

**TURKLAND BANK ANONİM ŐİRKETİ**

**INDEPENDENT AUDITOR'S REPORT, UNCONSOLIDATED  
FINANCIAL STATEMENTS AND NOTES FOR THE YEAR  
ENDED DECEMBER 31, 2011**

*Translated into English from the Original Turkish Report and  
Financial Statements*

To the Board of Directors of  
Turkland Bank A.Ş.  
İstanbul

*"Translated into English from the Original Turkish Report and Financial Statements"*  
**TURKLAND BANK ANONİM ŞİRKETİ**

**INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR JANUARY 1, 2011– DECEMBER 31, 2011**

We have audited the accompanying balance sheet of Turkland Bank A.Ş. as at December 31, 2011, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Responsibility of the Bank's Board of Directors for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

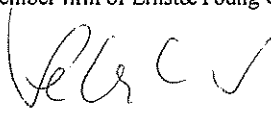
**Independent Auditor's Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Turkland Bank A.Ş. as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article No: 37 of the Banking Act No: 5411, and other regulations, communiqués, circulars and pronouncements made by the BRSA in respect of accounting and financial reporting.

**Additional Paragraph for English Translation**

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst&Young Global Limited

  
Selim Elhedef  
Partner

İstanbul, March 1, 2012

**THE UNCONSOLIDATED FINANCIAL REPORT OF TURKLANDBANK A.Ş.  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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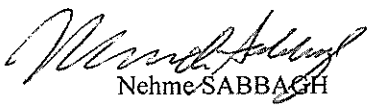
E-mail Address : [t-bank@turklandbank.com](mailto:t-bank@turklandbank.com)

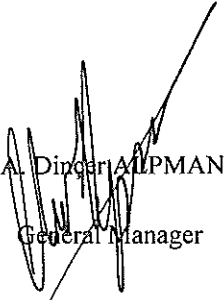
The year end unconsolidated financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:


- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELEVANT PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

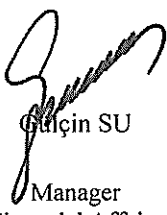
The unconsolidated financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in thousands of Turkish Lira, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.

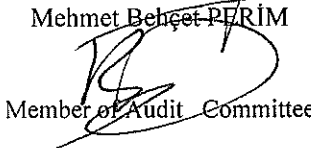
January 31, 2012.

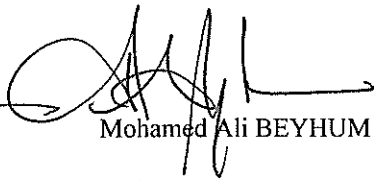
  
Nehme SABBAGH  
Chairman of the Board  
of Directors

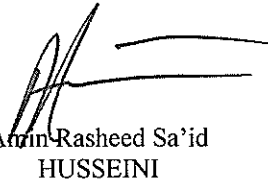
  
A. Dincer ALPMAN  
General Manager

  
Mehmet ÖZGÜNER  
Executive Vice President

  
Gülçin SU  
Manager  
Financial Affairs

  
Mehmet Behçet PERİM  
Member of Audit Committee

  
Mohamed Ali BEYHUM  
Member of Audit Committee

  
Anın-Rasheed Sa'id  
HUSSEINI  
Member of Audit Committee

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname / Title : Sevgi Üstün / Assistant Manager  
Telephone Number : (0212) 368 37 24  
Fax Number : (0212) 368 35 35

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*(Translated into English from the Original Turkish Report and Financial Statements)*  
**TURKLANDBANK ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2011**  
*(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)*

**SECTION ONE**

**GENERAL INFORMATION**

**I. Bank's Incorporation Date, Beginning Statue, Changes in the Existing Statue**

Turkland Bank Anonim Şirketi ("the Bank"), was established in 1991 in İstanbul under the name of "Bahreyn ve Kuveyt Bankası Anonim Şirketi" (BB&K). Its name was changed as "Tasarruf ve Kredi Bankası Anonim Şirketi" with its acquisition by Doğu Group in 1992. After the change in the name of the bank as "Garanti Yatırım ve Ticaret Bankası Anonim Şirketi" in 1994, Mehmet Nazif Günel (the main shareholder of MNG Group Companies) has acquired the Bank in 1997 and the name of the Bank has been changed as "MNG Bank Anonim Şirketi".

An agreement has been made with Arab Bank and BankMed for the sale of 91% of MNG Bank's shares in mid of 2006 and this agreement was approved by Banking Regulation and Supervision Agency (BRSA) on December 29, 2006. In this regard, while Arab Bank and BankMed purchasing 50% and 41% of MNG bank shares respectively, Mehmet Nazif Günel retained 9% of the shares. Transfer of the Bank was made on January 29, 2007. The title of the Bank was changed as "Turkland Bank Anonim Şirketi" with the amendment to the Articles of Association by the decision of the Extraordinary General Assembly at the meeting on March 22, 2007.

On April 3, 2007, "MNG BANK Anonim Şirketi" title of the bank was registered as "TURKLAND BANK Anonim Şirketi".

According to the Share Sale and Purchase Agreement and Board of Directors' Decision dated February 26, 2010 and July 15, 2010 respectively, Mehmet Nazif Günel's 153 million shares with TRY 15,300 Thousand nominal value were purchased by BankMed SAL. As of July 22, 2010 the share transfer was realized.

According to the Extraordinary General Assembly decision dated May 30, 2011, it was decided to increase the Bank's capital from TRY 170,000 Thousand to TRY 300,000 Thousand, and it was registered in the Turkish Trade Registry Gazette dated June 20, 2011 numbered 7840. According to the BRSA approval dated September 15, 2011 numbered 4381 the unused preemptive right of Arab Bank Plc amounting to TRY 65,000 Thousand have been used by Arab Bank (Switzerland) Ltd (ABS). Capital commitments which are amounting to TRY 130,000 Thousand have been paid by shareholders and according to the BRSA decision dated October 20, 2011 numbered 22244 it has been transferred to the capital accounts.

**II. Explanations Regarding Bank's Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Bank**

As of December 31, 2011 ,the shareholders' structure and their ownerships are summarized as follows:

Name of shareholders	Share Amount	Share Ratios %	Paid up Shares	Unpaid Shares
ARAB BANK PLC	84,999.99	%28,3	84,999.99	-
ARAB BANK (Switzerland)	65,000.00	%21,7	65,000.00	-
BANKMED, SAL	149,999.99	%50	149,999.99	-
OTHERS	<1	%0	<1	-
<b>Total</b>	<b>300,000.00</b>	<b>%100</b>	<b>300,000.00</b>	<b>-</b>

As of December 31, 2011 the nominal value of the Bank's paid-in-capital amounting to TRY 300,000 Thousand consists of 3,000 million shares.

(Translated into English from the Original Turkish Report and Financial Statements)

**TURKLANDBANK ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2011**

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

**III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Their Shares and Areas of Responsibility in the Parent Bank**

<u>Title:</u>	<u>Name and Surname:</u>	<u>Responsibility</u>	<u>Education:</u>
Chairman of the Board of Directors	NEHME SABBAGH	Chairman	Master Degree
Members of the Board of Directors	AMIN RASHEED SAID HUSSEINI	Vice Chairman and Member of Audit Committee	Master Degree
	MEHMET BEHÇET PERİM	Member of Audit Committee	Master Degree
	MOHAMED ALI BEYHUM	Member of Audit Committee	Master Degree
	HENRI MARIE RENE JACQUAND	Member	Master Degree
	MUSTAFA SELÇUK TAMER	Member	Bachelor's Degree
	RIAD BURHAN TAHER KAMAL	Member	Master Degree
	NADYA NABIL TAWFIK TALHOUNI	Member	Bachelor's Degree
FATEN MATAR	Member	Master Degree	
General Manager and Member of the Board of Directors	A.DİNÇER ALPMAN	Chief Executive Officer	Bachelor's Degree
Assistant General Managers	MEHMET ÖZGÜNER	Finance	Bachelor's Degree
	MÜNEVVER ERÖZ	Treasury and Financial Institutions	Master Degree
	DORUK PARMAN	Marketing Sales	PHD Degree
	İLHAN ZEKİ KÖROĞLU	Operation and Information Technologies	Bachelor's Degree
	YURDAKUL ÖZDOĞAN	Credit & Follow up	Bachelor's Degree
	HAKKI YILDIRMAZ	Human Resources	PHD Degree
Statutory Auditors	ÖZGÜR ÇELİK	Auditor	Bachelor's Degree
	OSMAN BAYDOĞAN	Auditor	Bachelor's Degree

(\*) The above stated persons do not have Bank shares.

**IV. Information About The Persons and Institutions That Have Qualified Shares:**

Information about the persons and institutions that have qualified shares as of December 31, 2011:

Name of shareholders	Share Amount	Share Ratios %	Paid up Shares	Unpaid Shares
ARAB BANK PLC	84,999.99	%28,3	84,999.99	-
ARAB BANK (Switzerland)	65,000.00	%21,7	65,000.00	-
BANKMED, SAL	149,999.99	%50	149,999.99	-
OTHERS	<1	%0	<1	-
Total	300,000.00	%100	300,000.00	-

*(Translated into English from the Original Turkish Report and Financial Statements)*

**TURKLANDBANK ANONİM ŞİRKETİ**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2011**

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

**V. Summary on the Bank's Functions and Areas of Activity**

The Bank has 27 branches and 496 personnel. The Bank has no subsidiaries in the financial sector.  
(December 31, 2010: 27 branches, 510 personnel)

The Bank was established with private capital, has the authority to accept deposits and its operations are mostly based on retail and corporate banking transactions. As it is indicated in Articles of Association, the Bank is mainly dealing in the transactions below:

- a. Acceptance of Deposit
- b. Corporate and Retail Banking
- c. Foreign Trade
- d. Capital Market Transactions
- e. Bank Assurance

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

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(Translated into English from the Original Turkish Report and Financial Statements)

**TURKLAND BANK ANONİM ŞİRKETİ**

**BALANCE SHEETS AS OF DECEMBER 31, 2011 AND 2010**

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

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

	Note Ref (Section Five)	Audited Current Period 31.12.2011			Audited Prior Period 31.12.2010		
		TRY	FC	Total	TRY	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	I-1	69,498	131,417	200,915	48,291	65,119	113,410
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	I-2	186	57	243	432	12	444
2.1 Financial assets held for trading		186	57	243	432	12	444
2.1.1 Public sector debt securities		177	-	177	432	-	432
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		9	57	66	-	12	12
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	I-3	17	80,353	80,370	22	79,914	79,936
<b>IV. MONEY MARKET PLACEMENTS</b>		80,043	-	80,043	14,003	-	14,003
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		80,043	-	80,043	14,003	-	14,003
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	I-4	238,886	44,451	283,337	181,199	38,915	220,114
5.1 Share certificates		75	-	75	75	-	75
5.2 Public sector debt securities		238,811	44,451	283,262	181,124	38,915	220,039
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	I-5	1,239,341	229,377	1,468,718	799,095	204,127	1,003,222
6.1 Loans and receivables		1,215,999	229,377	1,445,376	776,105	204,127	980,232
6.1.1 Loans to risk group of the Bank		-	69	69	-	-	-
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		1,215,999	229,308	1,445,307	776,105	204,127	980,232
6.2 Non-performing loans		39,333	-	39,333	40,136	-	40,136
6.3 Specific provisions (-)		(15,991)	-	(15,991)	(17,146)	-	(17,146)
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	I-6	53,738	-	53,738	47,882	-	47,882
8.1 Public sector debt securities		53,738	-	53,738	47,882	-	47,882
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	I-7	-	-	-	-	-	-
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		-	-	-	-	-	-
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	I-8	-	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)</b>	I-9	-	-	-	-	-	-
11.1 Accounted for under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>	I-10	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	I-11	-	-	-	-	-	-
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	I-12	11,720	-	11,720	14,070	-	14,070
<b>XV. INTANGIBLE ASSETS (Net)</b>	I-13	1,244	-	1,244	864	-	864
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		1,244	-	1,244	864	-	864
<b>XVI. INVESTMENT PROPERTY (Net)</b>	I-14	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>	I-15	2,579	-	2,579	780	-	780
17.1 Current tax asset		172	-	172	-	-	-
17.2 Deferred tax asset		2,407	-	2,407	780	-	780
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	I-16	-	-	-	-	-	-
18.1 Held for sale		-	-	-	-	-	-
18.2 Discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	I-17	20,178	248	20,426	14,850	199	15,049
<b>TOTAL ASSETS</b>		<b>1,717,430</b>	<b>485,903</b>	<b>2,203,333</b>	<b>1,121,488</b>	<b>388,286</b>	<b>1,509,774</b>

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

(Translated into English from the Original Turkish Report and Financial Statements)

**TURKLAND BANK ANONİM ŞİRKETİ**

**BALANCE SHEETS AS OF DECEMBER 31, 2011 AND 2010**

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

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

	Note Ref. (Section Five)	Audited Current Period 31.12.2011			Audited Prior Period 31.12.2010		
		TRY	FC	Total	TRY	FC	Total
<b>I. DEPOSITS</b>	II-1	920,201	675,379	1,595,580	659,358	483,723	1,143,081
1.1 Deposits from risk group of the Bank		16,748	592	17,340	10,540	394	10,934
1.2 Other		903,453	674,787	1,578,240	648,818	483,329	1,132,147
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	II-2	-	39	39	-	-	-
<b>III. FUNDS BORROWED</b>	II-3	15,926	88,805	104,731	15,469	76,795	92,264
<b>IV. MONEY MARKET BALANCES</b>		97,725	-	97,725	17	-	17
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements	II-4	97,725	-	97,725	17	-	17
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. SUNDRY CREDITORS</b>		11,989	582	12,571	9,060	519	9,579
<b>VIII. OTHER LIABILITIES</b>	II-5	22,098	328	22,426	22,542	925	23,467
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. FINANCE LEASE PAYABLES (Net)</b>	II-6	-	-	-	-	10	10
10.1 Finance lease payables		-	-	-	-	10	10
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses ( - )		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	II-7	-	-	-	-	-	-
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	II-8	25,901	721	26,622	17,146	851	17,997
12.1 General loan loss provisions		14,388	-	14,388	9,713	-	9,713
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		4,901	-	4,901	3,649	-	3,649
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		6,612	721	7,333	3,784	851	4,635
<b>XIII. TAX LIABILITY</b>	II-9	5,557	-	5,557	4,103	-	4,103
13.1 Current tax liability		5,557	-	5,557	4,103	-	4,103
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	II-10	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	II-11	-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	II-12	340,144	(2,062)	338,082	218,998	258	219,256
16.1 Paid-in capital		300,000	-	300,000	170,000	-	170,000
16.2 Supplementary capital		20,505	(2,062)	18,443	32,920	258	33,178
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund		(4,927)	(2,062)	(6,989)	7,488	258	7,746
16.2.4 Tangible assets revaluation differences		-	-	-	-	-	-
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-	-	-
16.2.8 Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		25,432	-	25,432	25,432	-	25,432
16.3 Profit reserves		16,078	-	16,078	13,615	-	13,615
16.3.1 Legal reserves	II-13	789	-	789	666	-	666
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves	II-14	12,543	-	12,543	10,203	-	10,203
16.3.4 Other profit reserves		2,746	-	2,746	2,746	-	2,746
16.4 Profit or loss		3,561	-	3,561	2,463	-	2,463
16.4.1 Prior years' income/ (losses)		-	-	-	-	-	-
16.4.2 Current year income/ (loss)		3,561	-	3,561	2,463	-	2,463
16.5 Minority shares	II-15	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,439,541</b>	<b>763,792</b>	<b>2,203,333</b>	<b>946,693</b>	<b>563,081</b>	<b>1,509,774</b>

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

(Translated into English from the Original Turkish Report and Financial Statements)

