans and advances to customers and TL 1,161 saving deposits insurance expense has been reclassified from other expenses to interest expense in order to comply with the current year presentation.

(f) Foreign Currency Translation

The financial statements of the Bank are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the accompanying financial statements, the results and financial position of the Bank is expressed in Turkish Lira, which is the functional currency of the Bank, and the presentation currency for the accompanying financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Bank enters into forward contracts, swaps and options (see below for details of the Bank's accounting policies in respect of such derivative financial instruments).

As at 31 December 2011 and 31 December 2010 foreign currency assets and liabilities of the Bank are mainly in US Dollar, Euro and CHF. Foreign currency translation rates used by the Bank as of respective year-ends are as follows:

	EUR / TL	USD / TL	CHF / TL
31 December 2010	2.0694	1.5487	1.6550
31 December 2011	2.4438	1.8889	2.0062

3 Significant accounting policies (continued)

(g) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Vehicles	5 years
Furniture, fixtures and office equipment and others	4-50 years
Leasehold improvements	Lease period

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each 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 derecognition 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.

(h) Intangible Assets

Intangible assets acquired 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.

The Bank amortizes intangible assets with a finite life on a straight-line basis over the estimated useful lives of 3 to 10 years. There are no intangible assets with indefinite useful lives.

Gains or losses arising from the derecognition 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.

3 Significant accounting policies (continued)

(i) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(j) Financial Instruments

(j.1) Financial Assets

The Bank 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 Bank determines the classification of its financial assets at initial recognition.

The Bank recognizes all regular way purchases and sales of financial assets on the settlement date i.e. the date that the asset is delivered. 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 investments

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 Bank does not have any financial asset classified as held to maturity.

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 Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Except for loans and advances designated as hedged item in qualifying hedging relationships and carried at fair value, 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.

3 Significant accounting policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

Available-for-sale financial assets

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 preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses on remeasurement 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 the 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.

For investments that are traded in an active market, fair value is determined by reference to stock exchange or current market bid prices, at the close of business on the balance sheet date. For investments where there is no market price or market price is not an indicator of the fair value of the instrument, fair value is determined by reference to the current market value of substantially the same instrument, by recent arm's length transactions, by discounted cash flow analysis or through other valuation techniques commonly used. As of 31 December 2011, total amount of financial assets available for sale is TL 15,844 (31 December 2010: TL 14), of which TL 15,830 comprises of foreign currency company bonds with maturity more than 1 year (31 December 2010: None).

Impairment of Financial Assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

In determining whether an impairment loss should be recorded in the income statement, the Bank 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. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

3 Significant accounting policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

Impairment of Financial Assets (continued)

Assets carried at amortized cost (continued)

- significant financial difficulty of the issuer or obliger;
- a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- the Bank 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;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- 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:

▪ adverse changes in the payment status of borrowers; or
▪ national or local economic conditions that correlate with defaults on the assets in the group.

All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed.

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, determined by the net present value of the expected future cash flows discounted at the loan's original effective interest rate. 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 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 Bank 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. 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. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

3 Significant accounting policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

Impairment of Financial Assets (continued)

Assets carried at amortized cost (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for Banks of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

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.

The total carrying value of such loans and receivables as of 31 December 2011 is TL 2,099,873 (31 December 2010: TL 629,993) net of impairment allowance of TL 8,110 (31 December 2010: TL 12,513).

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.

Assets carried at fair value

Available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. 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. Impairment losses recognized in the income statement on equity instruments classified as available for sale are not reversed through 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.

3 Significant accounting policies (continued)

(j) Financial Instruments (continued)

(j.1) Financial Assets (continued)

Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(j.2) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in 'other gains/losses' line in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities, including borrowings and deposits, are initially measured at fair value, net of transaction costs.

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. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Gains or losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire.

3 Significant accounting policies (continued)

(j) Financial Instruments (continued)

(j.3) Off- balance sheet commitments and contingencies

The Bank deals with off-balance sheet risk in the normal course of business such as letters of guarantee, letters of credit, pre-financing loans, etc. The Bank's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

(j.4) Derivative Financial Instruments

Derivatives Held for Trading

The Bank's derivative transactions mainly consist of foreign currency swaps, foreign currency options, forward foreign currency contracts and cross currency swaps. The Bank does not have any embedded derivatives separated from the host contract.

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", forward foreign currency purchase/sale contracts, swaps and options are classified as "hedging purpose" and "trading purpose" transactions. Derivatives are initially recognized at cost including the transaction costs. Also, the assets and liabilities arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts. The derivative transactions held for trading are valued at fair-value using market prices or pricing models subsequent to initial recognition and are presented in "derivatives held for trading purpose". Gains and losses arising from a change in the fair value are recognized in the income statement.

Derivatives and Hedge Accounting

The Bank applied fair value hedging until November 30, 2010, which principally consisted of interest rate swaps that are used to hedge changes in the fair value of fixed-rate loans and advances to customers due to changes in market interest rates.

The Bank discontinues hedge accounting when it is determined that: a derivative is not, or has ceased to be, highly effective as a hedge; when the derivative expires, or is sold, terminated, or exercised; when the hedged item matures or is sold or repaid; or when a forecast transaction is no longer deemed highly probable. The fair value differences on loans calculated till the cease date of hedging has been started to be amortized. As of 31 December 2011, the remaining fair value difference on loans is derivative financial assets used for hedging purposes is TL 14,726 (31 December 2010: TL 17,283).

3 Significant accounting policies (continued)

(j) Financial Instruments (continued)

(j.5) Netting of Financial Assets and Liabilities

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

(k) Fair value considerations

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Fair value is best evidenced by a market price, being the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

Various financial instruments are accounted for at fair value. Other financial instruments are accounted at amortized cost but disclosure is required of fair value for comparison purposes, wherever practicable.

Due to economic conditions and volatility or low trading volumes in markets, the Bank may be unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparisons with similar financial instruments that do have active markets. As there are wide ranges of valuation techniques, it may be inappropriate to compare the Bank's fair value information to independent markets or to other financial institutions' fair value information.

For certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would not differ significantly from market rates.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Central Bank accounts and balances with banks: The carrying amount is a reasonable estimate of fair value.

Securities investments: Fair value is estimated using quoted market prices wherever applicable.

Derivatives: 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 Bank uses that technique. 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 value of financial instruments.

In the absence of forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency swap transactions are determined by comparing forward rates with contractual forward rates discounted to the balance sheet date with the current market rates. 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 repricing date are used.

3 Significant accounting policies (continued)

(k) Fair value considerations (continued)

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 Bank 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.

Management believes that the risk factors embedded in the initial interest rates and subsequent rate changes along with the related allowances for uncollectibility and assessment of risks associated with the loan book result in a fair valuation of loans.

Deposits: Estimated fair value of demand deposits, saving deposits and interbank deposits is the amount payable on demand at the reporting date.

Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing borrowings and overdrafts are recorded at the proceeds received. Interests on borrowings are accounted for on an accrual basis and are added to the carrying amount of instruments to the extent they are not settled in the period in which they arise.