**TURKLAND BANK ANONİM ŞİRKETİ**

**STATEMENTS OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS**

**AS OF DECEMBER 31, 2011 AND 2010**

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

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

	Note Ref. (Section Five)	Audited Current Period 31.12.2011			Audited Prior Period 31.12.2010		
		TRY	FC	Total	TRY	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>6,054,489</b>	<b>409,896</b>	<b>6,464,385</b>	<b>5,351,853</b>	<b>468,966</b>	<b>5,820,819</b>
<b>I. GUARANTEES</b>	III-1	<b>675,751</b>	<b>354,877</b>	<b>1,030,628</b>	<b>613,456</b>	<b>362,445</b>	<b>975,901</b>
1.1. Letters of guarantee		675,751	165,353	841,104	613,287	146,926	760,213
1.1.1. Guarantees subject to State Tender Law		29,571	5,549	35,120	39,058	10,377	49,435
1.1.2. Guarantees given for foreign trade operations		-	33,768	33,768	-	68,268	68,268
1.1.3. Other letters of guarantee		646,180	126,036	772,216	574,229	68,281	642,510
1.2. Bank loans		-	11,597	11,597	-	17,310	17,310
1.2.1. Import letter of acceptance		-	11,597	11,597	-	17,310	17,310
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	92,948	92,948	-	107,318	107,318
1.3.1. Documentary letters of credit		-	92,948	92,948	-	107,318	107,318
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Pre-financing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	84,979	84,979	169	90,891	91,060
1.9. Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	III-1	<b>5,374,917</b>	<b>48,723</b>	<b>5,423,640</b>	<b>4,738,038</b>	<b>106,159</b>	<b>4,844,197</b>
2.1. Irrevocable commitments		121,606	48,723	170,329	86,213	106,159	192,372
2.1.1. Forward asset purchase and sales commitments		12,442	28,873	41,315	850	106,159	107,009
2.1.2. Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		38,849	-	38,849	26,748	-	26,748
2.1.5. Securities underwriting commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		67,900	-	67,900	57,043	-	57,043
2.1.8. Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits		-	-	-	1,572	-	1,572
2.1.10. Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.11. Receivables from short sale commitments		-	-	-	-	-	-
2.1.12. Payables for short sale commitments		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		2,415	19,850	22,265	-	-	-
2.2. Revocable commitments		5,253,311	-	5,253,311	4,651,825	-	4,651,825
2.2.1. Revocable loan granting commitments		5,253,311	-	5,253,311	4,651,825	-	4,651,825
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	III-2	<b>3,821</b>	<b>6,296</b>	<b>10,117</b>	<b>359</b>	<b>362</b>	<b>721</b>
3.1. Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1. Fair value hedge		-	-	-	-	-	-
3.1.2. Cash flow hedge		-	-	-	-	-	-
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		3,821	6,296	10,117	359	362	721
3.2.1. Forward foreign currency buy/sell transactions		3,821	6,296	10,117	359	362	721
3.2.1.1. Forward foreign currency transactions-buy		1,921	3,151	5,072	-	362	362
3.2.1.2. Forward foreign currency transactions-sell		1,900	3,145	5,045	359	-	359
3.2.2. Swap transactions related to foreign currency, and interest rates		-	-	-	-	-	-
3.2.2.1. Foreign currency swaps-buy		-	-	-	-	-	-
3.2.2.2. Foreign currency swaps-sell		-	-	-	-	-	-
3.2.2.3. Interest rate swaps-buy		-	-	-	-	-	-
3.2.2.4. Interest rate swaps-sell		-	-	-	-	-	-
3.2.3. Foreign currency, interest rate and securities options		-	-	-	-	-	-
3.2.3.1. Foreign currency options-buy		-	-	-	-	-	-
3.2.3.2. Foreign currency options-sell		-	-	-	-	-	-
3.2.3.3. Interest rate options-buy		-	-	-	-	-	-
3.2.3.4. Interest rate options-sell		-	-	-	-	-	-
3.2.3.5. Securities options-buy		-	-	-	-	-	-
3.2.3.6. Securities options-sell		-	-	-	-	-	-
3.2.4. Foreign currency futures		-	-	-	-	-	-
3.2.4.1. Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2. Foreign currency futures-sell		-	-	-	-	-	-
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>5,975,782</b>	<b>1,275,127</b>	<b>7,250,909</b>	<b>4,780,302</b>	<b>951,361</b>	<b>5,731,663</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>422,581</b>	<b>53,906</b>	<b>476,487</b>	<b>298,293</b>	<b>39,383</b>	<b>337,676</b>
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		28,973	1,216	30,189	26,925	226	27,151
4.3. Checks received for collection		386,521	47,115	433,636	267,969	33,802	301,771
4.4. Commercial notes received for collection		7,087	3,935	11,022	3,399	3,734	7,133
4.5. Other assets received for collection		-	411	411	-	336	336
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	1,229	1,229	-	1,285	1,285
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>5,553,201</b>	<b>1,221,221</b>	<b>6,774,422</b>	<b>4,482,009</b>	<b>911,978</b>	<b>5,393,987</b>
5.1. Marketable securities		-	-	-	-	-	-
5.2. Guarantee notes		22,138	19,949	42,087	5,553	4,727	10,280
5.3. Commodities		-	-	-	-	-	-
5.4. Warrants		-	-	-	-	-	-
5.5. Properties		1,435,502	213,204	1,648,706	1,271,140	188,298	1,459,438
5.6. Other pledged items		4,095,561	988,068	5,083,629	3,205,316	718,953	3,924,269
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>12,030,271</b>	<b>1,685,023</b>	<b>13,715,294</b>	<b>10,132,155</b>	<b>1,420,327</b>	<b>11,552,482</b>

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

(Translated into English from the Original Turkish Report and Financial Statements)

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENTS OF INCOME FOR THE PERIODS**  
**ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010**

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

**III. STATEMENT OF INCOME**

	Note Ref. (Section Five)	Audited Current Period 01.01-31.12.2011	Audited Prior Period 01.01-31.12.2010
<b>I. INTEREST INCOME</b>	IV-1	170,718	115,129
1.1 Interest on loans		142,520	91,577
1.2 Interest received from reserve deposits		-	1,008
1.3 Interest received from banks		411	179
1.4 Interest received from money market placements		1,197	1,101
1.5 Interest received from marketable securities portfolio		25,634	21,022
1.5.1 Held-for-trading financial assets		18	57
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		21,631	16,324
1.5.4 Investments held-to-maturity		3,985	4,641
1.6 Finance lease income		-	-
1.7 Other interest income		956	242
<b>II. INTEREST EXPENSE</b>	IV-2	(100,508)	(62,387)
2.1 Interest on deposits		(90,736)	(56,493)
2.2 Interest on funds borrowed		(6,053)	(2,845)
2.3 Interest on money market borrowings		(3,578)	(1,486)
2.4 Interest on securities issued		-	-
2.5 Other interest expense		(141)	(1,563)
<b>III. NET INTEREST INCOME (I - II)</b>		70,210	52,742
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		19,338	16,472
4.1 Fees and commissions received		20,238	17,291
4.1.1 Non-cash loans		10,455	9,543
4.1.2 Other	IV-12	9,783	7,748
4.2 Fees and commissions paid		(900)	(819)
4.2.1 Non-cash loans		(41)	(43)
4.2.2 Other	IV-12	(859)	(776)
<b>V. DIVIDEND INCOME</b>	IV-3	5	2
<b>VI. NET TRADING INCOME</b>	IV-4	4,902	8,445
6.1 Securities trading gains/ (losses)		5,945	8,853
6.2 Gains/ (losses) from derivative financial instruments		4	(10,762)
6.3 Foreign exchange gains/ (losses)		(1,047)	10,354
<b>VII. OTHER OPERATING INCOME</b>	IV-5	11,375	29,396
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		105,830	107,057
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	IV-6	(13,414)	(17,068)
<b>X. OTHER OPERATING EXPENSES (-)</b>	IV-7	(86,798)	(85,523)
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		5,618	4,466
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD</b>		-	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>		5,618	4,466
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	IV-9	(2,057)	(2,003)
16.1 Provision for current income taxes		-	(972)
16.2 Provision for deferred taxes		(2,057)	(1,031)
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	IV-10	3,561	2,463
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	IV-8	-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	IV-10	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	IV-11	3,561	2,463
23.1 Group's profit/loss		-	-
23.2 Minority shares		-	-
Earnings per share		-	-

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

(Translated into English from the Original Turkish Report and Financial Statements)

**TURKLAND BANK ANONİM ŞİRKETİ**

**STATEMENTS OF PROFIT LOSS ACCOUNTED FOR UNDER EQUITY**

**FOR THE PERIODS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010**

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

**IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY**

	Audited Current Period 01.01-31.12.2011	Audited Prior Period 01.01-31.12.2010	
I.	Additions to marketable securities revaluation differences for available for sale financial assets	(13,599)	10,580
II.	Tangible assets revaluation differences	-	-
III.	Intangible assets revaluation differences	-	-
IV.	Foreign exchange differences for foreign currency transactions	-	-
V.	Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-	-
VI.	Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-	-
VII.	The effect of corrections of errors and changes in accounting policies	-	-
VIII.	Other profit loss items accounted for under equity due to TAS	-	-
IX.	Deferred tax of valuation differences	3,684	(377)
X.	Total Net Profit/Loss accounted under equity (I+II+...+IX)	(9,915)	10,203
XI.	Profit/Loss	(1,259)	(6,231)
1.1	Change in fair value of marketable securities (Transfer to Profit/Loss)	(4,820)	(8,694)
1.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Statement of Income	-	-
1.3	Transfer hedge of net investments in foreign operations to Statement of Income	-	-
1.4	Other	3,561	2,463
XII.	Total Profit/Loss accounted for in the period (X±XI)	(11,174)	3,972

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

*(Translated into English from the Original Turkish Report and Financial Statements)*  
**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE PERIODS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

Audited	Paid-in Capital	Effect Of Inflation Accounting On Capital and Other Reserves	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Value Increase	Tangible And Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Valuation Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
1.	170,000	25,432	-	-	666	10,209	226	2,454	-	-	6,237	-	-	-	-	215,284	-	215,284
2.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III	170,000	25,432	-	-	666	10,209	226	2,454	-	-	6,237	-	-	-	-	215,284	-	215,284
IV.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXI.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	170,000	25,432	-	-	666	10,209	2,746	2,463	-	-	7,746	-	-	-	-	219,256	-	219,256
(GHE)YAY...XXVIII+XIX+XX)																		

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

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

*(Translated into English from the Original Turkish Report and Financial Statements)*  
**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE PERIODS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

Audited	Note Ref (Section Five)	Paid-in Capital	Effect of Inflation on Accounting on Capital and Other Reserves	Share Cancellation	Share Certificate Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Value Increase	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Valuation Diff. from Assets Held for Sale and assets from Disc. Op.	Total Equity Before Minority Shares	Total Equity
<b>Current Period - 01.01-31.12.2011</b>																		
I.		170,000	25,432	-	-	666	-	10,203	2,746	2,463	-	7,746	-	-	-	-	219,256	219,256
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	(N-a)	-	-	-	-	-	-	-	-	-	-	(14,735)	-	-	-	-	(14,735)	(14,735)
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
subsidaries and jointly controlled entities																		
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130,000	130,000
12.1		130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130,000	130,000
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.		-	-	-	-	-	-	-	-	3,561	-	-	-	-	-	-	3,561	3,561
XVIII.		-	-	-	-	-	-	-	-	(2,463)	-	-	-	-	-	-	(2,463)	(2,463)
18.1		-	-	-	-	123	-	2,340	-	-	-	-	-	-	-	-	-	-
18.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3		-	-	-	-	123	-	2,340	-	(2,463)	-	-	-	-	-	-	-	-
<b>Closing Balance</b>																		
(I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)		300,000	25,432	-	-	789	-	12,543	2,746	3,561	-	(6,989)	-	-	-	-	338,082	338,082

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

(Translated into English from the Original Turkish Report and Financial Statements)

**TURKLAND BANK ANONİM ŞİRKETİ**

**STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED**

**DECEMBER 31, 2011 AND 2010**

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

**VI. STATEMENT OF CASH FLOWS**

	Note Ref (Section Five)	Audited Current Period 01.01-31.12.2011	Audited Prior Period 01.01-31.12.2010
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>(19,168)</b>	<b>(1,306)</b>
1.1.1 Interest received		133,355	111,588
1.1.2 Interest paid		(96,191)	(62,666)
1.1.3 Dividend received		5	2
1.1.4 Fees and commissions received		21,105	17,424
1.1.5 Other income		(11,005)	23,148
1.1.6 Collections from previously written off loans		5,981	6,521
1.1.7 Payments to personnel and service suppliers		(46,436)	(42,687)
1.1.8 Taxes paid		(729)	(412)
1.1.9 Others	VI-1	(25,253)	(54,224)
<b>1.2 Changes in operating assets and liabilities</b>		<b>33,180</b>	<b>60,734</b>
1.2.1 Net (increase) decrease in financial assets held for trading		223	465
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(66,152)	(17,793)
1.2.4 Net (increase) decrease in loans		(456,368)	(279,541)
1.2.5 Net (increase) decrease in other assets	VI-1	(5,395)	(6,306)
1.2.6 Net increase (decrease) in bank deposits		92,552	4,707
1.2.7 Net increase (decrease) in other deposits		453,498	296,917
1.2.8 Net increase (decrease) in funds borrowed		12,307	43,175
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	VI-1	2,515	19,110
<b>I. Net cash provided from banking operations</b>		<b>14,012</b>	<b>59,428</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>(74,602)</b>	<b>(86,862)</b>
2.1 Cash paid for purchase of jointly controlled entities, associates and subsidiaries		-	-
2.2 Cash obtained from sale of jointly controlled entities, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(1,166)	(4,315)
2.4 Fixed assets sales		1,018	1,344
2.5 Cash paid for purchase of financial assets available for sale		(259,182)	(366,261)
2.6 Cash obtained from sale of financial assets available for sale		191,448	290,474
2.7 Cash paid for purchase of investment securities		(28,554)	(26,212)
2.8 Cash obtained from sale of investment securities		22,992	18,499
2.9 Others		(1,158)	(391)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>129,991</b>	<b>(880)</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		130,000	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		(9)	(880)
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	VI-1	<b>18,389</b>	<b>2,842</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>87,790</b>	<b>(25,472)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	VI-2	<b>153,981</b>	<b>179,453</b>
<b>VII. Cash and cash equivalents at end of the period</b>	VI-2	<b>241,771</b>	<b>153,981</b>

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



(Translated into English from the Original Turkish Report and Financial Statements)

**TURKLANDBANK ANONİM ŞİRKETİ**  
**PROFIT DISTRIBUTION TABLES FOR THE PERIODS ENDED**  
**DECEMBER 31, 2011 AND 2010**

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

**VII. PROFIT DISTRIBUTION TABLE**

	Audited Current Period 31.12.2011 (*)	Audited Prior Period 31.12.2010
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	5,618	4,466
1.2 TAXES AND DUTIES PAYABLE (-)	(2,057)	(2,003)
1.2.1 Corporate tax (Income tax)	-	(972)
1.2.2 Income withholding tax		
1.2.3 Other taxes and duties(**)	(2,057)	(1,031)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>3,561</b>	<b>2,463</b>
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	(123)
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>	<b>-</b>	<b>-</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	(2,340)
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES ( % )	-	-
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES ( % )	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES ( % )	-	-

(\*) Profit distribution is decided by the General Assembly. General Assembly is not held as of the date of this report.

(\*\*) Deferred Tax Credit / Expense amounts shown in other taxes and duties are not subject to profit distribution.

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

*(Translated into English from the Original Turkish Report and Financial Statements)*

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2011**

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

**SECTION THREE**

**ACCOUNTING PRINCIPLES**

**I. Basis of Presentation**

The Bank prepares financial statements and notes according to Communique on Banks' Accounting Practice and Maintaining Documents (published in the Official Gazette numbered 26333 dated November 1, 2006), Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures (published in the Official Gazette numbered 26430 dated February 10, 2007), Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS), other regulations, communiques, circulars and pronouncements made by Banking Regulation and Supervision Agency (BRSA) in respect of accounting and financial reporting.

The accounting policies adopted in the preparation of the Bank's financial statements are consistent with the accounting policies adopted for financial statements dated December 31, 2010 and changes of TAS/TFRS that have come into effect as from January 1, 2011 (TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, TFRIC 14 Prepayments of a Minimum Funding Requirement (Amended), TAS 32 Classification on Rights Issues (Amended), TAS 24 Related Party Disclosures (Revised)) do not have any effect on the accounting policies, financial position and performance of the Bank. These accounting policies and valuation principles are explained in Notes II to XXII.

Except for trading and available for sale assets and derivatives that are shown at fair values, financial statements are prepared based on historical cost.

**II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions**

The Bank focuses its activities in corporate banking. The primary objective of the Bank is to sustain liquidity while fulfilling customer needs. Thus, the Bank places approximately 20.94% of its resources in liquid assets, while the Bank also aims for the highest yield possible with effective maturity management.

Besides its principle activity, the main financial instruments of the Bank are money market placements, treasury bills and government bonds.

Marketable securities comprising 15.30% of total assets are assets with low risk and high yield. Placements in domestic banks and abroad are 7.28% of the total assets and these assets provide liquidity with low risk and yield.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of the risk management strategy of the Bank, the management of risk bearing short positions of currency, interest or price movements is performed only by the Treasury and using the limits defined by the Board of Directors.

*(Translated into English from the Original Turkish Report and Financial Statements)*

**TURKLAND BANK ANONİM ŞİRKETİ**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS OF DECEMBER 31, 2011**

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

**III. Explanations on Forward and Option Contracts and Derivative Instruments**

The Bank's derivative instruments consist of foreign currency swaps and forward foreign currency buy/sell transactions. Derivative instruments are accounted for at their fair values as of the contract date and subsequently valued at fair value. Certain derivative instruments, although economical hedges, are accounted as trading transactions since they are not qualified to be a hedging instrument as per "Financial Instruments: Recognition and Measurement" ("TAS 39"). Realized gains or losses on these instruments are reflected in the statement of income. Unrealized gains or losses arising from the change in the fair value are recorded in disallowable expenses or income according to the current tax legislation.

Contract amounts of derivatives are recorded in off the balance sheet contingencies and commitments.

There are no embedded derivatives separated from the host contract or that are designated as hedging instruments as of the balance sheet date.

**IV. Explanations on Interest Income and Expenses**

Interest income and expenses are recognized in the income statement on an accrual basis using the effective interest method. In accordance with the regulation on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves published in the Official Gazette numbered 26333 dated November 1, 2006, interest accruals of the non-performing loans are reversed and interest income related to these loans is recorded as interest income only when collected.

**V. Explanations on Fees and Commission Income and Expenses**

Fees for various banking services are recorded as income when collected.

**VI. Explanations on Financial Assets**

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects. Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities and operations of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date. The settlement date is the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. 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.

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.

The methods and assumptions used in the recognition and measurement of financial instruments are mentioned below.

*(Translated into English from the Original Turkish Report and Financial Statements)*  
**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF DECEMBER 31, 2011**

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

**VI. Explanations on Financial Assets (continued)**

*Cash, Banks, and Other Financial Institutions*

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash and are carried at amortized cost. The book values of these assets approximate their fair values.

*Financial Assets at Fair Value Through Profit and Loss*

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 with a pattern of short-term profit taking.

Trading securities are initially recognized at cost (which represents the fair value at the time). The positive difference between the cost and fair value of such securities in the accounts is accounted for as interest and income accrual, and the negative difference is accounted for as "Impairment Provision on Marketable Securities".

*Held to Maturity Investments*

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability and excluding loans and receivables.

Held to maturity investments are initially recorded at cost including transactions costs. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

*Financial Assets Available for Sale*

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

The marketable securities are initially recognized at cost including the transaction costs (which represents the fair value at the time).

After the initial recognition, available for sale securities are measured at fair value and the unrealized gains/losses originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices. In the absence of prices formed in an active market, fair values of these securities are determined by using other valuation methods stated in TAS.

The Bank has an equity investment with participation rate of 0.0025% in the available for sale financial assets portfolio. Since this equity investment does not have fair value, it is carried at cost.

The Bank classifies its securities as referred to above at the acquisition date of related assets.

*(Translated into English from the Original Turkish Report and Financial Statements)*

**TURKLAND BANK ANONİM ŞİRKETİ**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS OF DECEMBER 31, 2011**

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

**VI. Explanations on Financial Assets (continued)**

*Loans*

Loans are non-derivative financial assets which have fixed or determinable payments and are not traded.

The Bank initially records loans and receivables at fair value. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

Foreign currency indexed loans are converted into TRY from the foreign currency rate as of the opening date and followed in TRY accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

Foreign exchange gains and losses on the foreign currency indexed loans are presented under foreign exchange gains and losses.

**VI. Explanations on Impairment of Financial Assets**

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event ("loss event") after the first journalization of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not journalized.

Specific reserves are provided for non performing loans in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 26333 dated November 1, 2006 which was amended with communiqué published in the Official Gazette No. 27119 dated January 23, 2009. In this context, the management estimates are determined, on the basis of the Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture. These provisions are reflected in the income statement under "Provision and Impairment Expenses - Special Provision Expense".

The collections made related to loans for which provision is made in the current period are reversed from the "Provision for Loans and Other Receivables" account in the income statement. The collections made related to loans written off or provisioned in prior years are recorded to "Collections Related to the Prior Period Expenses" under "Other Operating Income" account and related interest income is credited to the "Interest Received from Non-performing Loans" account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; Bank records general loan loss provisions for loans and other receivables. Bank calculated the general loan provision as 0.5% for cash loans and other receivables, and 0.1% for non-cash loans until November 1, 2006. Subsequent to the change in the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 26333 dated November 1, 2006; Bank started to book general loan loss provision of 1% for cash loans and other receivables; and 0.2% for non-cash loans on the increase in the cash and non-cash loan portfolio as compared to their October 31, 2006 balances whereas allocating 0.5% general loan loss provision for cash loans and other receivables, and 0.1% for non-cash loans for the balances as of October 31, 2006. Together with the change in the same regulation made on February 6, 2008, the Bank started to book general loan loss provision of 2% for cash loans under watch-list and 0.4% for non-cash loans under watch-list. On January 23, 2009 the Article 7 of the regulation has been amended such that the specified rates are applied at one fourth for payment commitments for checks related to checkbooks extended five years ago or earlier.

*(Translated into English from the Original Turkish Report and Financial Statements)*

**TURKLAND BANK ANONİM ŞİRKETİ**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS OF DECEMBER 31, 2011**

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

**VII. Explanations on Impairment of Financial Assets (continued)**

In accordance with the change in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside (published in the Official Gazette numbered 27947 dated May 28, 2011); general provision for loans which are classified in the first group has to be set at least 5 folds of the general provision rate due to the change in the payment plans of those first group loans. General Provision for loans that are classified in the second group has to be set at least 2.5 folds of the general provision rate due to the change in the payment plans of those second group loans. Information related to standard and close monitoring loans which their payment plans have changed is disclosed under the note b under the “Explanations and Disclosures Related to the Assets” section.

In accordance with the changes in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside (published in the Official Gazette numbered 27947 dated May 28, 2011 and Official Gazette numbered 27968 dated June 18, 2011); banks whose total letters of guarantees, bank acceptances, letters of credit commitments, endorsements, purchasing guarantee on security issuance, factoring guarantees, other guarantees and sureties, and unsecured pre-financing loans exceeds 10 folds of equities calculated within the scope of principles and procedures stated in the Regulation on Equities of Banks implement general provision ratio as 3/1000 for all standard non-cash loans.

As of December 31, 2011 the provision rates determined for the non-cash loans are not exceeded and standard rates which are determined in the regulation have been used for the non-cash loans.

In accordance with the change in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside (published in the Official Gazette numbered 27968 dated June 18, 2011); Banks whose consumer loans are more than 20 percent of their total loans and whose non-performing consumer loans except vehicle and mortgage loans are 8 percent of total consumer loans except vehicle and mortgage loans, apply 4 percent (4%) of general provision rate for first group consumer loans except vehicle and mortgage loans, 8 percent (8%) for second group consumer loans except vehicle and mortgage loans up to their maturity.

As of December 31, 2011 the rates determined for the consumer loans are not exceeded and standard rates which are determined in the regulation have been used for consumer loans.

In accordance with the change in the “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside” (published in the Official Gazette numbered 28158 dated December 30, 2011); Banks are not required to set specific provision for the amount that has to be paid for each cheque leaf of the chequebooks of the loan customers of whose related loans and other receivables are classified under third, fourth or fifth group with 100% specific provision if the Banks informs the chequebooks owners to return the chequebooks back to the Bank within 15 days through registered and reply-paid letter. This is valid for the chequebooks owners whose loans and other receivables are derecognized by the Banks.

**VIII. Explanations on Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

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**IX. Explanations on Sales and Repurchase Agreements and Lending of Securities**

The sales and purchase of government securities under repurchase agreements made with the customers are being recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities. These transactions are short-term and consist of domestic public sector debt securities.

The income and expenses from these transactions are reflected to the "Interest Income on Marketable Securities" and "Interest Expense on Money Market Borrowings" accounts in the income statement.

As of December 31, 2011, the Bank has TRY 80,043 Thousand of reverse repo transactions. (December 31, 2010: TRY 14,003 Thousand).

As of December 31, 2011, the Bank does not have any marketable securities lending transaction. (December 31, 2010: None).

**X. Explanations on Assets Held for Sale and Discontinued Operations**

Assets held for sale with high probability of sale, are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

The Bank does not have any assets held for sale as of December 31, 2011 (December 31, 2010: None).

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately. The Bank does not have any discontinued operations.

**XI. Explanations on Goodwill and Other Intangible Assets**

There is no goodwill regarding the investments in associates and subsidiaries.

Other intangible assets are accounted for at cost less accumulated amortization. Other intangible assets are amortized with straight-line method based on their economic lives. There is no change in the amortization method in the current period .

The intangible assets comprising purchased softwares are in the other intangible fixed assets. As of the balance sheet date, all softwares are purchased and there are no completed or continuing software development projects by the Bank.

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**XII. Explanations on Tangible Fixed Assets**

Tangible fixed assets are accounted for at acquisition cost less accumulated depreciation. Tangible fixed assets are depreciated with straight-line method. While those acquired before January 1, 2004 are depreciated with the rates valid in prior periods, the fixed assets acquired after January 1, 2004 are depreciated with the rates determined by the Ministry of Finance based on useful economic lives.

Depreciation of assets held less than one year as of the balance sheet date is accounted for proportionately. Depreciation method is not changed in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

	%
Motor vehicles	20
Furniture, fixtures and office equipment and others	3 – 50

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Normal maintenance and repair cost of the properties are expensed.

There is no pledge, mortgage, or any other lien on tangible fixed assets.

**XIII. Explanations on Leasing Transactions**

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS No:17. In accordance with this standard, the leasing transactions, which consist only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira with the Bank's period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, the Bank records depreciation expense for the depreciable leased assets in each period.

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

As of the balance sheet date, the Bank does not have authorization for any financial leasing transactions as lessor.

**XIV. Explanations on Provisions and Contingent Liabilities**

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

According to the legal department of the Bank; the total number of ongoing cases against the Bank is 80. The total amount of those cases consists of TRY 330 Thousand, USD 1,604 Thousand and EURO 299 Thousand. There is a provision of TRY 933 Thousand in the accompanying financial statements for these cases.(December 31, 2010: TRY 641 Thousand).



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**XV. Explanations on Liabilities Regarding Employee Benefits**

*Defined Benefit Plans*

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

The Bank has no retirement fund or foundation that the employees are the member of.

*Defined Contribution Plans*

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

*Short-term Employee Benefits*

In accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits"; defined liabilities that arise from unused leave payments are accrued in the related period and are not discounted.

**XVI. Explanations on Taxation**

*Corporate tax*

According to the Article 32 of the Corporate Tax Law No 5520, accepted in the meeting of Grand National Assembly of Turkey (TBMM) on June 13, 2006 and announced in the Official Gazette dated June 21, 2006, the corporate tax rate has been decreased from 30% to 20%, effective from January 1, 2006 as per the Article 37 of the Corporate Tax Law.

The tax legislation, requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. Such advance taxes calculated and paid are offset against the final tax liability for the year.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities. The Bank does not have corporate tax provision in current period (December 31, 2010: TRY 972 Thousand ).

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**XVI. Explanations on Taxation (continued)**

*Deferred Tax Liability / Asset*

The Bank calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

In accordance with TAS No: 12 “Turkish Accounting Standard on Income Taxes” and the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated December 8, 2004, the Bank calculates deferred tax asset on carryforward tax losses and all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are reflected in the accompanying financial statements on a net basis.

The deferred tax resulting from differences related to items that are debited or credited directly to equity is netted with these accounts.

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax charge stated under the tax provision amounted to TRY 2,057 Thousand in the income statement (December 31, 2010: TRY 1,031 Thousand deferred tax expense).

**XVII. Additional Explanations on Borrowings**

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

The Bank has not issued convertible bonds.

**XVIII. Explanations on Issued Share Certificates**

The Bank does not have any issued debt securities. As of the date of approval of these financial statements, there is no subsequent dividend announcement of the Bank.

**XIX. Explanations on Acceptances**

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

**XX. Explanations on Government Incentives**

There are no government incentives utilized by the Bank.

**XXI. Explanations on Segment Reporting**

Since the Bank is not listed, disclosure requirements of IFRS 8 are not applicable for the Bank.

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**TURKLAND BANK ANONİM ŞİRKETİ**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**XXII. Explanations on Other Matters**

None, other than above explanations.

*Explanation for convenience translation to English*

The accounting principles used in the preparation of the accompanying financial statements differ from International Financial Reporting Standards (IFRS). The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the accompanying financial statements.

## **SECTION FOUR**

### **INFORMATION ON FINANCIAL STRUCTURE**

#### **I. Explanations Related to the Capital Adequacy Standard Ratio**

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published on November 1, 2006 in the Official Gazette numbered 26333 and the Communiqué on "The Amendment in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks" which was published on October 10, 2007 in the Official Gazette numbered 26669. The Bank's unconsolidated capital adequacy ratio in accordance with the related communiqué is 17,55%. (December 31, 2010: 14.03%)

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting requirements are used. Additionally, the market risk amount is calculated in accordance with the communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

The values deducted from the capital base in the shareholders' equity computation are excluded while calculating risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and impairment among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

While calculating the basis of non-cash loans subject to credit risk, the net receivable amount from the counter parties net of provision amount set in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" is multiplied by the loan conversion rates presented in the Article 5, the Clause 1 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

Receivables from counter parties from derivative foreign currency and interest rate transactions are multiplied by the loan conversion rates presented in the Article 5, the Clause 2 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

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**I. Explanations Related to the Capital Adequacy Standard Ratio (continued)**

**Information related to the capital adequacy ratio:**

	Risk Weight						
	0%	10%	20%	50%	100%	150%	200%
<b>Risk Weighted Assets, Liabilities and Non-Cash Loans</b>							
Balance Sheet items (Net)							
Cash	16,373	-	-	-	-	-	-
Matured Marketable Securities	-	-	-	-	-	-	-
Due From Central Bank of Turkey	65,030	-	-	-	-	-	-
Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad	-	-	80,245	-	123	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Receivables From Reverse Repo Transactions	80,000	-	-	-	-	-	-
Reserve Deposits	119,512	-	-	-	-	-	-
Loans	63,031	-	132	399,619	943,281	2,085	586
Non-performing loans (Net)	-	-	-	-	23,342	-	-
Financial Lease Receivables	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	-	-	-	-	75	-	-
Held to Maturity Investments	50,452	-	-	-	-	-	-
Receivables From Installment Sales of Assets	-	-	-	-	-	-	-
Sundry Debtors	-	-	-	-	824	-	-
Interest and Income Accruals	6,252	-	72	15,899	17,765	-	-
Subsidiaries, Associates and Jointly Controlled Entities (Net)	-	-	-	-	-	-	-
Tangible Assets	-	-	-	-	7,516	-	-
Other Assets	13,605	-	-	-	8,560	-	-
Off-Balance Sheet Items							
Guarantees and Commitments	11,125	-	13,912	20,043	550,536	-	-
Derivative Financial Instruments	-	-	-	-	101	-	-
Non Risk Weighted Accounts	-	-	-	-	-	-	-
<b>Total Value at Risk</b>	<b>425,380</b>	-	<b>94,361</b>	<b>435,561</b>	<b>1,552,124</b>	<b>2,085</b>	<b>586</b>
<b>Total Risk Weighted Assets</b>	-	-	<b>18,872</b>	<b>217,781</b>	<b>1,552,124</b>	<b>3,128</b>	<b>1,172</b>

**Summary information related to the capital adequacy ratio:**

	December 31, 2011	December 31, 2010
Total Risk Weighted Assets (TRWA)	1,793,077	1,387,181
Amount Subject to Market Risk (ASMR)	41,163	34,213
Amount Subject to Operational Risk (ASOR) (*)	143,562	116,047
Shareholders' Equity	347,022	215,750
Shareholders' Equity / (TRWA + ASMR + ASOR) *100	%17,55	14.03%

(\*) Operational risk is calculated using the Basic Indicator Approach.