(l) Non-current assets held for sale

Certain non-current assets primarily related to the collateral collected on non-performing loans are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Bank) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(Currency-Thousands of Turkish Lira (TL))

3 Significant accounting policies (continued)

(m) Employee Benefits

Employee Termination Benefits

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

Such defined benefit plan is unfunded since there is no funding requirement in Turkey. In calculating the related liability to be recorded in the financial statements for this defined benefit plan, the Bank makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc.

The principal actuarial assumptions used at 31 December 2011 and 31 December 2010 are as follows;

	31 December 2011	31 December 2010
	%	%
Discount rate	10.0	10.0
Inflation rate	5.1	5.1

Actuarial gains and losses are recognized in the statement of operations in the year they occur.

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. The ceiling amount at 31 December 2011 was TL 2,731.85 (full basis) (31 December 2010: TL 2,517.01 (full basis)).

Other Contributions

The Bank pays contributions to Social Security Funds on a mandatory basis. There are no other liabilities related to employee benefits to be provisioned.

(n) Provisions

Provisions are recognized when the Bank has a present obligation 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.

3 Significant accounting policies (continued)

(o) Leases

The Bank as Lessee

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of branch and head office premises, which are cancellable subject to a period of notice. Related 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 expires, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

(p) Income and Expense Recognition

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The 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, throughout the period to the next repricing date. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees paid or received between parties in 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.

Net trading income comprises gains minus losses related to financial assets and liabilities held for trading and includes all realised and unrealised fair value changes and foreign exchange differences.

3 Significant accounting policies (continued)

(r) 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 taxes.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially 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 assets are recognized for all deductible temporary differences, carry-forward of unused tax credits 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 credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management's judgment, 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 are 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 substantially enacted at the balance sheet date.

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

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 relate to the same taxable entity and the same taxation authority.

(s) Subsequent events

Post-balance sheet events that provide additional information about the Bank's position at the balance sheet dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

(Currency-Thousands of Turkish Lira (TL))

(t) Segment reporting

A segment is a distinguishable component of the Bank that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components.

4 Segment reporting

Segment information is presented in respect of the Bank's business segments. The Bank comprises the Retail and Commercial Banking and Treasury as main business segments.

Major financial statement items according to business lines:

	Treasury	Retail and Commercial Banking	Total
31 December 2011			
Operating income	3,394	87,408	90,802
Profit before tax	2,673	25,773	28,446
Tax charge			(3,102)
Net profit			**25,344**
Segment assets	105,542	2,326,595	2,432,137
Unallocated assets			47,460
Total assets			**2,479,597**
Segment liabilities	62,050	2,041,357	2,103,407
Unallocated liabilities			18,446
Equity			357,744
Total liabilities and equity			**2,479,597**

	Treasury	Retail and Commercial Banking	Total
31 December 2010			
Operating income	3,896	26,557	30,453
Loss before tax	2,181	(20,634)	(18,453)
Tax benefit			653
Net loss			**(17,800)**
Segment assets	183,985	671,499	855,484
Unallocated assets			36,932
Total assets			**892,416**
Segment liabilities	138,990	637,395	776,385
Unallocated liabilities			6,019
Equity			110,012
Total liabilities and equity			**892,416**

5 Financial risk management

(a) Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. Risk Committee of the Bank is responsible for developing and monitoring Bank risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its directives management standards, procedures and regular trainings aims to develop a disciplined and constructive control environment, in which all employees understand their roles and responsibilities.

The Bank Audit Committee is responsible to monitor the efficiency and adequacy of the Bank's Internal Control Systems framework on behalf of the Board of Directors. The Bank Audit Committee is assisted in these functions by Risk Management; Internal Control & Compliance and Internal Audit departments.

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Bank's counterparty credit exposure at the balance sheet date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the balance sheet.

The risk that counterparties to trading instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank deals with counterparties of good credit standing only.

The Bank set rating, model development and validation standards in order to estimate, identify measure, monitor, dispose, reduce and manage the credit risk. These standards have been developed to determine proper credit customers reliable in terms of credit policy. Credit Risk Reports and concentration and risk limits concerning the Bank's loan portfolio are reviewed periodically by Risk Management Department.

(Currency-Thousands of Turkish Lira (TL))

5 Financial risk management (continued)

(b) Credit risk (continued)

Collateral policy

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

The breakdown of cash loans and advances to customers by type of collateral is as follows:

	31 December 2011		
Cash Loans	**Performing**	**Non-Performing**	**Total**
Secured loans:	2,063,810	15,863	2,079,673
Secured by cash collateral	50,918	--	50,918
Secured by mortgages	703,787	11,851	715,638
Secured by government institutions or government securities	24	--	24
Other collateral (pledge on assets, vehicle, corporate and personal guarantees, promissory notes)	1,309,081	4,012	1,313,093
Unsecured loans	27,805	505	28,310
Total Cash Loans	**2,091,615**	**16,368**	**2,107,983**

	31 December 2010		
Cash Loans	**Performing**	**Non-Performing**	**Total**
Secured loans:	603,511	17,184	620,695
Secured by cash collateral	21,007	--	21,007
Secured by mortgages	499,491	15,980	515,471
Secured by government institutions or government securities	281	--	281
Other collateral (pledge on assets, vehicle, corporate and personal guarantees, promissory notes)	82,732	1,204	83,936
Unsecured loans	17,775	4,036	21,811
Total Cash Loans	**621,286**	**21,220**	**642,506**

The breakdown of non-cash loans by type of collateral is as follows:

Non-cash loans	**31 December 2011**	**31 December 2010**
Secured loans:	216,236	77,081
Secured by cash collateral	1,838	914
Secured by mortgages	21,158	2,947
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	193,240	73,220
Unsecured loans:	12,140	--
Total non-cash loans	**228,376**	**77,081**

(Currency-Thousands of Turkish Lira (TL))

5 Financial risk management (continued)

(b) Credit risk (continued)

Collateral policy (continued)

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below (*):

	31 December 2011	31 December 2010
Car	76,720	13,480
Cash and bank deposits	54,125	23,916
Mortgage	1,516,580	1,127,635
Other	631,545	167,990
Total	**2,278,970**	**1,333,021**

(*) The fair value of the collateral is not capped with the respective outstanding loan balance.

Sectoral concentration of loans and advances to customers

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of performing loans and advances to customers is shown below:

	31 December 2011	31 December 2010
Retail	270,448	309,775
Manufacturing	678,874	151,149
Service	762,071	94,180
Construction	289,794	65,079
Agriculture and stockbreeding	35,119	1,103
Other	55,309	--
Total performing loans and advances to customers	**2,091,615**	**621,286**

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the financial statements;

Gross maximum exposure	31 December 2011	31 December 2010
Balances with Central Banks (including reserve deposits)	227,281	41,523
Deposits with and loans due from banks and other financial institutions	18,903	73,346
Financial assets at fair value through profit and loss	54,132	96,869
Loans and receivables	2,099,873	629,993
Total	**2,400,189**	**841,731**
Contingent liabilities	228,376	77,081
Commitments	62,018	101,745
Total	**290,394**	**178,826**
Total credit risk exposure	**2,690,583**	**1,020,557**

(Currency-Thousands of Turkish Lira (TL))

5 Financial risk management (continued)

(b) Credit risk (continued)

Credit quality of loans and receivables as of 31 December 2011 and 2010 are as follows;

31 December 2011	Neither past due nor impaired	Past due but not impaired	Individually impaired (gross)	Total
Loans and receivables				
Commercial	1,814,826	6,341	13,944	1,835,111
Consumer	230,704	39,255	2,393	272,352
Credit Cards	482	7	31	520
Total	**2,046,012**	**45,603**	**16,368**	**2,107,983**

31 December 2010	Neither past due nor impaired	Past due but not impaired	Individually impaired (gross)	Total
Loans and receivables				
Commercial	309,314	2,306	17,215	328,835
Consumer	297,990	11,117	3,956	313,063
Credit Cards	548	11	49	608
Total	**607,852**	**13,434**	**21,220**	**642,506**

Carrying amount per class of loans and receivables assets whose terms have been renegotiated:

	31 December 2011	31 December 2010
Loans and receivables		
Commercial	12,272	2,699
Consumer	4,942	2,267
Total	**17,214**	**4,966**

Aging analysis of past due but not impaired loans per class of financial instruments:

31 December 2011	Less than 31 days	31-60 days	61-90 days	Total
Loans and receivables				
Commercial	5,054	925	362	6,341
Consumer	27,649	8,463	3,150	39,262
Total	**32,703**	**9,388**	**3,512**	**45,603**

(Currency-Thousands of Turkish Lira (TL))

5 Financial risk management (continued)

(b) Credit risk (continued)

31 December 2010	Less than 31 days	31-60 days	61-90 days	Total
Loans and receivables				
Commercial	4	2,250	52	2,306
Consumer	917	8,235	1,965	11,117
Credit cards	--	11	--	11
Total	**921**	**10,496**	**2,017**	**13,434**

(c) Liquidity risk

Liquidity risk reflects the potential inability both to finance assets over appropriate times to maturity and at suitable rates and to liquidate portfolio positions at the proper time and at reasonable prices.

The Bank maintains liquidity facilities with Central Bank of Turkey and other banks that are available immediately when needed. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Liquidity risk is continuously assessed by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy.

The table below shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal inflow / (outflow) disclosed in the above table represents the contractual undiscounted cash flows relating to the principal and interest on the financial liability. The disclosure for derivatives shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement.

31 December 2011	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Non-derivative liabilities								
Deposits from banks	45,547	45,615	751	41,062	3,802	--	--	--
Deposits from customers	2,011,789	2,046,157	106,954	906,601	736,407	296,195	--	--
Borrowings from banks	29,756	30,179	--	7,459	20,401	2,319	--	--
	2,087,092	**2,121,951**	**107,705**	**955,122**	**760,610**	**298,514**	--	--
Derivative liabilities								
Held for trading	16,315	20,712	--	6,016	5,030	6,123	3,543	--
	16,315	**20,712**	--	**6,016**	**5,030**	**6,123**	**3,543**	--
Total	**2,103,407**	**2,142,663**	**107,705**	**961,138**	**765,640**	**304,637**	**3,543**	--

(Currency-Thousands of Turkish Lira (TL))

5 Financial risk management (continued)

(c) Liquidity risk (continued)

31 December 2010	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Non-derivative liabilities								
Deposits from banks	114,708	115,634	844	--	114,790	--	--	--
Deposits from customers	635,560	637,745	50,591	475,398	110,394	1,362	--	--
Borrowings from banks	2,574	2,592	--	--	2,029	563	--	--
	752,842	**755,971**	**51,435**	**475,398**	**227,213**	**1,925**	--	--
Derivative liabilities								
Held for trading	23,543	33,379	--	10,173	2,702	4,758	13,942	1,804
	23,543	**33,379**	--	**10,173**	**2,702**	**4,758**	**13,942**	**1,804**
Total	**776,385**	**789,350**	**51,435**	**485,571**	**229,915**	**6,683**	**13,942**	**1,804**

Maturity analysis of balance sheet items is as follows:

As at 31 December 2011	Demand	Up to 1 Month	1 to 3 Months	3 months to 1 year	Over 1 year	Unallocated	Total
Assets:							
Cash and balances with the Central bank	117,507	125,878	--	--	--	--	243,385
Deposits with and loans due from banks and other financial institutions	18,903	--	--	--	--	--	18,903
Financial assets at fair value through profit and loss	--	7,173	1,970	6,873	38,116	--	54,132
Available-for-sale financial assets	--	--	--	--	15,830	14	15,844
Loans and receivables	--	637,130	319,945	525,707	608,833	8,258	2,099,873
Other assets	--	--	--	--	--	47,460	47,460
Total assets	**136,410**	**770,181**	**321,915**	**532,580**	**662,779**	**55,732**	**2,479,597**
Liabilities:							
Deposits from other banks	751	41,011	3,785	--	--	--	45,547
Customers' deposits	106,954	902,418	724,851	277,566	--	--	2,011,789
Financial liabilities at fair value through profit and loss	--	--	1,414	4,664	10,237	--	16,315
Funds borrowed	--	7,452	20,026	2,278	--	--	29,756
Other liabilities and equity	--	2,982	--	--	--	373,208	376,190
Total liabilities	**107,705**	**953,863**	**750,076**	**284,508**	**10,237**	**373,208**	**2,479,597**
Net liquidity gap	**28,705**	**(183,682)**	**(428,161)**	**248,072**	**652,542**	**(317,476)**	--
As at 31 December 2010							
Total assets	**28,808**	**184,395**	**56,308**	**143,006**	**434,239**	**45,660**	**892,416**
Total liabilities	**51,435**	**487,735**	**228240**	**11952**	--	**113,054**	**892,416**
Net liquidity gap	**(22,627)**	**(303,340)**	**(171,932)**	**131,054**	**434,239**	**(67,394)**	----

5 Financial risk management (continued)

(d) Market risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. For floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the floating rate indices.

The Bank has also established market risk management operations and has taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Internal Control and Risk Management Systems of Banks" announced in the Official Gazette dated 1 November 2006.

The following activities are carried out in order to the Bank's market risk identification, measurement, reporting and monitoring to ensure compliance with the laws of the BRSA, to minimize the losses resulting from the Bank's market risk, to improve the processes and standards.

The position that the Bank carries cannot exceed the legal limits. In addition, within the scope of Trading Policy, Value at Risk limit is determined for trading portfolio of the Bank. Necessary infrastructure is made by the Risk Management Department in order to provide the compliance with these limits following on a daily basis. Compliance control and reporting within the limits set will be made in the year 2012.

(Currency-Thousands of Turkish Lira (TL))

5 Financial risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk

"Interest rate risk" is the probability of loss due to changes in interest rates depending on the Bank's position regarding the interest bearing financial instruments. Interest rate risk arises as a result of timing differences on the re-pricing of assets and liabilities, changes in correlation of interest rates between different financial instruments and, unexpected changes in the shape and slope of yield curves. Exposure to interest rate movements arises when there is a mismatch between rate sensitive assets and liabilities.

Within the scope of Asset and Liability Management Policy, Bank's assets and liabilities are re-pricing according to the remaining maturities and applying the determined interest rate shocks the change in net economic value is calculated.

With the Interest Rate Risk Reports and stress tests on the interest rate risk of the Bank, willing to relocate risk levels are tested due to the sensitivity of the risk levels in the presence of crisis scenarios and keeping them under control is provided.