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**I. Explanations Related to the Capital Adequacy Standard Ratio (continued)**

**Information related to the components of shareholders' equity:**

	December 31, 2011	December 31, 2010
<b>CORE CAPITAL</b>		
Paid up capital which is subordinated to all other receivable claims in the case of liquidation of the Bank	300,000	170,000
Nominal capital	300,000	170,000
Capital commitments (-)	-	-
Inflation based correction difference on paid up capital which is subordinated to all other receivable claims in the case of liquidation of the Bank	25,432	25,432
Share premium	-	-
Cancellation profits	-	-
Legal reserves	789	666
First legal reserve (Turkish Commercial Code 466/1)	789	666
Second legal reserve (Turkish Commercial Code 466/2)	-	-
Other legal reserve per special legislation	-	-
Statutory reserves	-	-
Extraordinary reserves	15,289	12,949
Reserves allocated by the General Assembly	12,543	10,203
Retained earnings	2,746	2,746
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
Legal reserves inflation correction difference	-	-
Profit	3,561	2,463
Current period net profit	3,561	2,463
Prior years' profits	-	-
Provision for possible losses up to 25% of the Core Capital	-	-
Gains on sale of associates and subsidiaries and properties to be added to capital	-	-
Primary subordinated debts on condition not to extend the limits stated in regulation	-	-
Losses that cannot be covered by reserves (-)	-	-
Net current period loss	-	-
Prior years' losses	-	-
Developments costs for operating leasing (-)	(4,204)	(6,433)
Prepaid expenses (-) (**)	-	(1,432)
Intangible assets (-)	(1,244)	(864)
Deferred tax asset exceeding 10% of the Core Capital (-)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-	-
<b>Total Core Capital</b>	<b>339,623</b>	<b>202,781</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>7,399</b>	<b>13,199</b>
General loan loss reserves	14,388	9,713
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint ventures)	-	-
Primary subordinated loans excluded in the calculation of the Core Capital	-	-
Secondary subordinated loans	-	-
Marketable securities value increase fund	(6,989)	3,486
Associates and subsidiaries	-	-
Available for sale securities	(6,989)	3,486
Indexation differences for capital reserves, profit reserves and retained earnings (Except indexation differences for legal reserves, statutory reserves and extraordinary reserves)	-	-
<b>Total Supplementary Capital</b>	<b>7,399</b>	<b>13,199</b>
<b>TIER III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>347,022</b>	<b>215,980</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>-</b>	<b>(230)</b>
Shareholdings of banks and financial institutions (Domestic, Foreign) from which the Bank keeps ten percent or more of capitals	-	-
Shareholdings of unconsolidated banks and financial institutions (Domestic, Foreign) from which the Bank keeps less than ten percent of capitals which exceed the ten Percent of Bank's Core and Supplementary Capital	-	-
Secondary subordinated loans granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified	-	-
Shareholders and placements that possess the nature of their Primary or Secondary Subordinated Debt	-	-
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-
The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	-	(230)
Securitization positions preferred to be decreased from equity instead of putting into a thousand two hundred and fifty per cent of risk weight according to the procedures and principles for calculating the capital adequacy ratio determined pursuant to the Article 45 of the Law	-	-
Other	-	-
<b>Total Shareholders' Equity</b>	<b>347,022</b>	<b>215,750</b>

(\*) Changed due to the "Regulation on Equity of Banks" issued in the Official Gazette dated March 10, 2011 numbered 27870.

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**II. Explanations Related to Credit Risk**

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and cause to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

Risks and limits related to treasury activities and customer based commercial activities are monitored daily. Moreover, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

The credit worthiness of the debtors of the loans and other receivables is monitored regularly as prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and acquirements related to forward transactions is normally realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries whose investment level is rated by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

As of December 31, 2011, the receivables of the Bank from its top 100 cash loan customers amount to TRY 686,392 Thousand (December 31, 2010: TRY 500,765 Thousand) with a share of 46.23% in the total cash loans (December 31, 2010: 49.08%).

As of December 31, 2011, the receivables of the Bank from its top 100 non-cash loan customers amount to TRY 646,275 Thousand (December 31, 2010: TRY 572,590 Thousand) with a share of 55.73% in the total non-cash loans (December 31, 2010: 53.95%).

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**II. Explanations Related to Credit Risk (continued)**

The share of cash and non-cash receivables of the Bank from its top 100 customers in total balance sheet and non-cash risk is 29.95 % as of December 31, 2011 (December 31, 2010: 32.27%).

As of December 31, 2011, the general loan loss provision related with the credit risk is TRY 14,388 Thousand (December 31, 2010: TRY 9,713 Thousand).

**Credit risk by types of borrowers and geographical concentration:**

	Loans to Real Person and Legal Entities		Loans to Banks and Other Financial Institutions		Marketable Securities(*)		Other Loans(**)	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<b>Loans according to borrowers</b>	<b>1,450,929</b>	<b>1,002,576</b>	<b>33,780</b>	<b>17,792</b>	<b>337,252</b>	<b>268,428</b>	<b>161,256</b>	<b>94,675</b>
Private Sector	1,427,294	985,376	33,428	17,472	-	-	843	736
Public Sector	-	-	-	-	337,177	268,353	-	-
Banks	-	-	352	320	-	-	160,413	93,939
Retail	23,635	17,200	-	-	-	-	-	-
Share Certificates	-	-	-	-	75	75	-	-
<b>Information according to geographical concentration</b>	<b>1,450,929</b>	<b>1,002,576</b>	<b>33,780</b>	<b>17,792</b>	<b>337,252</b>	<b>268,428</b>	<b>161,256</b>	<b>94,675</b>
Domestic	1,430,840	1,002,576	33,497	17,472	337,252	268,428	158,135	90,216
European Union Countries	-	-	197	232	-	-	1,409	3,869
OECD Countries (***)	-	-	-	-	-	-	311	219
Off-shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	86	88	-	-	1,328	361
Other Countries	20,089	-	-	-	-	-	73	10
<b>Total</b>	<b>1,450,929</b>	<b>1,002,576</b>	<b>33,780</b>	<b>17,792</b>	<b>337,252</b>	<b>268,428</b>	<b>161,256</b>	<b>94,675</b>

(\*) Includes marketable securities designated at fair value through profit or loss, available-for-sale and held-to-maturity.

(\*\*) Includes the on balance sheet transactions classified in the Uniform Chart of Accounts except the ones in the first three categories and the transactions defined as loan in the Article 48 of the Banking Act No: 5411.

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

**Information according to geographical concentration :**

	Assets	Liabilities	Non-Cash Loans	Equity Investments	Net Income/Loss
<b>December 31, 2011</b>					
Domestic	2,179,851	1,684,847	1,021,434	75	3,561
European Union Countries	1,606	133,563	6,902	-	-
OECD Countries (*)	311	1,812	2	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	1,328	603	-	-	-
Other Countries	20,162	44,426	2,290	-	-
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
<b>Total</b>	<b>2,203,258</b>	<b>1,865,251</b>	<b>1,030,628</b>	<b>75</b>	<b>3,561</b>
<b>December 31, 2010</b>					
Domestic	1,504,920	1,163,019	965,401	75	2,463
European Union Countries	4,101	86,028	44	-	-
OECD Countries (*)	219	569	7	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	449	504	-	-	-
Other Countries	10	40,398	10,449	-	-
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
<b>Total</b>	<b>1,509,699</b>	<b>1,290,518</b>	<b>975,901</b>	<b>75</b>	<b>2,463</b>

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

(\*\*) Assets and liabilities that cannot be allocated on a coherent basis.



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**II. Explanations Related to Credit Risk (continued)**

**Sector concentrations for cash loans :**

	December 31, 2011				December 31, 2010			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	29,041	2.31	4,597	2.00	15,518	1.90	5,865	2.87
Farming and Raising Livestock	23,029	1.83	4,597	2.00	11,611	1.42	5,865	2.87
Forestry, Wood and Paper	5,916	0.47	-	-	3,701	0.45	-	0.00
Fishery	96	0.01	-	-	206	0.03	-	0.00
Manufacturing	553,832	44.12	135,135	58.91	447,858	54.87	113,532	55.62
Mining and Quarry	106,860	8.51	9,023	3.93	99,137	12.15	5,536	2.71
Production	446,636	35.58	125,990	54.93	343,717	42.11	107,996	52.91
Electricity, Gas and Water	336	0.03	122	0.05	5,004	0.61	-	0.00
Construction	178,745	14.24	10,560	4.60	102,970	12.62	3,617	1.77
Services	383,955	30.59	68,585	29.90	204,468	25.05	79,807	39.09
Wholesale and Retail Trade	209,475	16.69	1,956	0.85	101,149	12.39	10,690	5.24
Hotel, Tourism, Food and Beverage Services	22,594	1.80	47,620	20.76	10,911	1.34	54,337	26.62
Transportation and Communication	33,091	2.64	18,940	8.26	17,553	2.15	13,967	6.84
Financial Institutions	33,711	2.69	69	0.03	17,560	2.15	232	0.11
Real Estate and Renting Services	50,663	4.04	-	-	29,043	3.56	-	0.00
Self-Employment Services	12,456	0.99	-	-	10,177	1.25	581	0.28
Education Services	2,600	0.21	-	-	84	0.01	-	0.00
Health and Social Services	19,365	1.54	-	-	17,991	2.20	-	0.00
Other	109,759	8.74	10,500	4.58	45,427	5.56	1,306	0.65
<b>Total</b>	<b>1,255,332</b>	<b>100.00</b>	<b>229,377</b>	<b>100.00</b>	<b>816,241</b>	<b>100.00</b>	<b>204,127</b>	<b>100.00</b>

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

	December 31, 2011	December 31, 2010
<b>Gross Maximum Exposure</b>		
Due from banks	80,370	79,936
Due from money market transactions	80,043	14,003
Financial assets held for trading	177	432
Derivative financial instruments	66	12
Financial assets available-for-sale	283,262	220,039
Held to maturity investment	53,738	47,882
Loans	1,468,718	1,003,222
<b>Total</b>	<b>1,966,374</b>	<b>1,365,526</b>
Contingent liabilities	1,030,628	975,901
Irrevocable commitments	170,329	192,372
<b>Total</b>	<b>1,200,957</b>	<b>1,168,273</b>
<b>Total credit risk exposure</b>	<b>3,167,331</b>	<b>2,533,799</b>

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**II. Explanations Related to Credit Risk (continued)**

Credit quality per class of financial assets as of December 31, 2011 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	80,370	-	80,370
Financial assets designated at fair value through profit or loss	243	-	243
Loans to customers			
Corporate lending	984,254	35,648	1,019,902
Small business lending	407,162	22,915	430,077
Retail loans	18,068	671	18,739
Other	-	-	-
Total	1,490,097	59,234	1,549,331
Financial investments			
Quoted on a stock exchange -domestic public sector debt securities	337,000	-	337,000
Quoted on a stock exchange -Other debt securities	-	-	-
Unquoted on a stock exchange - Debt securities	-	-	-
Total	337,000	-	337,000
Total	1,827,097	59,234	1,886,331

The above distribution has been made based on the business lines and the distributions on the note 5b under the 5th Section 1st Part has been made based on the account codes.

Credit quality per class of financial assets as of December 31, 2010 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	79,936	-	79,936
Financial assets designated at fair value through profit or loss	444	-	444
Loans to customers			
Corporate lending	620,415	29,245	649,660
Small business lending	318,549	22,209	340,758
Retail loans	12,332	472	12,804
Other	-	-	-
Total	1,031,676	51,926	1,083,602
Financial investments			
Quoted on a stock exchange -domestic public sector debt securities	267,921	-	267,921
Quoted on a stock exchange -Other debt securities	-	-	-
Unquoted on a stock exchange - Debt securities	-	-	-
Total	267,921	-	267,921
Total	1,299,597	51,926	1,351,523

The above distribution has been made based on the business lines and the distributions on the note 5b under the 5th Section 1st Part has been made based on the account codes.

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**II. Explanations Related to Credit Risk (continued)**

	Internal Rating Grade	December 31, 2011	%	December 31, 2010	%
High					
Risk rating class 1	A+ Excellent	1,989	0.14	17,510	1.79
Risk rating class 2	A- Excellent	78,437	5.43	49,530	5.05
Good					
Risk rating class 3	B+ Very Good	182,285	12.61	132,610	13.53
Risk rating class 4	B- Very Good	194,910	13.49	146,494	14.94
Standard					
Risk rating class 5	C+ Good	272,114	18.83	188,234	19.20
Risk rating class 6	C- Good	265,302	18.36	230,261	23.49
Substandard					
Risk rating class 7	D+ Ordinary	246,218	17.03	99,479	10.15
Risk rating class 8	D- Ordinary	145,255	10.05	96,254	9.82
Risk rating class 9	E Bad	41,403	2.86	5,777	0.59
Risk rating class 10	F Very Bad	204	0.01	241	0.02
Unrated		17,259	1.19	13,842	1.42
<b>Total</b>		<b>1,445,376</b>	<b>100.00</b>	<b>980,232</b>	<b>100.00</b>

The Bank uses 3 main factors for internal credit rating system. These are financial data, non-financial data and specialist decisions. Financial data consist of liquidity, financial structure, profitability, growth ratios and turnover rate. Non financial data consist of loan client business, relation with finance sector and sector analysis. The Bank measures the credit rating of companies by making comparisons regarding the financial data and non financial-data.

In the existing rating system, the collateral assigned to loans are not taken into account in the rating. The information about customers with F, E and D- rating is shown below.

**“F” rating;**

Number of clients with F rating is 1 with O/S risk TRY 204 Thousand (December 31,2010 : TRY 241 Thousand; 3 client).

The client is granted against letter of guarantee with O/S risk of TRY 183 Thousand and covers 90% of total “F” Rating Risk.

**“E” rating;**

Number of clients with E rating is 21 and total O/S risk is TRY 41.403 Thousand (December 31,2010 : TRY 5.777 Thousand; 17 client).

10 of these clients are granted against Customer Check/Note with O/S risk of TRY 6.236 Thousand and covers 15% of total “E” Rating Risk.

3 of these clients are granted against mortgage with O/S risk of TRY 25.832 Thousand and covers 62% of total “E” Rating Risk.

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**II. Explanations Related to Credit Risk (continued)**

Moreover, parent company of two clients, which have risk of TRY 7,428 Thousand, have rated with B- , ratio is 18%.

**“D+” rating;**

Number of clients with D+ rating is 240 and total O/S is TRY 246,218 Thousand (December 31, 2010 : TRY 99,479 Thousand; 194 client).

Collaterals of these clients are as follows;

TRY 49,211 Thousand cash blockage (13 of these clients covers 20% of “D+” rating risk.)

TRY 2,194 Thousand guarantee letter (1 of these clients covers 1% of “D+” rating risk.)

TRY 60,068 Thousand customer cheque (110 of these clients covers 24% of “D+” rating risk.)

58 of these clients are granted against mortgage with O/S risk of TRY 70,962 Thousand and covers 29% of “D+” rating.

Parent companies of 7 clients that have TRY 19,583 Thousand risk, have “C-“ and better ratings. (8%)

**“D-” rating;**

Number of clients with D- rating is 139 and total O/S is TRY 145.255 Thousand (December 31, 2010 : TRY 96.254 Thousand; 89 client).

Collaterals of these clients are as follows;

TRY 2.368 Thousand cash blockage (9 of these clients covers 2% of “D-” rating risk.)

TRY 32.123 Thousand customer cheque (71 of these clients TRY 3.098 Thousand customer note (3 of these customers covers 2% of “D-” rating risk.)

36 of these clients are granted against mortgage with O/S risk of TRY 41.115 Thousand and covers 28% of “D-” rating.

2 of these clients are granted against vehicle pledge with O/S risk of TRY 9.265 Thousand and covers 6% of “D-” rating risk.

Parent companies of 8 clients that have TRY 18,727 Thousand risk, have “C-“ and better ratings. (13%)

Recorded amount of financial assets whose terms or maturities have been renegotiated:

	December 31, 2011	December 31, 2010
Due from banks	-	-
Financial assets designated at fair value through profit or loss	-	-
Loans and advances to customers	-	1,323
Corporate lending	-	1,323
Small business lending	-	-
Consumer lending	-	-
Other	-	-
<b>Total</b>	-	1,323

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**III. Explanations Related to Market Risk**

The Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” issued in the Official Gazette dated November 1, 2006 numbered 26333.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to VAR calculated by using the standard method (summarized below) is taken into consideration. Beside the standard method, market risk (VAR) is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated weekly by two different methods which are historic simulation and parametric method, and these results are also reported daily to the management.

a) Information Related to Market Risk

	<b>Amount</b>
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	3,128
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	-
(III) Capital Requirement to be Employed For Currency Risk – Standard Method	165
(IV) Capital Requirement to be Employed For Commodity Risk – Standard Method	-
(V) Capital Requirement to be Employed For Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard Method	-
(VII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(VIII) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	3,293
(IX) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x VII)	<b>41,163</b>

b) Average market risk table calculated at the end of the months during the period:

	December 31, 2011			December 31, 2010		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	3,116	3,271	2,733	2,420	2,701	2,130
Common Stock Risk	-	-	-	-	-	-
Currency Risk	92	165	40	88	215	34
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
<b>Total Value Subject to Risk</b>	<b>40,100</b>	<b>42,950</b>	<b>34,663</b>	<b>31,350</b>	<b>36,450</b>	<b>27,050</b>

**Other price risks:**

The Bank does not invest in share certificates quoted on a stock exchange hence it is not subject to share price risk.

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**IV. Explanations Related to Operational Risk**

- a) The Bank calculates amount subject to Operational risk by using the “Basic Indicator Approach” in accordance with the “Communiqué of Measurement and Assessment of Capital Adequacy of Banks”, which was published on November 1, 2006 in the Official Gazette numbered 26333, fourth part “Amount subject to Operational Risk Calculation” which was published on September 1, 2007. Amount subject to Operational Risk is TRY 143,562 Thousand by using the year end gross revenue of prior 3 years 2008, 2009 and 2010. (December 31, 2010 : TRY 116,047 Thousand)
- b) The Bank does not use the Standard Approach.

**V. Explanations Related to Currency Risk**

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions and stop losses which are followed up daily. Any possible changes in the foreign currency transactions in the Bank’s positions are also monitored.

The announced current foreign exchange buying rates of the Bank at December 31, 2011 and the previous five working days in full TRY are as follows (Bank’s FC evaluation rates) :

	December 23, 2011	December 26, 2011	December 27, 2011	December 28, 2011	December 29, 2011	December 30, 2011
USD	1.8966	1.8871	1.8972	1.9066	1.9150	1.8836
CHF	2.0225	2.0168	2.0302	2.0301	2.0303	2.0094
GBP	2.9710	2.9508	2.9719	2.9582	2.9534	2.9261
100 JPY	2.4284	2.4222	2.4364	2.4519	2.4614	2.4399
EURO	2.4733	2.4666	2.4790	2.4765	2.4735	2.4442

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before December 31, 2011 are as follows:

	Monthly Average Foreign Exchange Rate
USD	1.8660
CHF	2.0031
GBP	2.9125
100 JPY	2.3981
EURO	2.4581

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**V. Explanations Related to Currency Risk (continued)**

**Information on the foreign currency risk of the Bank:**

<b>December 31, 2011</b>	<b>EUR</b>	<b>USD</b>	<b>YEN</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>Assets</b>					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	33,389	97,857	-	171	131,417
Banks	20,410	58,902	113	928	80,353
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-	-
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	-	44,451	-	-	44,451
Loans (*)	222,166	283,327	-	-	505,493
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets	-	248	-	-	248
<b>Total Assets</b>	<b>275,965</b>	<b>484,785</b>	<b>113</b>	<b>1,099</b>	<b>761,962</b>
<b>Liabilities</b>					
Bank Deposits	65	348	-	37	450
Foreign Currency Deposits	207,615	466,819	-	495	674,929
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	69,342	19,463	-	-	88,805
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	221	361	-	-	582
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities	246	(1,266)	1	6	(1,013)
<b>Total Liabilities</b>	<b>277,489</b>	<b>485,725</b>	<b>1</b>	<b>538</b>	<b>763,753</b>
<b>Net Balance Sheet Position</b>	<b>(1,524)</b>	<b>(940)</b>	<b>112</b>	<b>561</b>	<b>(1,791)</b>
<b>Net Off-Balance Sheet Position</b>	<b>413</b>	<b>2,143</b>	<b>-</b>	<b>(293)</b>	<b>2,263</b>
Financial Derivative Assets (***)	4,935	13,781	-	-	18,716
Financial Derivative Liabilities (***)	(4,522)	(11,638)	-	(293)	(16,453)
Non-Cash Loans (**)	82,553	270,847	-	1,477	354,877
<b>December 31, 2010</b>					
<b>Total Assets (*) (****)</b>	<b>213,558</b>	<b>348,643</b>	<b>109</b>	<b>740</b>	<b>563,050</b>
<b>Total Liabilities</b>	<b>212,329</b>	<b>350,366</b>	<b>2</b>	<b>384</b>	<b>563,081</b>
<b>Net Balance Sheet Position</b>	<b>1,229</b>	<b>(1,723)</b>	<b>107</b>	<b>356</b>	<b>(31)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(2,120)</b>	<b>1,651</b>	<b>-</b>	<b>-</b>	<b>(469)</b>
Financial Derivative Assets (***)	6,051	46,975	-	-	53,026
Financial Derivative Liabilities (***)	(8,171)	(45,324)	-	-	(53,495)
Non-Cash Loans (**)	97,363	263,587	400	1,095	362,445

(\*) Foreign currency indexed loans amounting to TRY 276,117 Thousand (December 31, 2010: TRY 174,776 Thousand) are included in the loan portfolio.

(\*\*) There are no effects on the net off-balance sheet position.

(\*\*\*) It includes also TRY 15,566 Thousand and TRY 13,308 Thousand forward asset purchase & sale commitments (December 31, 2010: TRY 52,664 Thousand and TRY 53,495 Thousand, respectively).

(\*\*\*\*) TRY 57 Thousand asset from derivative financial instruments and TRY 39 Thousand liability from derivative financial instruments are not included (December 31, 2010: TRY 12 Thousand assets from derivative financial instruments).

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**V. Explanations Related to Currency Risk (continued)**

**Foreign currency sensitivity:**

The Bank holds EUR and USD currencies positions mainly.

The following table details the Bank's sensitivity to a 10% increase or decrease in the TRY against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. Positive/(Negative) number indicates a change in profit or loss and other equity where USD and EUR increase %10 against TRY.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
USD	10 increase	120	(7)	(206)	26
USD	10 decrease	(120)	7	206	(26)
EURO	10 increase	(111)	(89)	-	-
EURO	10 decrease	111	89	-	-



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**VI. Explanations Related to Interest Rate Risk**

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

Risk Department performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank does not permit maturity mismatches or imposes limits on mismatch, a significant interest rate risk exposure is not expected.

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
<b>December 31, 2011</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	-	-	-	-	-	200,915	200,915
Banks	77,193	-	-	-	-	3,177	80,370
Financial Assets at Fair Value Through Profit and Loss	45	114	-	58	26	-	243
Money Market Placements	80,043	-	-	-	-	-	80,043
Available-For-Sale Financial Assets	33,432	55,572	129,907	12,280	52,071	75	283,337
Loans (*)	1,058,515	80,611	156,624	147,600	1,940	86	1,445,376
Held-To-Maturity Investments	-	-	53,738	-	-	-	53,738
Other Assets (**)	-	-	-	-	-	59,311	59,311
<b>Total Assets</b>	<b>1,249,228</b>	<b>136,297</b>	<b>340,269</b>	<b>159,938</b>	<b>54,037</b>	<b>263,564</b>	<b>2,203,333</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	668	668
Other Deposits	919,894	523,487	48,850	-	-	102,681	1,594,912
Money Market Borrowings	97,725	-	-	-	-	-	97,725
Sundry Creditors	-	-	-	-	-	12,571	12,571
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	10,010	30,551	64,116	-	-	54	104,731
Other Liabilities (***)	340	246	-	-	-	392,140	392,726
<b>Total Liabilities</b>	<b>1,027,969</b>	<b>554,284</b>	<b>112,966</b>	<b>-</b>	<b>-</b>	<b>508,114</b>	<b>2,203,333</b>
Balance Sheet Long Position	221,259	-	227,303	159,938	54,037	-	662,537
Balance Sheet Short Position	-	(417,987)	-	-	-	(244,550)	(662,537)
Off-Balance Sheet Long Position	-	-	-	-	-	25,748	25,748
Off-Balance Sheet Short Position	-	-	-	-	-	(25,684)	(25,684)
<b>Total Position</b>	<b>221,259</b>	<b>(417,987)</b>	<b>227,303</b>	<b>159,938</b>	<b>54,037</b>	<b>(244,486)</b>	<b>64</b>

(\*) Up to 1 month column consist of revolving loans and corporate FC indexed loans.

(\*\*) The other assets line in the non-interest bearing column consist of tangible assets amounting to TRY 11,720 Thousand, intangible assets amounting to TRY 1,244 Thousand, tax asset amounting to TRY 2,579 Thousand, net non performing loans amounting to TRY 23,342 Thousand, clearing account amounting to TRY 10,777 Thousand, prepaid expenses amounting to TRY 1,777 Thousand, other assets amounting to TRY 1,386 Thousand, and system investments amounting to TRY 6,486 Thousand.

(\*\*\*) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TRY 338,082 Thousand, TRY 5,557 Thousand tax liabilities, TRY 26,622 Thousand provisions and TRY 21,879 Thousand other liabilities.

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**TURKLAND BANK ANONİM ŞİRKETİ**

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**VI. Explanations Related to Interest Rate Risk (continued)**

**Average interest rates applied to monetary financial instruments:**

	EURO %	USD %	YEN %	TRY %
<b>December 31, 2011</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	-	-	-	-
Banks	0,52	0,25	-	7,39
Financial Assets At Fair Value Through Profit And Loss	-	-	-	8,02
Money Market Placements	-	-	-	11,87
Available-For-Sale Financial Assets	-	5,04	-	5,73
Loans	7,09	6,31	-	14,49
Held-To-Maturity Investments	-	-	-	8,02
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	4,41	4,36	-	9,53
Money Market Borrowings	-	-	-	6,32
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	3,74	2,21	-	8,42

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
<b>December 31, 2010</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	-	-	-	-	-	113,410	113,410
Banks	78,254	-	-	-	-	1,682	79,936
Financial Assets at Fair Value Through Profit and Loss	118	141	185	-	-	-	444
Money Market Placements	14,003	-	-	-	-	-	14,003
Available-For-Sale Financial Assets	13,908	88,956	48,657	22,210	46,308	75	220,114
Loans (*)	716,845	46,969	110,449	105,881	-	88	980,232
Held-To-Maturity Investments	2,126	1,978	22,771	21,007	-	-	47,882
Other Assets (**)	-	-	-	-	-	53,753	53,753
<b>Total Assets</b>	<b>825,254</b>	<b>138,044</b>	<b>182,062</b>	<b>149,098</b>	<b>46,308</b>	<b>169,008</b>	<b>1,509,774</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	5,749	5,749
Other Deposits	776,217	244,417	5,619	-	-	111,079	1,137,332
Money Market Borrowings	17	-	-	-	-	-	17
Sundry Creditors	-	-	-	-	-	9,579	9,579
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	7,871	23,894	44,742	15,740	-	17	92,264
Other Liabilities (***)	1,084	182	6	-	-	263,561	264,833
<b>Total Liabilities</b>	<b>785,189</b>	<b>268,493</b>	<b>50,367</b>	<b>15,740</b>	<b>-</b>	<b>389,985</b>	<b>1,509,774</b>
Balance Sheet Long Position	40,065	-	131,695	133,358	46,308	-	351,426
Balance Sheet Short Position	-	(130,449)	-	-	-	(220,977)	(351,426)
Off-Balance Sheet Long Position	-	-	-	-	-	53,876	53,876
Off-Balance Sheet Short Position	-	-	-	-	-	(53,854)	(53,854)
<b>Total Position</b>	<b>40,065</b>	<b>(130,449)</b>	<b>131,695</b>	<b>133,358</b>	<b>46,308</b>	<b>(220,955)</b>	<b>22</b>

(\*) Up to 1 month column consist of revolving loans and corporate FC indexed loans.

(\*\*) The other assets line in the non-interest bearing column consist of tangible assets amounting to TRY 14,070 Thousand, intangible assets amounting to TRY 864 Thousand, tax asset amounting to TRY 780 Thousand, net non performing loans amounting to TRY 22,990 Thousand, clearing account amounting to TRY 9,816 Thousand, prepaid expenses amounting to TRY 1,432 Thousand and other assets amounting to TRY 3,801 Thousand.

(\*\*\*) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TRY 219,256 Thousand, TRY 4,103 Thousand tax liabilities, TRY 17,997 Thousand provisions and TRY 22,205 Thousand other liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**VI. Explanations Related to Interest Rate Risk (continued)**

**Average interest rates applied to monetary financial instruments:**

	EURO %	USD %	YEN %	TRY %
<b>December 31, 2010</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	-	-	-	-
Banks	0.22	0.32	-	4.01
Financial Assets At Fair Value Through Profit And Loss	-	-	-	7.58
Money Market Placements	-	-	-	6.41
Available-For-Sale Financial Assets	-	5.51	-	6.41
Loans	7.39	5.89	-	13.12
Held-To-Maturity Investments	-	-	-	10.69
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	3.21	3.15	-	9.13
Money Market Borrowings	-	-	-	7.60
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	3.66	2.95	-	8.63

**Interest rate sensitivity:**

If interest rates had been increased by 0.5% in TRY and by 0.5% in FC and all other variables were held constant, the Bank's:

- Net profit would decrease by TRY 448 Thousand. The main reason of this is change in TRY and FC deposits (December 31, 2010: TRY 703 Thousand).
- There is no effect on the Bank's equity.

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**TURKLAND BANK ANONİM ŞİRKETİ**

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## **VII. Explanations Related to Liquidity Risk**

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TRY and foreign currency assets and liabilities on the balance sheet and their costs. In this sense, various crisis scenarios which are prepared by risk management group are presented to management and audit committee.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources.

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**25. FINANCIAL RISK MANAGEMENT (continued)**

**Liquidity Risk (continued)**

Analysis of financial liabilities by remaining contractual maturities;

	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Adjustme nts (*)	Total
<b>As of December 31, 2011</b>							
Customers' deposits	1,025,803	531,576	51,783			(14,250)	1,594,912
Deposits from banks	668	-	-	-	-	-	668
Obligations under repurchase agreements	97,757	-	-	-	-	(32)	97,725
Funds borrowed	10,162	30,945	65,975	-	-	(2,351)	104,731
<b>Total</b>	<b>1,134,390</b>	<b>562,521</b>	<b>117,758</b>	<b>-</b>	<b>-</b>	<b>(16,633)</b>	<b>1,798,036</b>
<b>As of December 31, 2010</b>							
Customers' deposits	888,877	246,552	5,762	-	-	(3,859)	1,137,332
Deposits from banks	5,749	-	-	-	-	-	5,749
Obligations under repurchase agreements	17	-	-	-	-	-	17
Funds borrowed	7,931	24,105	45,967	16,836	-	(2,575)	92,264
<b>Total</b>	<b>902,574</b>	<b>270,657</b>	<b>51,729</b>	<b>16,836</b>	<b>-</b>	<b>(6,434)</b>	<b>1,235,362</b>

\*Interest to be paid until maturity.

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments;

	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
<b>As of December 31, 2011</b>						
Net settled:						
Interest rate swaps	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	-
Gross settled: (*)	-	5,072	-	-	-	5,072
Forward contracts	-	5,072	-	-	-	5,072
Currency swaps	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5,072</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,072</b>
<b>As of December 31, 2010</b>						
Net settled:						
Interest rate swaps	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	-
Gross settled: (*)	362	-	-	-	-	362
Forward contracts	362	-	-	-	-	362
Currency swaps	-	-	-	-	-	-
<b>Total</b>	<b>362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>362</b>

(\*) Presents forward and swap foreign currency transactions-buy notional amounts.

As of December 31, 2011 there are no forward marketable securities purchase commitments due within one month. (December 31, 2010: TRY 38,845).

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**VII. Explanations Related to Liquidity Risk (continued)**

**Presentation of assets and liabilities according to their remaining maturities:**

December 31, 2011	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey (****)	81,403	71,600	38,856	9,056	-	-	-	200,915
Banks	3,177	77,193	-	-	-	-	-	80,370
Financial Assets at Fair Value Through Profit and Loss	-	45	21	-	151	26	-	243
Money Market Placements	-	80,043	-	-	-	-	-	80,043
Available-For-Sale Financial Assets	-	1,986	980	72,336	119,563	88,397	75	283,337
Loans (***)	-	1,058,601	80,611	156,624	147,600	1,940	-	1,445,376
Held-To-Maturity Investments	-	-	-	52,476	-	1,262	-	53,738
Other Assets	-	10,789	-	-	-	-	48,522	59,311
<b>Total Assets</b>	<b>84,580</b>	<b>1,300,257</b>	<b>120,468</b>	<b>290,492</b>	<b>267,314</b>	<b>91,625</b>	<b>48,597</b>	<b>2,203,333</b>
<b>Liabilities</b>								
Bank Deposits	668	-	-	-	-	-	-	668
Other Deposits	102,681	919,894	523,487	48,850	-	-	-	1,594,912
Funds Provided From Other Financial Institutions	-	10,064	30,551	64,116	-	-	-	104,731
Money Market Borrowings	-	97,725	-	-	-	-	-	97,725
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	12,571	-	-	-	-	-	12,571
Other Liabilities (**)	-	24,650	246	-	-	-	367,830	392,726
<b>Total Liabilities</b>	<b>103,349</b>	<b>1,064,904</b>	<b>554,284</b>	<b>112,966</b>	<b>-</b>	<b>-</b>	<b>367,830</b>	<b>2,203,333</b>
<b>Liquidity Gap</b>	<b>(18,769)</b>	<b>235,353</b>	<b>(433,816)</b>	<b>177,526</b>	<b>267,314</b>	<b>91,625</b>	<b>(319,933)</b>	<b>-</b>
<b>December 31, 2010</b>								
Total Assets	61,732	856,263	72,717	149,181	258,847	67,031	44,003	1,509,774
Total Liabilities	116,828	820,141	268,493	50,367	15,740	-	238,205	1,509,774
Liquidity Gap	(55,096)	36,122	(195,776)	98,814	243,107	67,031	(194,202)	-

(\*) The assets which are necessary to provide banking services and can not be liquidated in the short term, such as tangible assets, investments in subsidiaries and associates and non-performing loans are classified under undistributed.

(\*\*) Shareholders' equity is shown under other liabilities in undistributed column.

(\*\*\*) Rotative loans are classified in up to 1 month column.

(\*\*\*\*) Reserve requirement distribution is based on maturity distribution of liabilities on which the reserve is calculated.