Interest rate gap analysis
The following tables indicate the periods in which financial assets and liabilities reprice as at 31 December 2011 and 31 December 2010;

2011:	Less than three months	Between three and twelve months	Over one year	Non-interest bearing	Total
Financial assets					
Cash and balances with Central Bank	--	--	--	243,385	243,385
Due from banks	--	--	--	18,903	18,903
Financial assets at FVTPL	21,209	6,999	25,924	--	54,132
Financial assets available for sale	--	--	15,830	14	15,844
Loans and advances to customers (*)	1,037,950	460,289	593,376	--	2,091,615
Financial liabilities					
Derivatives held for trading	1,414	11,664	3,237	--	16,315
Deposits from banks	44,796	--	--	751	45,547
Deposits from customers	1,627,269	277,566	--	106,954	2,011,789
Borrowings from banks	27,480	2,276	--	--	29,756

(*) The loan balance excludes non-performing loans (net)

2010:	Less than three months	Between three and twelve months	Over one year	Non-interest bearing	Total
Financial assets					
Cash and balances with Central Bank	--	--	--	55,261	55,261
Due from banks	58,276	--	--	15,070	73,346
Financial assets at FVTPL	14,755	9,175	72,939	--	96,869
Loans and advances to customers (*)	121,646	65,360	434,280	--	621,286
Financial liabilities					
Derivatives held for trading	13,472	10,071	--	--	23,543
Deposits from banks	113,864	--	--	844	114,708
Deposits from customers	583,646	1,323	--	50,591	635,560
Borrowings from banks	2,016	558	--	--	2,574

(*) The loan balance excludes non-performing loans (net)

(Currency-Thousands of Turkish Lira (TL))

5 Financial risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

The following table indicates the effective interest rates by major currencies for the major balance sheet components as at 31 December 2011 and 31 December 2010:

31 December 2011	EUR %	USD %	Other currencies %	TL %
Cash and balances with the Central Bank	--	--	--	--
Financial assets available for sale	--	9.58	--	--
Loans and advances to banks	--	--	--	--
Loans and advances to customers	7.67	7.20	6.12	15.96
Deposits from banks	0.74	3.93	--	10.50
Borrowing from banks	3.69	3.22	--	7.55
Deposits from customers	4.17	4.23	1.28	11.53
31 December 2010				
Cash and balances with the Central Bank	--	--	--	--
Loans and advances to banks	0.21	0.10	--	4.50
Loans and advances to customers	6.99	7.29	6.14	13.68
Deposits from banks	3.81	--	--	--
Borrowing from banks	3.25	2.24	--	7.57
Deposits from customers	2.60	2.81	1.47	8.56

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Bank's sensitivity to a 100 basis points (bps) increase or decrease in market interest rates shows that, when other variables kept constant, an increase in interest rates by 1% leads to decrease in net interest income ("NII") by TL 4,045 (31 December 2010: 1% increase in interest rates affects NII positively by TL 3,307), on the other hand, a decrease in interest rates by 1% leads to increase in net interest income by TL 3,774 (31 December 2010: : 1% decrease in interest rates affects NII negatively by TL 1,736) When interest rates are decreased by 1%, interest rates which go below 0% are assumed as 0%.

(Currency-Thousands of Turkish Lira (TL))

5 Financial risk management (continued)

(d) Market risk (continued)

(ii) Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The main measurement currencies of its foreign exchange operations are Euro and USD. As the currency in which the Bank presents its financial statements is the Turkish Lira (TL), the financial statements are affected by movements in the exchange rates between these currencies and TL. Currency risk is managed through VaR limits.

At 31 December 2011 and 31 December 2010, the Bank's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

	EUR	USD	CHF	Other	Total in 2011	Total in 2010
Foreign currency denominated assets:						
Cash and balances with Central Bank	5,527	158,994	639	522	165,682	48,506
Due from banks	6,847	4,979	1,164	5,791	18,781	53,334
Financial assets at FVTPL	598	10,532	--	--	11,130	4,444
Financial assets available for sale	14	15,830	--	--	15,844	14
Loans and advances to customers	309,244	654,674	194,572	--	1,158,490	462,663
Other assets	90	98	--	--	188	164
	322,320	**845,107**	**196,375**	**6,313**	**1,370,115**	**569,125**
Foreign currency denominated liabilities:						
Derivatives held for trading	--	--	--	--	--	4,553
Deposits from banks	12,579	19,881	--	121	32,581	113,864
Borrowings from banks	27,003	1,638	--	--	28,641	2,138
Derivatives held for hedging purposes	--	--	--	--	--	--
Deposits from customers	131,930	351,724	3,070	12,697	499,421	368,765
Other liabilities	1,891	2,803	--	100	4,794	485
	173,403	**376,046**	**3,070**	**12,918**	**565,437**	**489,805**
Net on-balance sheet position	148,917	469,061	193,305	(6,605)	804,678	79,320
Net off-balance sheet position	(149,154)	(472,866)	(194,796)	6,812	(810,004)	(81,156)
Net position	**(237)**	**(3,805)**	**(1,491)**	**207**	**(5,326)**	**(1,836)**

A 10 percent strengthening of the foreign currencies against TL would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent weakening of the foreign currencies against TL would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(Currency-Thousands of Turkish Lira (TL))

5 Financial risk management (continued)

(d) Market risk (continued)

(ii) Currency risk (continued)

	31 December 2011		31 December 2010	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
USD	(165)	(216)	(221)	--
EUR	(24)	--	42	--
CHF	(149)	--	(1)	--
Other currencies	21	--	(3)	--
Total, net	**(317)**	**(216)**	**(183)**	**--**

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations and are faced by all business areas.

The Bank practices policies in accordance with local regulations and in the context of best international practices for operational risk identification, measurement, mitigation, reporting and control of international best practices in the context of implementing.

Under the umbrella of operational risk, business continuity policies and procedures have been created. Business impact analysis has been made to ensure process based business continuity, critical activities of the institution and necessary resources to carry out these activities have been identified. Creation of infrastructure for the implementation of the plans is in progress through business continuity plans.

(f) Capital adequacy

The BRSA sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements the BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets (12% for banks operating in offshore markets). These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, translation reserve and minority interest after deductions for goodwill and certain cost items.
- Tier 2 capital, which includes qualifying subordinated liabilities, general impairment allowances and the element of the fair value reserve relating to unrealized gains on securities classified as available-for-sale.

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period and its capital adequacy ratio calculated in accordance with local regulations is above the minimum required ratio which is 8%.