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**VII. Explanations Related to Liquidity Risk (continued)**

Analysis of financial liabilities by remaining contractual maturities

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments (*)	Total
<b>As of December 31, 2011</b>							
Bank Deposits	668	-	-	-	-	-	668
Other deposits	1,025,803	531,576	51,783	-	-	(14,250)	1,594,912
Funds provided from other financial institutions	97,757	-	-	-	-	(32)	97,725
Money market borrowings	10,162	30,945	65,975	-	-	(2,351)	104,731
<b>Total</b>	<b>1,134,390</b>	<b>562,521</b>	<b>117,758</b>	<b>-</b>	<b>-</b>	<b>(16,633)</b>	<b>1,798,036</b>
<b>As of December 31, 2010</b>							
Bank Deposits	5,749	-	-	-	-	-	5,749
Other deposits	888,877	246,552	5,762	-	-	(3,859)	1,137,332
Funds provided from other financial institutions	7,931	24,105	45,967	16,836	-	(2,575)	92,264
Money market borrowings	17	-	-	-	-	-	17
<b>Total</b>	<b>902,574</b>	<b>270,657</b>	<b>51,729</b>	<b>16,836</b>	<b>-</b>	<b>(6,434)</b>	<b>1,235,362</b>

\*Interest to be paid until maturity.

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>As of December 31, 2011</b>						
Gross settled						
Foreign exchange forward contracts	-	5,072	-	-	-	5,072
Currency swaps	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5,072</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,072</b>
<b>As of December 31, 2010</b>						
Gross settled	362	-	-	-	-	362
Foreign exchange forward contracts	362	-	-	-	-	362
Currency swaps	-	-	-	-	-	-
<b>Total</b>	<b>362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>362</b>

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**VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value**

Presentation of the Bank's financial assets and liabilities at fair value is shown below:

	Book Value		Fair Value	
	December 31,2011	December 31,2010	December 31,2011	December 31,2010
<b>Financial Assets</b>	<b>1,966,206</b>	<b>1,365,157</b>	<b>1,958,559</b>	<b>1,362,313</b>
Money Market Placements	80,043	14,003	80,043	14,003
Banks	80,370	79,936	80,370	79,936
Available-For-Sale Financial Assets (*)	283,337	220,114	283,337	220,114
Held-To-Maturity Investments	53,738	47,882	52,838	48,350
Loans	1,468,718	1,003,222	1,461,971	999,910
<b>Financial Liabilities</b>	<b>1,712,882</b>	<b>1,244,924</b>	<b>1,713,570</b>	<b>1,245,407</b>
Bank Deposits	668	5,749	668	5,749
Other Deposits	1,594,912	1,137,332	1,595,060	1,137,567
Funds Borrowed From Other Financial Institutions	104,731	92,264	105,271	92,512
Marketable Securities Issued	-	-	-	-
Sundry Creditors	12,571	9,579	12,571	9,579

(\*) Unquoted stocks amounting to TRY 75 Thousand have not been considered in fair value calculation.

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

**i. Financial assets:**

Money market placements and banks are carried at amortised cost values on the face of the financial statements and due to their short term nature, their fair values are considered to approximate their respective carrying values. The discount rate used to calculate the fair value of held to maturity investments and loans and receivables as of December 31, 2011 is the market rates available for the loan and security types.



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**VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (continued)**

**ii. Financial liabilities:**

The fair value of bank deposits and sundry creditors are considered to approximate their respective carrying values amortised cost values due to their short term nature. The discount rate used to calculate the fair value of other deposits and funds borrowed as of December 31, 2011 is the market rates available for the borrowing and deposits types.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market, and those where the valuation techniques involves the use of non observable inputs.

December 31, 2011	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	177	66	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	283,262	-	-	75
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
<b>Financial Liabilities</b>	-	-	-	-
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-

December 31, 2010	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	432	12	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	220,039	-	-	75
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
<b>Financial Liabilities</b>	-	-	-	-
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-

**IX. Explanations Related To Transactions Made on Behalf of Others and Fiduciary Transactions**

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off Balance Sheet Contingencies and Commitments.

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**TURKLAND BANK ANONİM ŞİRKETİ**

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON  
UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and Disclosures Related to the Assets**

**1. a) Information on Cash and Balances with the Central Bank of Turkey:**

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Cash in Vault/Foreign Currency	5,561	10,812	4,351	10,949
Balances with the Central Bank of Turkey	63,937	120,605	43,940	54,170
Other	-	-	-	-
<b>Total</b>	<b>69,498</b>	<b>131,417</b>	<b>48,291</b>	<b>65,119</b>

**b) Information related to the account of the Central Bank of Turkey:**

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Unrestricted demand deposits	63,937	1,093	43,940	810
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
FC Reserve Deposits	-	119,512	-	53,360
<b>Total</b>	<b>63,937</b>	<b>120,605</b>	<b>43,940</b>	<b>54,170</b>

**c) Explanations related to reserve deposits:**

According to the "Communiqué on Amendments to be made on Communiqué on Required Reserves" of Central Bank of the Republic of Turkey numbered 2011/11 and 2011/13 reserve deposit rates applied to TRY and FC liabilities has changed. The current required reserve rates as of the date of approval of the financial statements are as follows:

FC reserve deposits rates:

FX demand deposits, notice deposits and FX private current accounts, FX deposits/FX participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities	FX deposits/FX participation accounts with 1-year and longer maturity and cumulative FX deposits/ FX participation accounts	FX Special fund pools	FX liabilities up to 1-year maturity (including 1-year)	FX liabilities up to 3-year maturity (including 3-year)	FX liabilities longer than 3-year maturity
11%	9%	Ratios for corresponding maturities	11%	9%	6%

TRY reserve deposits rates:

Demand deposits, notice deposits and private current accounts	Deposits/participation accounts up to 1-month maturity (including 1-month)	Deposits/participation accounts up to 3-month maturity (including 3-month)	Deposits/participation accounts up to 6-month maturity (including 6-month)	Deposits/participation accounts up to 1-year maturity	Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	Other liabilities up to 1-year maturity (including 1-year)	Other liabilities up to 3-year maturity (including 3-year)	Other liabilities with longer 3-year maturity
11%	11%	11%	8%	6%	5%	11%	8%	5%

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**I. Explanations and Disclosures Related to the Assets: (continued)**

**2. Information on financial assets at fair value through profit and loss (net):**

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked:  
None.

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements:

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Government bonds	-	-	20	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>			<b>20</b>	

Net book value of unrestricted financial assets at fair value through profit and loss is TRY 177 Thousand. (December 31, 2010: TRY 412 Thousand).

b) Positive differences related to derivative financial assets held-for-trading:

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Forward Transactions	9	57	-	12
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>9</b>	<b>57</b>	<b>-</b>	<b>12</b>

**3.a) Information on banks :**

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Banks				
Domestic	17	77,232	22	75,455
Foreign	-	3,121	-	4,459
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>17</b>	<b>80,353</b>	<b>22</b>	<b>79,914</b>

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
European Union Countries	1,409	3,869	-	-
USA and Canada	1,328	361	-	-
OECD Countries (*)	311	219	-	-
Off-shore banking regions	-	-	-	-
Other	73	10	-	-
<b>Total</b>	<b>3,121</b>	<b>4,459</b>	<b>-</b>	<b>-</b>

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

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**I. Explanations and Disclosures Related to the Assets: (continued)**

**4. Information on financial assets available-for-sale: (continued)**

a.1) Information on financial assets available-for-sale given as collateral or blocked:

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	37,485	-	23,074	-
Other	-	-	-	-
<b>Total</b>	<b>37,485</b>	<b>-</b>	<b>23,074</b>	<b>-</b>

Available-for-sale securities given as collateral for Stock Exchange and Foreign Exchange Markets are TRY 18,268 Thousand and TRY 19,217 Thousand respectively.

a.2) Information on financial assets available for sale subject to repurchase agreements: None (December 31, 2010 : None).

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	78,596	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>78,596</b>	<b>-</b>	<b>-</b>	<b>-</b>

Net book value of unrestricted financial assets available-for-sale is TRY 167,256 Thousand (December 31,2010: TRY 197,040 Thousand) and there are unquoted stocks amounting TRY 75 Thousand (December 31, 2010: TRY 75 Thousand).

b) Information on financial assets available for sale portfolio:

	December 31, 2011	December 31, 2010
Debt securities	283,262	220,039
Quoted on a stock exchange	283,262	220,039
Not quoted	-	-
Share certificates	75	75
Quoted on a stock exchange	-	-
Not quoted	75	75
Impairment provision(-)/(+)	-	-
<b>Total</b>	<b>283,337</b>	<b>220,114</b>

In line with the accounting policy of the Bank all unquoted available for sale equities are recorded at fair value except for the Bank's investment of TRY 75 Thousand which is recorded at cost since its fair value cannot be reliably estimated (December 31, 2010: TRY 75 Thousand ).

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**I. Explanations and Disclosures Related to the Assets: (continued)**

**5. Information on loans: (continued)**

a) Information on all types of loans or advances given to shareholders and employees of the Bank:

	December 31, 2011		December 31, 2010	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	73	620	10	1,024
Corporate shareholders	73	620	10	1,024
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	118	6,902	-	-
Loans granted to employees	878	1,124	682	1,493
<b>Total</b>	<b>1,069</b>	<b>8,646</b>	<b>692</b>	<b>2,517</b>

b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-specialized loans	1,409,485	-	35,891	-
Discount notes	266	-	-	-
Export loans	253,190	-	2,829	-
Import loans	-	-	-	-
Loans given to financial sector	28,699	-	-	-
Foreign loans	20,107	-	-	-
Consumer loans	22,635	-	1,000	-
Credit cards	-	-	-	-
Precious metals loans	-	-	-	-
Other	1,084,588	-	32,062	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>1,409,485</b>	<b>-</b>	<b>35,891</b>	<b>-</b>

c) Loans according to their maturity structure:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term loans and other receivables	1,120,683	-	14,915	-
Non-specialized loans	1,120,683	-	14,915	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	288,802	-	20,976	-
Non-specialized loans	288,802	-	20,976	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>1,409,485</b>	<b>-</b>	<b>35,891</b>	<b>-</b>

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**I. Explanations and Disclosures Related to the Assets: (continued)**

**5. Information on loans: (continued)**

Standard and close monitoring loans which their payment plans have changed:

Standard loans

Number of agreements (*)	Up to 1 month	1-3 month	3-6 month	6month - 1year	1- 5year	Total
1	942	-	-	-	-	942
1	-	-	-	2,100	-	2,100
<b>Total</b>	<b>942</b>	<b>-</b>	<b>-</b>	<b>2,100</b>	<b>-</b>	<b>3,042</b>

Close monitoring loans

Number of agreements (*)	Up to 1 month	1-3 month	3-6 month	6month - 1year	1- 5year	Total
3	3,487	-	-	-	-	3,487
1	-	44	-	-	-	44
2	-	-	78	-	-	78
1	-	-	-	36	-	36
4	-	-	-	-	2,056	2,056
<b>Total</b>	<b>3,487</b>	<b>44</b>	<b>78</b>	<b>36</b>	<b>2,056</b>	<b>5,701</b>

(\*) Extension period of loan terms has considered.

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**II. Explanations and Disclosures Related to the Assets: (continued)**

**5. Information on loans: (continued)**

- d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
<b>Consumer Loans-TRY</b>	<b>3,007</b>	<b>18,969</b>	<b>21,976</b>
Housing Loans	137	9,865	10,002
Car Loans	-	532	532
General Purpose Loans	2,403	7,285	9,688
Other	467	1,287	1,754
<b>Consumer Loans –Indexed to FC</b>	<b>-</b>	<b>241</b>	<b>241</b>
Housing Loans	-	186	186
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	55	55
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TRY</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Individual Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Loans-TRY</b>	<b>483</b>	<b>148</b>	<b>631</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	481	148	629
Other	2	-	2
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TRY(Real Persons) (*)</b>	<b>787</b>	<b>-</b>	<b>787</b>
<b>Overdraft Accounts-FC(Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4,277</b>	<b>19,358</b>	<b>23,635</b>

(\*) Overdraft Accounts includes TRY 213 Thousand personnel loans.

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**I. Explanations and Disclosures Related to the Assets: (continued)**

**5. Information on loans: (continued)**

e) Information on commercial loans with installments and corporate credit cards:

	Short Term	Medium and Long Term	Total
<b>Commercial loans with installment facility-TRY</b>	<b>28,824</b>	<b>127,303</b>	<b>156,127</b>
Business Loans	-	267	267
Car Loans	100	4,290	4,390
General Purpose Loans	-	8,484	8,484
Other	28,724	114,262	142,986
<b>Commercial loans with installment facility - Indexed to FC</b>	<b>8,404</b>	<b>121,252</b>	<b>129,656</b>
Business Loans	-	-	-
Car Loans	970	32,199	33,169
General Purpose Loans	1,352	727	2,079
Other	6,082	88,326	94,408
<b>Commercial loans with installment facility –FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TRY</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TRY(Legal Entities)</b>	<b>15,691</b>	<b>-</b>	<b>15,691</b>
<b>Overdraft Accounts-FC(Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>52,919</b>	<b>248,555</b>	<b>301,474</b>

f) Loans according to borrowers:

	December 31, 2011	December 31, 2010
Public	-	-
Private	1,445,376	980,232
<b>Total</b>	<b>1,445,376</b>	<b>980,232</b>

g) Domestic and foreign loans:

	December 31, 2011	December 31, 2010
Domestic loans	1,425,003	979,912
Foreign loans	20,373	320
<b>Total</b>	<b>1,445,376</b>	<b>980,232</b>

h) Loans granted to subsidiaries and associates: None.

i) Specific provisions provided against loans:

	December 31, 2011	December 31, 2010
Specific provisions		
Loans and receivables with limited collectability	81	148
Loans and receivables with doubtful collectability	-	373
Uncollectible loans and receivables	15,910	16,625
<b>Total</b>	<b>15,991</b>	<b>17,146</b>



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**I. Explanations and Disclosures Related to the Assets: (continued)**

**5. Information on loans: (continued)**

j) Information on non-performing loans (Net):

j.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>December 31, 2011</b>			
(Gross amount before specific provision)	-	-	124
Restructured Loans and Other Receivables	-	-	124
Rescheduled Loans and Other Receivables	-	-	-
<b>December 31, 2010</b>			
(Gross amount before specific provision)	-	144	266
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	144	266

(\*) As of December 31, 2011, specific provision set aside for the loans and receivables restructured and tied to a redemption plan is TRY 31 Thousand. (December 31, 2010: TRY 96 Thousand)

j.2) The movement of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
December 31, 2010	2,832	1,929	35,375
Additions (+)	11,436	652	8
Transfers from other categories of non-performing loans (+)	-	10,115	13,574
Transfers to other categories of non-performing loans (-)	(12,832)	(10,857)	-
Collections (-)	(655)	(533)	(4,488)
Write-offs (-) (*)	-	(432)	(6,791)
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
December 31, 2011	781	874	37,678
Specific provision (-)	(81)	-	(15,910)
<b>Net Balances on Balance Sheet</b>	<b>700</b>	<b>874</b>	<b>21,768</b>

(\*) Based on the Board of Directors decision numbered 495-B and dated October 26, 2011 non performing loan portfolio amounting to TRY 7,223 Thousand are sold to an asset management company.

j.3) Information on foreign currency non-performing loans and other receivables: None.

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**I. Explanations and Disclosures Related to the Assets: (continued)**

**5. Information on loans: (continued)**

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>December 31, 2011 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	781	874	37,678
Specific provision (-)	(81)	-	(15,910)
<b>Loans to Real Persons and Legal Entities (Net)</b>	<b>700</b>	<b>874</b>	<b>21,768</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other Loans and Receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>December 31, 2010 (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loans to Real Persons and Legal Entities (Gross)	2,832	1,929	35,375
Specific provision (-)	(148)	(373)	(16,625)
<b>Loans to Real Persons and Legal Entities (Net)</b>	<b>2,684</b>	<b>1,556</b>	<b>18,750</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other Loans and Receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

k) Main principles of liquidation policies of nonperforming loans and receivables:

According to the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published on Official Gazette No. 26333 dated November 1, 2006; legal action is carried on considering firms, guarantors and existing collaterals and provisions are made for non-performing loans in accordance with the relevant decree.

l) Explanations on write-off policy:

Upon the request of internal legal counsel and credit department for those doubtful loans that have no proven change of recovery, write off is evaluated according to the authority delegated by the Board of Directors. For the year ended December 31, 2011 there is no write-off amount evaluated according to the Board of Directors decision. (December 31, 2010: None)

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**I. Explanations and Disclosures Related to the Assets: (continued)**

**5. Information on loans: (continued)**

m) Other explanations and disclosures:

December 31, 2011	Corporate	Small Business	Retail	Other	Total
Neither past due nor impaired	984,254	407,162	18,068	-	1,409,484
Past due not impaired	17,403	17,850	639	-	35,892
Restructured loans	-	-	-	-	-
Individually impaired	30,752	8,449	132	-	39,333
Total gross	1,032,409	433,461	18,839	-	1,484,709
Less: allowance for individually impaired loans	(12,507)	(3,384)	(100)	-	(15,991)
Total net	1,019,902	430,077	18,739	-	1,468,718

December 31, 2010	Corporate	Small Business	Retail	Other	Total
Neither past due nor impaired	620,415	318,549	12,332	-	951,296
Past due not impaired	10,342	16,862	409	-	27,613
Restructured loans	1,323	-	-	-	1,323
Individually impaired	31,237	8,681	218	-	40,136
Total gross	663,317	344,092	12,959	-	1,020,368
Less: allowance for individually impaired loans	(13,657)	(3,334)	(155)	-	(17,146)
Total net	649,660	340,758	12,804	-	1,003,222

A reconciliation of the allowance for impairment losses is as follows;

	Total
At January 1, 2011	17,146
Additions in the period	7,216
Non-performing loan sales	(7,118)
The effect of collections in the period	(1,253)
Write off	-
At December 31, 2011	15,991

The fair value of collaterals that the Bank holds relating to loans individually determined to be impaired as of December 31, 2011 is TRY 51,662 Thousand. (December 31, 2010: TRY 41,617 Thousand).