(Currency-Thousands of Turkish Lira (TL))

6 Fair Value of Financial Instruments

The table below sets out the carrying amounts and fair values of the Bank's financial assets and financial liabilities:

31 December 2011	Financial instruments at fair value	Loans and receivables	Financial instruments at amortized cost	Total carrying amount	Fair value
Cash and balances with the Central Bank	--	243,385	--	243,385	243,385
Due from banks	--	18,903	--	18,903	18,903
Financial assets at FVTPL	54,132	--	--	54,132	54,132
Financial assets available for sale	15,830	--	14	15,844	15,844
Loans and advances to customers:	--	--	--	--	--
Measured at fair value	--	--	--	--	--
Measured at amortized cost	--	2,099,873	--	2,099,873	2,093,745
	69,962	**2,362,161**	**14**	**2,432,137**	**2,426,009**
Derivatives held for trading	16,315	--	--	16,315	16,315
Deposits from banks	--	--	45,547	45,547	45,547
Borrowings from financial institutions	--	--	29,756	29,756	29,756
Deposits form customers	--	--	2,011,789	2,011,789	2,011,789
	16,315	**--**	**2,087,092**	**2,103,407**	**2,103,407**

31 December 2010	Financial instruments at fair value	Loans and receivables	Financial instruments at amortized cost	Total carrying amount	Fair value
Cash and balances with the Central Bank	--	55,261	--	55,261	55,261
Due from banks	--	73,346	--	73,346	73,346
Financial assets at FVTPL	96,869	--	--	96,869	96,869
Loans and advances to customers:	--	--	--	--	--
Measured at fair value	--	--	--	--	--
Measured at amortised cost	--	629,993	--	629,993	626,972
	96,869	**758,600**	**--**	**855,469**	**852,448**
Derivatives held for trading	23,543	--	--	23,543	23,543
Deposits from banks	--	--	114,708	114,708	114,708
Borrowings from financial institutions	--	--	2,574	2,574	2,574
Deposits form customers	--	--	635,560	635,560	635,560
	23,543	**--**	**752,842**	**776,385**	**776,385**

Fair values of the financial assets and liabilities carried at amortized cost, except for loans and advances to customers, are considered to approximate their respective carrying values due to their short-term nature.

(Currency-Thousands of Turkish Lira (TL))

6 Fair Value of Financial Instruments (continued)

The fair values of financial assets and financial liabilities are determined as follows:

• Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

• Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

• Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

	31 December 2011			31 December 2010		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial Assets						
Financial assets at fair value through profit and loss	36,319	17,813	--	94,556	2,313	--
Financial assets available for sale	15,830	--	--	--	--	--
Financial Liabilities						
Derivatives held for trading	--	16,315	--	--	23,543	--
Derivatives used for hedging purposes	--	--	--	--	--	--

There is no transition between Level 1 and Level 2 in the current year.

7 Cash and balances with Central Bank

At 31 December 2011 and 31 December 2010, cash and balances with Central Bank are as follows:

	31 December 2011	31 December 2010
Cash on hand	16,104	13,738
Reserve deposits at the Central Bank-free	101,402	5,411
Reserve deposits at the Central Bank-restricted	125,879	36,112
Cash and balances with the Central Bank	**243,385**	**55,261**
Due from other banks	**18,903**	**73,346**
Less: Reserve deposits-restricted	(125,879)	(36,112)
Less: Blocked deposits	(4,555)	(14,273)
Less: Obligations under repurchase commitments	(6,831)	--
Less: Interest income/expense accruals (net)	4	(29)
Cash and cash equivalents in the statements of cash flows	**125,027**	**78,193**

(Currency-Thousands of Turkish Lira (TL))

7 Cash and balances with Central Bank (continued)

Reserve deposits at Central Bank represent the minimum cash reserve maintained with the Central Bank of Turkey (the Central Bank), as required by the Turkish Banking Law, calculated on the basis of customer deposits taken at the rates determined by the Central Bank. At 31 December 2011, reserve deposit ratios for Turkish Lira and foreign currency deposits are 5%-11% and 9%-11% (31 December 2010: 6% and 11%). Restricted reserve deposits are not available for the daily business of the Bank. As at 31 December 2011, interest rate for reserve deposits is nil for TL (31 December 2010: 0%).

8 Due from banks

At 31 December 2011 and 31 December 2010, due from banks are as follows:

	31 December 2011	31 December 2010
Turkish Lira	122	12
Foreign Currency	18,781	15,063
Demand	**18,903**	**15,075**
Turkish Lira	--	20,000
Foreign Currency	--	38,271
Time	**--**	**58,271**
Total due from banks	**18,903**	**73,346**

As at 31 December 2011, there is no time deposit due from banks (31 December 2010: Time deposits due from banks mature in 4 days). (31 December 2010: Interest rates on time deposits due from banks are 0.21%, 0.10% and 4.50% for EUR, USD and TL, respectively). The Bank has TL 4,555 blocked deposit accounts for the derivative contracts with the banks abroad (31 December 2010: TL 14,273).

9 Financial assets and liabilities

a) Financial assets

Financial assets at FVTPL

At 31 December 2011 and 31 December 2010, financial asset at FVTPL are as follows:

	31 December 2011			31 December 2010		
	Pledged	Non-pledged	Total	Pledged	Non-pledged	Total
Debt instruments	**13,504**	**22,815**	**36,319**	**3,633**	**90,923**	**94,556**
Government bonds	13,504	12,634	26,138	3,633	87,954	91,587
Eurobonds	--	1,744	1,744	--	2,969	2,969
Corporate and bank bonds	--	8,437	8,437	--	--	--
Derivatives held for trading purpose	**--**	**17,813**	**17,813**	**--**	**2,313**	**2,313**
-Forwards	--	1,691	1,691	--	685	685
-Cross currency and interest rate swaps	--	163	163	--	352	352
-Currency swaps	--	14,875	14,875	--	1,074	1,074
- Options	--	1,084	1,084	--	202	202
Total financial assets at FVTPL	**13,504**	**40,628**	**54,132**	**3,633**	**93,236**	**96,869**

(Currency-Thousands of Turkish Lira (TL))

9 Financial assets and liabilities (continued)

a) Financial assets (continued)

Financial assets at FVTPL (continued)

As of 31 December 2011, government securities with carrying values of TL 6,605 (31 December 2010: TL 3,633) are pledged to the Central Bank and the IMKB Takas ve Saklama Bankası Anonim Şirketi (İstanbul Stock Exchange Clearing and Custody Incorporation) for regulatory requirements and as a guarantee for stock exchange and money market operations (31 December 2010: None). TL 6,899 of the pledged trading assets presented in the table above are those financial assets that may be repledged or resold by counterparties (31 December 2010: None).

TL 12,278 (31 December 2010: TL 16,550) of debt securities have floating interest rates, whereas the rest of the debt securities have fixed interest rates.

Average interest rates for TL, EUR and USD denominated financial assets at FVTPL are %10.74, %4.95 and %6.19 respectively (31 December 2010: %8.40, %5.64 and %7.32 respectively).

Financial assets available for sale

	31 December 2011	31 December 2010
Debt instruments		
Corporate and bank bonds	15,830	--
Equity instruments	14	14
Total financial assets available for sale	**15,844**	**14**

Available for sale debt securities have fixed interest rates with a %9.58 and are denominated in USD (31 December 2010: None).

b) Financial liabilities at FVTPL

At 31 December 2011 and 31 December 2010, derivative liabilities held for trading are as follows:

	31 December 2011	31 December 2010
Derivatives held for trading		
- Foreign currency swaps	644	11,445
- Cross currency and interest rate swaps	15,671	12,098
Total financial liabilities at FVTPL	**16,315**	**23,543**

(Currency-Thousands of Turkish Lira (TL))

10 Loans and advances to customers

At 31 December 2011 and 31 December 2010, loans and advances to customers are as follows:

	31 December 2011	31 December 2010
Consumer loans and individual credit cards		
Consumer loans-TL		
Housing loans	21,798	39,626
Vehicle loans	992	252
General purpose loans	20,784	11,140
Others	--	1
Consumer loans-FC Indexed		
Housing loans	219,845	247,988
Vehicle loans	9	447
General purpose loans	8,509	12,792
Individual credit cards-TL		
With installment	--	--
Without installment	461	552
Individual credit cards-FC		
With installment	--	--
Without installment	26	5
Personnel loans		
General purpose loans	318	154
Overdraft account-TL	309	435
	273,051	**313,392**
Commercial loans and corporate credit cards		
Commercial loans with installments-TL		
Housing loans	66	97
Vehicle loans	3,250	1,244
General purpose loans	108,955	44,600
Others	--	3,043
Commercial loans with installments-FC		
Housing loans	10,817	13,869
Vehicle loans	1,379	2,521
General purpose loans	152,639	110,527
Others	--	1,575
Corporate credit cards-TL		
With installment	--	--
Without installment	2	2
Overdraft accounts-TL	4,106	1,425
Spot loans	416,722	69,107
Revolving loans	389,286	45,092
Investment loans	349,760	2,167
Export loans	171,275	17,245
Other loans	216,764	228
	1,825,021	**312,742**
Unearned commission income	**(6,457)**	**(4,848)**
Total performing loans	**2,091,615**	**621,286**
Overdue loans	**16,368**	**21,220**
Total gross loans	**2,107,983**	**642,506**
Allowance for loan losses	(8,110)	(12,513)
Loans and advances to customers	**2,099,873**	**629,993**

(Currency-Thousands of Turkish Lira (TL))

10 Loans and advances to customers (continued)

Movement in the allowance for specific and collective loan losses as at 31 December 2011 and 31 December 2010 is as follows:

	31 December 2011	31 December 2010
Balance at 1 January	12,513	8,047
Write-off (*)	(3,666)	(121)
Allowance /(reversal) for the year	(737)	4,587
Balance at year end	**8,110**	**12,513**

(*) 3,100 TL of the Bank's full provision allocated non-performing loans were sold for 150 TL and after the completion of the procedures on 27 June 2011, the sale amount has been collected and those loans have been derecognized from non-performing loan account. Moreover, the loans having the net book value of 12 TL, the gross value of 474 TL have been sold for 369 TL and the sale amount has been recognized as revenue.

The sources of the allowance for the year on loans and advances to customers are as follows:

	31 December 2011	31 December 2010
Specific allowance/(reversal)	(1,224)	3,631
Collective allowance/(reversal)	487	956
Allowance for loans and advances to customers	**(737)**	**4,587**

11 Other assets

At 31 December 2011 and 31 December 2010, other assets comprised the following items:

	31 December 2011	31 December 2010
Non-current assets held for sale (*)	6,871	1,883
Prepaid rent	781	779
Investment funds receivables	157	1,269
Prepaid insurance	13	47
Other	1,192	866
	9,014	**4,844**

(*) Certain non-current assets primarily related to the collateral collected on non-performing loans are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Movement of non-current assets held for sale is as follows:

	2011	2010
Opening balance, 1 January	**1,883**	--
Additions	6,508	4,327
Disposal	(1,520)	(2,444)
Balance at 31 December	**6,871**	**1,883**

(Currency-Thousands of Turkish Lira (TL))

12 Property and equipment

Movement in property and equipment during the year ended 31 December 2011 is as follows:

	Furniture, fixture and equipment
Balance at 1 January 2011:	
Cost	22,306
Accumulated depreciation	(15,180)
Opening net book amount	**7,126**
Additions	8,615
Disposals (net)	(258)
Depreciation charge	(3,360)
Balance at 31 December 2011:	**12,123**

Movement in property and equipment during the year ended 31 December 2010 is as follows:

	Furniture, fixture and equipment
Balance at 1 January 2010:	
Cost	22,171
Accumulated depreciation	(13,589)
Opening net book amount	**8,582**
Additions	478
Disposals (net)	(136)
Depreciation charge	(1,798)
Balance at 31 December 2010:	**7,126**

Depreciation is calculated on the inflation indexed cost amounts for the property and equipment acquired before 1 January 2006 and calculated on the historical cost amounts for the property and equipment acquired after 1 January 2006.

(Currency-Thousands of Turkish Lira (TL))

13 Intangible assets

Movement in intangible assets during the year ended 31 December 2011 is as follows:

	Software	Other	Carrying Value
Balance at 1 January 2011:			
Cost	22,797	5,572	28,369
Accumulated amortization	(20,785)	(5,540)	(26,325)
Opening net book amount	**2,012**	**32**	**2,044**
Additions	5,486	231	5,717
Disposals	--	--	--
Amortization charge	(1,645)	(41)	(1,686)
Balance at 31 December 2011:	**5,853**	**222**	**6,075**

Movement in intangible assets during the year ended 31 December 2010 is as follows:

	Software	Other	Carrying Value
Balance at 1 January 2010:			
Cost	21,736	5,572	27,308
Accumulated amortization	(19,723)	(5,519)	(25,242)
Opening net book amount	**2,013**	**53**	**2,066**
Additions	1,061	--	1,061
Disposals	--	--	--
Amortization charge	(1,062)	(21)	(1,083)
Balance at 31 December 2010:	**2,012**	**32**	**2,044**

14 Deposits from banks

At 31 December 2011 and 31 December 2010, deposits from banks comprised the following items:

	31 December 2011	31 December 2010
Time deposits in FC	32,079	113,864
Time deposits in TL	5,886	--
Obligations under repurchase commitments from banks	6,831	--
Demand deposits in TL	502	844
Demand deposits in FC	249	--
	45,547	**114,708**

At 31 December 2011, foreign currency denominated term deposits mature in 12 days (31 December 2010: 77 days). Interest rates on EUR denominated term deposits from banks range between 0.70% and 0.75% (31 December 2010: 2.85% and 3.91%). Interest rates on USD denominated term deposits from banks range between 0.40% and 5.00% (nil on 31 December 2010).

(Currency-Thousands of Turkish Lira (TL))

15 Deposits from customers

At 31 December 2011 and 31 December 2010, deposits from customers comprised the following items:

	31 December 2011			31 December 2011		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Saving deposits	71,255	1,404,083	1,475,338	42,169	550,731	592,900
FC Deposits	66,053	433,368	499,421	37,358	331,407	368,765
TL Deposits	5,202	970,715	975,917	4,811	219,324	224,135
Commercial deposits	35,461	500,752	536,213	8,389	34,173	42,562
Non-commercial institutions' deposit	238	--	238	33	65	98
Total deposits from customers	**106,954**	**1,904,835**	**2,011,789**	**50,591**	**584,969**	**635,560**

At 31 December 2011, interest rates on term deposits in TL range between 4.25% and 12.80% (31 December 2010: 3.00% and 10.60%), interest rates on term deposits in EUR range between 0.40% and 5.4% (31 December 2010: between 0.25% and 3.75%), interest rates on term deposits in USD range between 0.25% and 5.50% (31 December 2010: between 0.25% and 4.00%), interest rates on term deposits in CHF range between 0.75% and 1.50% (31 December 2010: between 0.50% and 2.25 %) and interest rates on term deposits in GBP range between 0.25% and 4% (31 December 2010: between 0.25% and 2.65%).