TRY 1,889 Thousand amount of properties are transferred to the ownership of the Bank in 2011 period and in the same period TRY 283 Thousand amount of it has been sold. There are no other credit enhancements obtained during the period (December 31, 2010: None). Moreover, TRY 749 Thousand amount of properties transferred to the ownership of the Bank before 2011 year have been sold.

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**I. Explanations and Disclosures Related to the Assets: (continued)**

**5. Information on loans: (continued)**

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

December 31, 2011	Less than 30 days	31-60 Days	61-90 Days	More than 91 Days	Total
Loans and advances to customers					
Corporate lending	17,091	312	-	-	17,403
Small business lending	15,265	2,535	50	-	17,850
Consumer lending	340	200	98	-	638
Other	-	-	-	-	-
Total	32,696	3,047	148	-	35,891

December 31, 2010	Less than 30 days	31-60 Days	61-90 Days	More than 91 Days	Total
Loans and advances to customers					
Corporate lending	7,666	2,448	1,551	-	11,665
Small business lending	16,282	409	171	-	16,862
Consumer lending	216	193	-	-	409
Other	-	-	-	-	-
Total	24,164	3,050	1,722	-	28,936

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank held as of December 31, 2011 is TRY 59,938 Thousand (December 31, 2010: TRY 53,252 Thousand) for the total aggregate amount of gross past due but not yet impaired loans and advances to customers.

Loans and advances amounting to TRY 954,002 Thousand are revolving loans that have maturity up to one month and floating interest rates (December 31, 2010: TRY 646,415 Thousand ) and the remaining TRY 491,374 Thousand have fixed interest rates. (December 31, 2010: TRY 333,817 Thousand).

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**I. Explanations and Disclosures Related to the Assets: (continued)**

**6. Information on held-to-maturity investments :**

a.1) Information on held-to-maturity investments given as collateral or blocked:

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	21,473	-	25,690	-
Other	-	-	-	-
Total	21,473	-	25,690	-

Held-to-maturity investments given as collateral for Stock Exchange, Interbank Markets and other are TRY 2,392 Thousand, TRY 17,819 Thousand, and TRY 1,262 Thousand respectively.

a.2) Held-to-maturity investments subject to repurchase agreements:

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	18,525	-	-	-
Other	-	-	-	-
Total	18,525	-	-	-

Book value of held to maturity investments classified as unrestricted financial assets is TRY 13,740 Thousand. (December 31, 2010: TRY 22,192 Thousand )

b) Information on public sector debt investments held-to-maturity:

	December 31, 2011	December 31, 2010
Government bonds	53,738	47,882
Treasury bills	-	-
Other public sector debt securities	-	-
Total	53,738	47,882

c) Information on held-to-maturity investments:

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Debt securities				
Quoted on a stock exchange	53,738	-	47,882	-
Not quoted on a stock exchange	-	-	-	-
Provision for impairment (-)	-	-	-	-
Total	53,738	-	47,882	-

d) Movement of held-to-maturity investments:

	December 31, 2011	December 31, 2010
Beginning balance	47,882	39,209
Foreign currency differences on monetary assets (*)	294	960
Purchases during year	28,554	26,212
Disposal through sales and redemptions	(22,992)	(18,499)
Impairment provision (-)	-	-
Closing Balance	53,738	47,882

(\*) Accruals of Held-to maturity investments are reflected in foreign currency differences on monetary assets line.

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**I. Explanations and Disclosures Related to the Assets: (continued)**

**7. Information on associates (Net):**

The Bank has no associates in the current period

**8. Information on subsidiaries (Net):**

The Bank has no subsidiaries in the current period.

**9. Information on jointly controlled entities:**

The Bank has no jointly controlled entities in the current period.

**10. Information on finance lease receivables (Net):**

The Bank has no lease receivables in the current period.

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

The Bank has no financial assets for hedging purposes in the current period.

**12. Information on tangible assets (Net) :**

	Closing Balance December 31, 2010	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2011
Cost:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	5,965	11	-	-	-	5,976
Vehicles	-	-	-	-	-	-
Other	25,578	3,044	(1,341)	-	-	27,281
<b>Total Cost</b>	<b>31,543</b>	<b>3,055</b>	<b>(1,341)</b>	<b>-</b>	<b>-</b>	<b>33,257</b>
	Closing Balance December 31, 2010	Period Charge	Disposals	Other	Change in estimate	Ending Balance December 31, 2011
Accumulated Depreciation:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	(4,737)	(590)	-	-	-	(5,327)
Vehicles	-	-	-	-	-	-
Other	(12,736)	(3,797)	323	-	-	(16,210)
<b>Total Accumulated Depreciation</b>	<b>(17,473)</b>	<b>(4,387)</b>	<b>323</b>	<b>-</b>	<b>-</b>	<b>(21,537)</b>
<b>Net Book Value</b>	<b>14,070</b>	<b>(1,332)</b>	<b>(1,018)</b>	<b>-</b>	<b>-</b>	<b>11,720</b>

a) If impairment amount on individual asset recorded or reversed in the current period is material for the overall financial statements:

a.1) Events and conditions for recording or reversing impairment: None.

a.2) Amount of recorded or reversed impairment in the financial statements: None.

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.

c) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

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**I. Explanations and Disclosures Related to the Assets (continued)**

**13. Information on intangible assets:**

	Closing Balance December 31, 2010	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2011
Cost:						
Software cost	7,918	1,158	(2)	-	-	9,074
Other intangible assets	-	-	-	-	-	-
<b>Total Cost</b>	<b>7,918</b>	<b>1,158</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>9,074</b>
	Closing Balance December 31, 2010	Period Charge	Disposals	Other	Change in estimate	Ending Balance December 31, 2011
Accumulated Depreciation:						
Software cost	(7,054)	(778)	2	-	-	(7,830)
Other intangible assets	-	-	-	-	-	-
<b>Total Accumulated Depreciation</b>	<b>(7,054)</b>	<b>(778)</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>(7,830)</b>
<b>Net Book Value</b>	<b>864</b>	<b>(387)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,244</b>

- a) Disclosures for book value, description and remaining depreciation time for a specific intangible fixed asset that is material to the financial statements: None.
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition : None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.
- e) Amount of purchase commitments for intangible fixed assets: None.
- f) Information on revalued intangible assets according to their types: None.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on entity basis: None.
- i) Information on goodwill: None.
- j) Movements on goodwill in the current period: None.

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**I. Explanations and Disclosures Related to the Assets (continued)**

14. **Investment Property (Net):** None.

15. **Explanations on deferred tax asset:**

- a) As of December 31, 2011, deferred tax asset calculated on tax losses and tax deductions or exemptions is TRY 320 Thousand (December 31, 2010: None). Deferred tax asset calculated on the other temporary differences is TRY 2,087 Thousand (December 31, 2011: TRY 780 Thousand deferred tax asset).
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.
- d) Movement of deferred tax:

	December 31, 2011	December 31, 2010
<b>At January 1</b>	<b>780</b>	<b>2,188</b>
Effect of change in tax rate	-	-
Deferred tax (charge)/benefit	(2,057)	(1,031)
<b>Deferred tax (charge)/benefit (Net)</b>	<b>(2,057)</b>	<b>(1,031)</b>
Deferred tax accounted for under Shareholders' Equity	3,684	(377)
<b>Deferred Tax Asset</b>	<b>2,407</b>	<b>780</b>

	December 31, 2011		December 31, 2010	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Reserve for Employee Benefits	4,901	980	3,649	730
Provisions	4,754	951	1,702	341
Net Book Value and Tax Value Differences of Assets				
Tangible Fixed Assets	173	35	385	77
Deferred Commission	1,350	270	485	97
Financial Assets	2,390	478	468	94
Tax Losses	1,599	320	-	-
<b>Deferred Tax Asset</b>	<b>3,034</b>			<b>1,339</b>
Net Book Value and Tax Value Differences of Assets				
Tangible Fixed Assets	2,158	432	2,393	479
Financial Assets	901	180	399	80
Others	77	15	-	-
<b>Deferred tax Liability (-)</b>		<b>627</b>		<b>559</b>
<b>Deferred tax Asset ( Net )</b>		<b>2,407</b>		<b>780</b>



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**I. Explanations and Disclosures Related to the Assets (continued)**

16. Information on assets held for sale and discontinued operations: None.

17. Information on other assets:

a) Breakdown of other assets:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Prepaid Expenses	1,777	1,432
Advances Given	244	200
Settlement Accounts	10,777	9,816
System Investments	6,486	-
Other	1,142	3,601
<b>Total</b>	<b>20,426</b>	<b>15,049</b>

b) Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None.

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**II. Explanations and Disclosures Related to the Liabilities**

**I. Information on maturity structure of deposits:**

a.1) December 31, 2011 :

	7 Day Call	Up to 1	1-3	3-6	Month-1	1 Year	Accumulate	Total	
	Demand	Accounts	Month	Month	Month	Year	And over	d Deposits	
Saving deposits	8,381	-	20,309	447,335	137,514	1,611	644	-	615,794
Foreign currency deposits	53,305	-	29,208	495,472	85,043	11,604	297	-	674,929
Residents in Turkey	52,032	-	29,181	425,311	65,681	10,684	18	-	582,907
Residents abroad	1,273	-	27	70,161	19,362	920	279	-	92,022
Public sector deposits	1,106	-	-	-	-	-	-	-	1,106
Commercial deposits	39,679	-	57,337	153,196	17,703	24,085	3,016	-	295,016
Other institutions deposits	209	-	41	6,471	1,339	1	6	-	8,067
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	668	-	-	-	-	-	-	-	668
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	10	-	-	-	-	-	-	-	10
Foreign Banks	658	-	-	-	-	-	-	-	658
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>103,348</b>	<b>-</b>	<b>106,895</b>	<b>1,102,474</b>	<b>241,599</b>	<b>37,301</b>	<b>3,963</b>	<b>-</b>	<b>1,595,580</b>

a.2) December 31, 2010 :

	7 Day Call	Up to 1	1-3	3-6	Month-1	1 Year	Accumulate	Total	
	Demand	Accounts	Month	Month	Month	Year	And over	d Deposits	
Saving deposits	19,648	-	43,909	344,910	2,192	29	-	-	410,688
Foreign currency deposits	41,440	-	139,665	271,990	24,757	186	71	-	478,109
Residents in Turkey	36,130	-	103,710	262,941	24,696	175	-	-	427,652
Residents abroad	5,310	-	35,955	9,049	61	11	71	-	50,457
Public sector deposits	2,199	-	-	-	-	-	-	-	2,199
Commercial deposits	47,643	-	88,044	89,094	7,058	119	-	-	231,958
Other institutions deposits	149	-	326	13,898	3	-	2	-	14,378
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	5,749	-	-	-	-	-	-	-	5,749
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	7	-	-	-	-	-	-	-	7
Foreign Banks	5,742	-	-	-	-	-	-	-	5,742
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>116,828</b>	<b>-</b>	<b>271,944</b>	<b>719,892</b>	<b>34,010</b>	<b>334</b>	<b>73</b>	<b>-</b>	<b>1,143,081</b>

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**II. Explanations and Disclosures Related to the Liabilities: (continued)**

**1. Information on maturity structure of deposits (continued):**

b.1) Information on saving deposits under the guarantee of saving deposits insurance:

i. Information on saving deposits:

Saving Deposits(*)	Under the Guarantee of Insurance		Exceeding the Limit of Insurance	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Saving deposits	113,927	98,445	497,578	309,972
Foreign currency saving deposits	29,427	26,856	301,642	216,456
Other deposits in the form of saving deposits	176	120	4,287	2,084
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>143,530</b>	<b>125,421</b>	<b>803,507</b>	<b>528,512</b>

(\*) According to the BRSA's circular no 1584 dated February 23, 2005, accruals are included in the saving deposit amount.

ii. Deposit amounts not under the guarantee of saving deposit:

Deposits of real persons not under the guarantee of saving deposit insurance:

	December 31, 2011	December 31, 2010
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman, members of the Board of Directors, general manager and assistant general managers and their close families	1,517	885
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

**2. Information on derivative financial liabilities:**

a) Negative differences table related to derivative financial liabilities held-for-trading:

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Forward Transactions	-	39	-	-
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>-</b>

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**II. Explanations and Disclosures Related to the Liabilities: (continued)**

3. a) Information on banks and other financial institutions:

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	14,691	24,496	10,607	14,860
From Foreign Banks, Institutions and Funds	1,235	64,309	4,862	61,935
<b>Total</b>	<b>15,926</b>	<b>88,805</b>	<b>15,469</b>	<b>76,795</b>

b) Maturity analysis of borrowings:

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Short-term	15,926	72,532	15,469	59,484
Medium and long-term	-	16,273	-	17,311
<b>Total</b>	<b>15,926</b>	<b>88,805</b>	<b>15,469</b>	<b>76,795</b>

c) Additional explanations related to the concentrations of the Bank's major liabilities:

Bank diversifies its funding resources by customer deposits and foreign borrowings.

67% of bank deposits and 42% of other deposits are composed of foreign currency deposits.

4. Information on funds provided from repurchase agreement transactions:

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
<b>From domestic transactions</b>	<b>97,725</b>	-	<b>17</b>	-
Financial institutions and organizations	97,710	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	15	-	17	-
<b>From foreign transactions</b>	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>Total</b>	<b>97,725</b>	-	<b>17</b>	-

5. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total: None.

6. Explanations on lease obligations (Net):

- a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

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**II. Explanations and Disclosures Related to the Liabilities: (continued)**

**6. Explanations on financial lease obligations (Net) (continued):**

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Code.

b) The explanation on modifications in agreements and new obligations resulting from such modifications: None.

c) Explanation on finance lease payables:

	December 31, 2011		December 31, 2010	
	Gross	Net	Gross	Net
Less than 1 Year	-	-	9	9
Between 1-4 Years	-	-	1	1
More than 4 Years	-	-	-	-
<b>Total</b>			<b>10</b>	<b>10</b>

d) Explanations regarding operational leases:

Head-Office and all branch premises of the Bank are leased under operational leases. During 2011, operational lease expenses amounting to TRY 8,084 Thousand have been recorded in the profit and loss accounts. (December,31 2010: TRY 7,060 Thousand). The lease periods vary between 5 and 10 years.

e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

**7. Information on derivative financial liabilities for hedging purposes: None.**

**8. Information on provisions:**

a) Information on general provisions:

	December 31, 2011	December 31, 2010
General Provisions		
Provisions for First Group Loans and Receivables	11,766	7,548
Provisions for Second Group Loans and Receivables	813	544
Provisions for Non-Cash Loans	1,809	1,621
Other	-	-
<b>Total</b>	<b>14,388</b>	<b>9,713</b>

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**II. Explanations and Disclosures Related to the Liabilities (continued)**

**8. Information on provisions (continued):**

General provision movement for first, second group of loans and receivables and non- cash loans is as follows:

	<b>First Group Loans and Receivables</b>	<b>Second Group Loans and Receivables</b>	<b>Non-Cash Loans</b>
<b>January 1, 2011</b>	7,548	544	1,621
Additions	4,218	483	188
Disposals	-	(214)	-
<b>December 31, 2011</b>	<b>11,766</b>	<b>813</b>	<b>1,809</b>

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: Provision for foreign currency indexed loans amounting to TRY 351 Thousand (December 31, 2010: TRY 602Thousand) is netted off from loans on the balance sheet.

c) The specific provisions of TRY 2,578 Thousand (December 31, 2010: TRY 2,082 Thousand) were provided for unindemnified non cash loans.

d) Information on employee termination benefits and unused vacation accrual:

The Bank has calculated the reserve for employee termination benefits by using actuarial valuation methods as set out in the TAS No:19 and reflected this in the financial statements.

d.1) Movement of employee termination benefits:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
As of January 1	2,173	1,400
Service cost	508	355
Interest cost	203	142
Actuarial gain / (loss)	314	459
Benefits paid	(229)	(190)
Additional indemnities or expenses/ (income)	-	7
<b>End of period</b>	<b>2,969</b>	<b>2,173</b>

d.2) Provision for employee benefits table:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Employee termination benefit provision	2,969	2,173
Unused vacation provision	1,932	1,476
<b>Total of provision for employee benefits</b>	<b>4,901</b>	<b>3,649</b>

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**II. Explanations and Disclosures Related to the Liabilities: (continued)**

**8. Information on provisions (continued)**

In accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits"; total benefit is calculated for each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

e) Information on other provisions:

e.1) Provisions for possible losses: None.

e.2) The breakdown of the sub accounts if other provisions exceed 10% of the grand total of provisions:

	December 31, 2011	December 31, 2010
Specific provisions provided for unindemnified non cash loans	2,578	2,082
Settlement date provision	-	851
Other provisions(*)	4,755	1,702
<b>Total</b>	<b>7,333</b>	<b>4,635</b>

Provision movement for unindemnified non cash loans and other provisions is as follows:

	Specific provisions provided for unindemnified non cash loans	Other provisions(*)
<b>December 31, 2010</b>	2,082	1,702
Additions (**)	854	3,662
Disposals	(358)	(609)
<b>December 31, 2011</b>	<b>2,578</b>	<b>4,755</b>

(\*) Other provisions include TRY 3,000 Thousand of bonus provisions, TRY 751 Thousand of loan provisions, TRY 933 Thousand of litigation provisions and TRY 71 of other provisions. The Bank has not provided any bonus accrual since there has been no decision taken related to bonus payment related to 2011 performance as of December 31, 2011. (December 31, 2010: TRY 42 bonus provision, TRY 1,019 Thousand of loan related provision, TRY 641 Thousand of litigation provision).