16 Other liabilities and provisions

At 31 December 2011 and 31 December 2010, other liabilities comprised of the following items:

	31 December 2011	31 December 2010
Taxes and duties withheld	6,012	2,024
Check clearance	3,808	94
Unused vacation pay liability	1,687	1,556
Payables to consultants and suppliers	1,465	186
Payment transfer orders	1,399	--
Blocked cheques	1,310	77
Unearned commission income	113	230
Miscellaneous payables	87	353
Others	1,269	371
Other liabilities	**17,150**	**4,891**
Provision for lawsuits	973	802
Employee termination benefits	323	326
Provisions	**1,296**	**1,128**
Total	**18,446**	**6,019**

(Currency-Thousands of Turkish Lira (TL))

16 Other liabilities and provisions (continued)

Employee Termination Benefits

In accordance with existing social legislation, the Bank is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 2,731.85 (full TL) and TL 2,517.01 (full TL) at 31 December 2011 and 2010, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination.

The principal actuarial assumptions used in the calculation of the total liability at the balance sheet dates are as follows:

	31 December 2011	31 December 2010
Discount rate	10.0 %	10.0 %
Expected rate of inflation	5.1 %	5.1 %

Movements in the present value of the employee termination benefits in the current year were as follows:

	2011	2010
Opening, 1 January	326	256
Current service cost	407	73
Interest cost	19	15
Benefits paid	(429)	(18)
Closing, 31 December	**323**	**326**

17 Borrowings from banks

Borrowings from banks as of 31 December 2011 and 2010 comprised the following items:

	31 December 2011	31 December 2010
Borrowing from Banks		
Turkish Lira	1,115	436
Foreign Currency	28,641	2,138
	29,756	**2,574**

(Currency-Thousands of Turkish Lira (TL))

18 Taxation

The Bank is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Corporation tax is computed on the statutory income tax base determined in accordance with Tax Procedural Law. Corporate tax rate is 20%.

Turkish tax legislation provides for a temporary tax to be calculated and paid based on earnings generated for each quarter. The temporary tax rate used in determining the temporary tax is 20%. The temporary taxes paid quarterly are offset against the final tax liability for the year. The final corporation tax, after deducting the quarterly payments, becomes due and is paid in one installment by 30 April.

In Turkey, the Tax Procedural Law does not provide a procedure for final agreement of tax assessments. Tax returns are required to be filed within the fourth month following the balance sheet date. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred.

For the years ended 31 December 2011 and 2010, taxation credit comprised the following:

	31 December 2011	31 December 2010
Current tax charge	--	--
Deferred tax benefit	(3,102)	653
Total	**(3,102)**	**653**

The Bank utilized the carry forward tax losses of 8,694 TL for the temporary corporate tax calculations in the current year.

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to loss from operations before provision for taxes on income as shown in the following reconciliation:

	31 December 2011	31 December 2010
Profit/(loss) before income tax	**28,446**	**(18,453)**
At statutory income tax rate	(5,689)	3,691
Nondeductible expenses	(304)	(116)
Other tax exempt income	95	170
Utilization of previously unrecognized tax losses	1,739	--
Other temporary differences	1,057	(437)
Taxation	**(3,102)**	**3,308**
Allowance for deferred tax	--	**(2,655)**
Tax charge	**(3,102)**	**653**

(Currency-Thousands of Turkish Lira (TL))

18 Taxation (continued)

Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2011 and 31 December 2010 are attributable to the items detailed in the table below:

	31 December 2011	31 December 2010
Deferred tax assets		
Statutory losses carried forward	21,078	22,757
Unearned revenue	1,291	970
Derivatives held for trading purpose	--	4,246
Provision for vacation pay	337	311
Reserve for employee severance indemnity	65	65
Allowance for loan losses	664	1,032
Others	442	114
Total deferred tax assets	23,877	29,495
Deferred tax liabilities		
Fair value of loans and advances to customers	607	3,456
Derivatives held for trading purpose	2,636	--
Others	386	465
Total deferred tax liabilities	3,629	3,921
Net deferred tax assets	**20,248**	**25,574**
Allowance for deferred tax asset	**--**	**(2,655)**
Net deferred tax asset after allowances	**20,248**	**22,919**

As at 31 December 2011 and 31 December 2010, the breakdown of the tax losses carried forward in terms of their final years of utilization is as follows:

	31 December 2011	31 December 2010
Expiry years of the tax losses carried forward		
2011	--	6,898
2013	62,944	64,444
2014	19,837	19,837
2015	22,608	22,608
	105,389	**113,787**

The movement of deferred tax asset is as follows:

	31 December 2011	31 December 2010
Balance at the beginning of the period	**22,919**	**22,266**
Deferred tax charged to income statement	(3,102)	3,308
Deferred tax recognised under equity	431	--
Allowance for deferred tax asset	--	(2,655)
Balance at the end of the period	**20,248**	**22,919**

(Currency-Thousands of Turkish Lira (TL))

19 Share capital and capital advance

The Bank increased its nominal capital by 122,465 TL as of 15 March 2011, which was 202,535 TL on 31 December 2010. After the capital increase, the share of Credit Europe Bank N.V. which was %95 as of 31 December 2010 has increased to 97% and the share of Banco Comercial Portugues S.A has decreased from 5% to 3%. At 31 December 2011, the total statutory nominal value of authorized and paid-in share capital of the Bank is TL 325,000 represented by 32,500,000,000 registered shares of one 0.01 Turkish Liras each (31 December 2010: TL 202,535 represented by 202,535,316,000 registered shares of one 0.001 Turkish Liras each). All of the shares are ordinary shares, there is no preferred share.

As of 20 September 2011, the Bank has taken a decision to increase its paid in capital by 41,000,000 Euro in terms of TL equivalent. TL 52,250 of the capital increase was transferred to the Bank on 10 October 2011; while the remaining TL 49,400 was transferred on 1 December 2011. As of 31 December 2011, such amounts are classified as "capital advance" under shareholders' equity. Therefore, the Bank's nominal capital has increased to TL 426,650. After the approval of Banking Regulation and Supervision Agency, General Assembly was held on 26 January 2012 and the increase in paid in capital was registered.

At 31 December 2011, the restatement effect of paid in capital is TL 19,939 (31 December 2010: TL 19,939).

20 Accumulated losses

At 31 December 2011 and 2010, accumulated losses are TL 87,118 and TL 112,462, respectively which include gain on sale of building amounting to TL 9,502 which will be kept in a special fund account under equity for tax compliance purposes for five years as part of tax exemption and accumulated carry forward losses of prior years'.

21 Unrealized losses on available-for-sale investments, net of tax

At 31 December 2011, unrealized gross loss on available-for-sale investments is TL 2,158. The tax effect of unrealized losses on available-for-sale investments is TL 431, and the net unrealized loss amount is TL 1,727 (31 December 2010: None).

22 Commitments and contingent liabilities

22.1 Letters of guarantee and credit

As at 31 December 2011, the Bank is contingently liable for letters of guarantee and credit given amounting to TL 228,376 (31 December 2010: TL 77,081).

22.2 Other commitments

	31 December 2011	**31 December 2010**
Asset buy-sell commitments	--	87,845
Commitments for credit card expenditure limits	4,861	5,384
Commitments for credit card and retail banking promotions	80	120
Payment commitments for cheques	19,425	6,083
Other irrevocable commitments	37,652	2,313
Total	**62,018**	**101,745**

(Currency-Thousands of Turkish Lira (TL))

22 Commitments and contingent liabilities (continued)

22.3 Derivative contracts

Commitments for purchase of foreign currencies under option, forward and swap contracts at 31 December 2011 and 31 December 2010 are as follows:

	31 December 2011	31 December 2010
	Purchase	**Purchase**
Forward buy-sell commitments	246,570	3,104
Swap agreements for trading purposes	1,527,396	740,663
Options	227,187	39,167
Forward agreements for trading purposes	210,726	11,206
	2,211,879	**794,140**

Maturity analysis of derivative instruments is as follows:

31 December 2011	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Interest rate swaps	--	--	--	--	--	--
Cross currency swaps	--	373,413	190,983	--	--	564,396
Forward and swap exchange contracts	1,109,752	85,908	142,883	81,753	--	1,420,296
Options	177,272	41,511	8,404	--	--	227,187
Total	**1,287,024**	**500,832**	**342,270**	**81,753**	--	**2,211,879**

31 December 2010	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Interest rate swaps	--	--	--	23,466	253,015	276,481
Cross currency swaps	--	--	10,287	--	15,962	26,249
Forward and swap exchange contracts	399,672	52,571	--	--	--	452,243
Options	35,634	3,533	--	--	--	39,167
Total	**435,306**	**56,104**	**10,287**	**23,466**	**268,977**	**794,140**

(Currency-Thousands of Turkish Lira (TL))

23 Related parties

For the purpose of this report, the Bank's ultimate parent company, Credit Europe Bank N.V. and all its subsidiaries, and the ultimate owners, directors and executive officers of Fibabanka A.Ş. are referred to as related parties. During the course of the business, the Bank has made placements with and also received deposits from them at various terms.

Until the sale process of the Bank was completed on December 27, 2010, the parent company was Banco Comercial Portugues. The BCP, its affiliates and the members of the Board of Directors constituted the related parties before this date and transactions with the BCP have been presented below as related party transactions.

(a) Millennium BCP Group:

Transactions with related parties

	31 December 2011	31 December 2010
Interest income	--	117
Interest expense	--	1,166
Net trading expense	--	7,131
Non cash loan commission income	--	18

Non cash loans to related parties

	31 December 2011	31 December 2010
	--	450

(b) Credit Europe Bank N.V.:

Balances with related parties

	31 December 2011	31 December 2010
Due from banks – Credit Europe Bank N.V.	9,857	--
Deposit from banks - Credit Europe Bank N.V.	379	113,864

Transactions with related parties

	31 December 2011	31 December 2010
Interest income	10	18
Interest expense	1,235	51
Net trading income	1,147	149
Non cash loan commission expense	3	--

(Currency-Thousands of Turkish Lira (TL))

23 Related parties (continued)

(b) *Credit Europe Bank N.V. (continued):*

Non cash loans to related parties

	31 December 2011	31 December 2010
	10,847	--

Interest and commission rates applicable to these transactions approximate the market rates.

Derivative transactions with related parties

	31 December 2011		31 December 2010	
	Purchase	Sale	Purchase	Sale
Swap agreements for trading purposes	1,702,300	1,693,072	375,745	381,572
Options	2,834	3,150	--	--
	1,705,134	**1,696,222**	**375,745**	**381,572**

(c) *Other related parties*

Other related parties stand for the other real persons (members of board of directors or indirect shareholders) and legal entities directly or indirectly owned by the shareholders of the Bank.

	31 December 2011	31 December 2010
Deposits from other related parties	94,824	--
Non cash loans to other related parties	999	--
Interest expense	1,975	--

(d) *Remuneration and benefits of key management*

The key management and the members of the Board of Directors received remuneration and fees totaling TL 2,250 for the year ended 31 December 2011 (31 December 2010: TL 1,896).

24 Net interest income

	31 December 2011	31 December 2010
Interest income		
Loans and advances to customers	161,681	64,035
Due from banks	3,556	5,683
Derivative assets	7,952	6,793
Debt instruments	3,422	1,827
Others	3	28
	176,614	**78,366**
Interest expense		
Deposits from banks and customers	84,072	38,400
Saving deposits insurance	1,591	1,162
Fund borrowed	13,523	65
Derivative liabilities	5,558	18,890
Obligations under repurchase agreements	407	29
Other	200	--
	105,351	**58,546**
Net interest income	**71,263**	**19,820**

(Currency-Thousands of Turkish Lira (TL))

25 Fees and commission income and expense

	31 December 2011	31 December 2010
Project commissions (*)	6,994	264
Asset management fees (**)	1,874	2,044
Commissions from non-cash loans	2,168	640
Others	2,036	2,335
Fees and commission income	**13,072**	**5,283**

(*) Project commission fees relate to fees earned by the Bank through loan intermediary services between the customers and credit institutions.

(**)Asset management fees relate to fees earned by the Bank on investment funds and accounts.

	31 December 2011	31 December 2010
Payment and transaction fees	(268)	(175)
Credit card fees	(377)	(307)
Other	(398)	(255)
Fees and commission expense	**(1,043)**	**(737)**

26 Net trading income

	31 December 2011	31 December 2010
Gains on derivative transactions	3,914	2,877
Foreign exchange gain /(losses)	1,300	(2,875)
Gain on sale of debt instruments, net	568	3,055
	5,782	**3,057**

27 Other Income

	31 December 2011	31 December 2010
Bonus accrual reversal	--	1,440
Gain on sale of non-current assets held for sale and tangible assets	593	1,216
Gain on sale of non-performing loans	519	--
Others	616	374
	1,728	**3,030**

28 Personnel Expenses

	31 December 2011	31 December 2010
Wages and salaries	24,464	17,370
Social security premiums	3,914	2,607
Employee health insurance expenses	1,001	1,114
Termination and vacation pay expenses	2,313	357
Others	3,004	2,781
	34,696	**24,229**

(Currency-Thousands of Turkish Lira (TL))

29 Other Expenses

	31 December 2011	31 December 2010
Rent expenses	7,838	5,832
Information technology expenses	3,018	2,687
Telecommunication expenses	1,744	1,383
Taxes other than on income	2,276	1,738
Consultancy expenses	1,106	919
Transportation expenses	1,220	618
Electricity expenses	578	515
Cleaning expenses	696	501
Office supplies	554	187
Maintenance expenses	351	228
Advertisement expenses	1,288	38
Others	2,682	2,563
	23,351	**17,209**

30 Subsequent events

On 2 December 2011, BRSA has given permission for issuing bond with a maturity up to 360-days and 150,000 TL limit. The offering circular has been approved by the Capital Market Board on 10 January 2012 and it has been registered to the Istanbul Trade Register Office on 19 January 2012. The Bank has issued 75 million TL zero coupon bond with 31 August 2012 maturity date on 29 February 2012, 1 March 2012 and 2 March 2012.

As of 20 September 2011, the Bank has taken a decision to increase its paid in capital by 41,000,000 Euro in terms of TL equivalent. The first tranche of the related increase was transferred to the Bank on 10 October 2011 as 52,250 TL; the second tranche was transferred on 1 December 2011 as 49,400 TL. As of 31 December 2011, such amounts have been accounted as capital advance. Following the approval of BRSA, the extraordinary General Assembly was held on 26 January 2012 and the increase in paid in capital recorded as "capital advance" was registered. Therefore, the Bank's nominal capital has increased to 426,650 TL.