(\*\*) TRY 3,662 Thousand of additions in "other provisions" includes TRY 3,000 Thousand bonus provisions, TRY 300 Thousand of additional provision for loans, TRY 292 Thousand litigation provisions and TRY 70 Thousand of other provisions.

f) Liabilities on pension rights: None.

f.1) Liabilities for pension funds established in accordance with "Social Security Institution": None.

f.2) Liabilities resulting from all kinds of pension funds, foundations etc, which provide post retirement benefits for the employees: None.

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**AS OF DECEMBER 31, 2011**  
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**II. Explanations and Disclosures Related to the Liabilities: (continued)**

**9. Explanations on taxes payable**

a) Information on current tax liability:

a.1) Corporate taxes:

As of December 31, 2011, corporate tax liability after prepaid taxes are netted off:

	December 31, 2011	December 31, 2010
Current period tax payable	-	972
Prepaid Tax	-	(415)
<b>Total</b>	<b>-</b>	<b>557</b>

a.2) Information on taxes payable:

	December 31, 2011	December 31, 2010
Corporate Tax Payable	-	557
Payroll Tax	753	684
Taxation on Securities	1,535	933
Property Tax	210	171
Banking and Insurance Transaction Tax (BITT)	1,923	947
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	266	118
Stamp Tax	20	18
Other	136	29
<b>Total</b>	<b>4,843</b>	<b>3,457</b>



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**II. Explanations and Disclosures Related to the Liabilities: (continued)**

**9. Explanations on taxes payable: (continued)**

a.3) Information on premiums:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Social Security Premiums-Employee	267	242
Social Security Premiums-Employer	392	355
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	18	16
Unemployment Insurance-Employer	37	33
Other	-	-
<b>Total</b>	<b>714</b>	<b>646</b>

b) Explanations on deferred tax liabilities, if any: None.

**10. Information on liabilities regarding assets held for sale and discontinued operations: None.**

**11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:**

The Bank does not have subordinated loans.

**12. Information on Shareholders' Equity:**

a) Presentation of Paid-in capital:

According to the Extraordinary General Assembly decision dated May 30, 2011, it was decided to increase the Bank's capital from TRY 170,000 Thousand to TRY 300,000 Thousand, and it was registered in the Turkish Trade Registry Gazette dated June 20, 2011 numbered 7840. According to the BRSA approval dated September 15, 2011 numbered 4381 the unused preemptive right of Arab Bank Plc amounting to TRY 65,000 Thousand have been used by Arab Bank (Switzerland) Ltd (ABS). Capital commitments which are amounting to TRY 130,000 Thousand have been paid by shareholders and according to the BRSA Decision dated October 20, 2011 numbered 22244 it has been transferred to the capital accounts.

As of December 31, 2011 the nominal value of the Bank's paid-in-capital is amounting to TRY 300,000 and consists of 3,000 million shares.

<b>000 TL</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Common stock(*)	300,000	170,000
Preferred stock		-

(\*) Nominal Capital

b) The Bank does not apply registered share capital system.

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**II. Explanations and Disclosures Related to the Liabilities: (continued)**

**12. Information on Shareholders' Equity: (continued)**

- d) Information on share capital increases and their sources; other information on increased capital shares in the current period:

According to the Extraordinary General Assembly decision dated May 30, 2011, The Bank's paid-in-capital has increased from TRY 170,000 Thousand to TRY 300,000 Thousand.

- d) Information on share capital increases from revaluation funds in the current period: None.
- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.
- f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

Prior year income, profitability and liquidity of the Bank is closely monitored by the Financial Reporting Department and reported to the Board of Directors, Asset and Liability Committee. Risk Management tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for Bank's future interest income via simulations of net interest income and scenario analysis.

- g) Information on preferred shares: None.
- h) Information on marketable securities value increase fund:

	December 31, 2011	December 31, 2010
From Associates, Subsidiaries, and Jointly Controlled Entities (Joint Vent.)	-	-
Valuation Difference	(6,989)	7,746
Foreign Exchange Difference	-	-
<b>Total</b>	<b>(6,989)</b>	<b>7,746</b>

**13. Information on legal reserves:**

	December 31, 2011	December 31, 2010
First legal reserves	789	666
Second legal reserves	-	-
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>789</b>	<b>666</b>

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**II. Explanations and Disclosures Related to the Liabilities: (continued)**

**14. Information on extraordinary reserves:**

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Reserves appropriated by the General Assembly	-	-
Retained earnings	12,543	10,203
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
<b>Total</b>	<b>12,543</b>	<b>10,203</b>

**15. Information on minority shares: None.**

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**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments**

**1. Information on off-balance sheet liabilities:**

a) Nature and amount of irrevocable loan commitments:

	December 31, 2011	December 31, 2010
Credit card expenditure limit commitments	-	1,572
Loan granting commitments	38,849	26,748
Payment commitments for checks	67,900	57,043
Forward asset purchase and sales commitments	41,315	107,009
Others	22,265	-
<b>Total</b>	<b>170,329</b>	<b>192,372</b>

b) Possible losses and commitments related to off-balance sheet items including items listed below:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letters of credits:

	December 31, 2011	December 31, 2010
Bank acceptance loans	11,597	17,310
Letters of credit	92,948	107,318
Other guarantees	84,979	91,060
<b>Total</b>	<b>189,524</b>	<b>215,688</b>

b.2) Guarantees, suretyships, and similar transactions:

	December 31, 2011	December 31, 2010
Definite letters of guarantees	613,527	547,390
Temporary letters of guarantees	110,483	105,301
Surety ships and similar transactions	-	-
Other Letter of Guarantees	117,094	107,522
<b>Total</b>	<b>841,104</b>	<b>760,213</b>

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**TURKLAND BANK ANONİM ŞİRKETİ**

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**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments: (continued)**

**1. Information on off-balance sheet liabilities: (continued)**

c) c.1) Total amount of non-cash loans:

	December 31, 2011	December 31, 2010
Non-cash loans given against achieving cash loans	72,176	64,209
With maturity of 1 year or less than 1 year	14,108	150
With maturity of more than 1 year	58,068	64,059
Other non-cash loans	958,452	911,692
<b>Total</b>	<b>1,030,628</b>	<b>975,901</b>

c.2) Information on sectoral risk breakdown of non-cash loans and irrevocable loan commitments (excluding forward asset sales and purchase commitments):

	December 31, 2011				December 31, 2010			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	4,924	0.63	6,302	1.68	7,791	1.11	2,316	0.64
Farming and raising livestock	4,071	0.52	6,298	1.68	6,811	0.97	2,316	0.64
Forestry	795	0.10	4	0.00	915	0.13	-	0.00
Fishery	58	0.01	-	0.00	65	0.01	-	0.00
Manufacturing	175,666	22.38	198,104	52.87	202,169	28.93	178,914	49.36
Mining	50,264	6.40	39,572	10.56	65,575	9.38	22,715	6.27
Production	125,193	15.95	153,064	40.85	136,425	19.52	156,186	43.09
Electric, gas and water	209	0.03	5,468	1.46	169	0.02	13	0.00
Construction	292,703	37.29	63,430	16.93	248,577	35.57	95,928	26.47
Services	226,690	22.88	73,119	19.53	199,024	28.48	80,934	22.33
Wholesale and retail trade	111,961	14.26	30,556	8.15	90,006	12.88	36,347	10.03
Hotel, food and beverage services	6,152	0.78	572	0.15	5,667	0.81	484	0.13
Transportation and telecommunication	9,386	1.20	11,797	3.15	18,166	2.60	8,560	2.36
Financial institutions	49,022	6.25	19,124	5.10	48,715	6.97	20,546	5.67
Real estate and renting services	5,019	0.64	16	0.00	2,949	0.42	5,494	1.52
Self-employment services	18,445	2.35	11,051	2.95	19,767	2.83	9,503	2.62
Education services	274	0.03	-	0.00	118	0.02	-	0.00
Health and social services	26,431	3.37	83	0.02	13,636	1.95	-	0.00
Other	84,932	10.82	33,692	8.99	41,257	5.90	4,354	1.20
<b>Total</b>	<b>784,915</b>	<b>100.00</b>	<b>374,727</b>	<b>100.00</b>	<b>698,818</b>	<b>100.00</b>	<b>362,446</b>	<b>100.00</b>

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**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments: (continued)**

**1. Information on off-balance sheet liabilities: (continued)**

c.3) Information on I st and II nd Group non-cash loans:

Non-cash loans	I st Group (*)		II nd Group	
	TRY	FC	TRY	FC
Letters of guarantee	661,973	152,247	13,778	13,106
Bank acceptances	-	11,597	-	-
Letters of credit	-	92,948	-	-
Endorsements	-	-	-	-
Securities issue purchase and guarantees	-	-	-	-
Other commitments and contingencies	-	84,979	-	-
<b>Total</b>	<b>661,973</b>	<b>341,771</b>	<b>13,778</b>	<b>13,106</b>

(\*) Includes III rd, IV th and V th Groups as well.

The Bank provided a reserve of TRY 6,391 Thousand for non-cash loans not yet indemnified amounting to TRY 2,578 Thousand.

**2. Information related to derivative financial instruments:**

	Derivative transactions according to purposes			
	Trading		Hedging	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<b>Types of trading transactions</b>				
Foreign currency related derivative transactions (I):				
Forward transactions	10,117	721	-	-
Swap transactions	-	-	-	-
Futures transactions	-	-	-	-
Option transactions	-	-	-	-
Interest related derivative transactions (II) :				
Forward rate transactions	-	-	-	-
Interest rate swap transactions	-	-	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	-	-	-	-
Other derivative transactions for trade (III)	-	-	-	-
A. Total trading derivative transactions (I+II+III)	10,117	721	-	-
<b>Types of hedging transactions</b>	-	-	-	-
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Net investment hedges	-	-	-	-
B.Total hedging related derivatives	-	-	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>10,117</b>	<b>721</b>	<b>-</b>	<b>-</b>

Forward foreign exchange and swap transactions are for protection from currency fluctuations. According to TAS, they do not qualify as hedging instruments but trading and are remeasured at fair value.

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**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments: (continued)**

**2. Information related to derivative financial instruments: (continued)**

As of December 31, 2011 breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TRY equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Future Buy	Future Sell
<b>December 31, 2011</b>								
TRY	1,921	1,900	-	-	-	-	-	-
USD	2,540	2,534	-	-	-	-	-	-
EURO	611	611	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,072</b>	<b>5,045</b>	-	-	-	-	-	-
<b>December 31, 2010</b>								
TRY	-	359	-	-	-	-	-	-
USD	-	-	-	-	-	-	-	-
EURO	362	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>362</b>	<b>359</b>	-	-	-	-	-	-

**3. Explanations on contingent liabilities and assets:**

- a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.
- a.2) Share of jointly controlled entity (joint venture) in its own contingent liabilities: None.
- a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in jointly controlled entities (joint ventures): None.

b) Accounting and presentation of contingent assets and liabilities in the financial statements:

- b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes. As of December 31, 2011 there are no contingent assets that need to be explained.
- b.2) A provision is made for contingent liabilities, if realization is probable and the amount can reliably be determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes: Contingent liabilities as of December 31, 2011 are explained in section 3 part XIV "Explanations on Provisions and Contingent Liabilities".

**4. Custodian and intermediary services:**

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off Balance Sheet Contingencies and Commitments.

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**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments: (continued)**

**5. The information on the Bank's rating by in the international rating introductions :**

The results of the rating performed by Fitch Ratings are shown below:

**Fitch Ratings: December 2011**

**Foreign Currency Commitments**

Long term	BBB-
Short term	F3
View	Stable

**Turkish Lira Commitments**

Long term	BBB-
Short term	F3
View	Stable
National	AAA(tur)
View	Stable

**Individual Rating**

**D**

**Support Points**

**2**



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**IV. Explanations and Disclosures Related to the Income Statement**

**I. a) Information on interest on loans:**

Interest on loans (*)	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Short term loans	97,088	13,176	58,906	9,332
Medium and long term loans	28,786	2,781	19,830	3,062
Interest on non-performing loans	689	-	447	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>126,563</b>	<b>15,957</b>	<b>79,183</b>	<b>12,394</b>

(\*) Includes fees and commissions obtained from cash loans.

**b) Information on interest received from banks:**

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	212	193	29	27
Foreign banks	-	6	-	123
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>212</b>	<b>199</b>	<b>29</b>	<b>150</b>

**c) Interest received from marketable securities portfolio:**

	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Trading securities	18	-	57	-
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	19,398	2,233	14,423	1,901
Held-to-maturity securities	3,985	-	4,641	-
<b>Total</b>	<b>23,401</b>	<b>2,233</b>	<b>19,121</b>	<b>1,901</b>

**d) Information on interest income received from associates and subsidiaries: None.**

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**IV. Explanations and Disclosures Related to the Income Statement: (continued)**

**2. a) Information on interest on funds borrowed :**

Interest on funds borrowed (*)	December 31, 2011		December 31, 2010	
	TRY	FC	TRY	FC
Banks	2,745	3,308	1,218	1,627
The Central Bank of Turkey	-	-	-	-
Domestic banks	1,092	608	782	288
Foreign banks	1,653	2,700	436	1,339
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
<b>Total</b>	<b>2,745</b>	<b>3,308</b>	<b>1,218</b>	<b>1,627</b>

(\*) Includes fees and commission expenses for borrowings.

**b) Information on interest expense to associates and subsidiaries: None**

**c) Information on interest expense to marketable securities issued: None.**

**d) Distribution of interest expense on deposits based on maturity of deposits:**

Account Name	December 31, 2011							Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	
<b>TRY</b>								
Bank deposits	-	28	-	-	-	-	-	28
Saving deposits	-	1,562	37,584	5,422	82	14	-	44,664
Public sector deposits	-	5	-	-	-	-	-	5
Commercial deposits	-	3,522	15,151	1,212	474	16	-	20,375
Other deposits	-	9	986	10	-	-	-	1,005
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5,126</b>	<b>53,721</b>	<b>6,644</b>	<b>556</b>	<b>30</b>	<b>-</b>	<b>66,077</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	2,660	19,605	2,049	341	4	-	24,659
Bank deposits	-	-	-	-	-	-	-	-
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2,660</b>	<b>19,605</b>	<b>2,049</b>	<b>341</b>	<b>4</b>	<b>-</b>	<b>24,659</b>
<b>Grand Total</b>	<b>-</b>	<b>7,786</b>	<b>73,326</b>	<b>8,693</b>	<b>897</b>	<b>34</b>	<b>-</b>	<b>90,736</b>

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**IV. Explanations and Disclosures Related to the Income Statement: (continued)**

Account Name	December 31, 2010							
	Time Deposits							
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
TRY								
Bank deposits	-	2	-	-	-	-	-	2
Saving deposits	-	5,201	26,015	1,047	224	-	-	32,487
Public sector deposits	-	8	-	-	-	-	-	8
Commercial deposits	-	5,976	5,078	103	2	-	-	11,159
Other deposits	-	187	898	14	-	-	-	1,099
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>11,374</b>	<b>31,991</b>	<b>1,164</b>	<b>226</b>	<b>-</b>	<b>-</b>	<b>44,755</b>
Foreign Currency								
Foreign currency deposits	-	3,037	7,999	691	6	5	-	11,738
Bank deposits	-	-	-	-	-	-	-	-
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>3,037</b>	<b>7,999</b>	<b>691</b>	<b>6</b>	<b>5</b>	<b>-</b>	<b>11,738</b>
<b>Grand Total</b>	<b>-</b>	<b>14,411</b>	<b>39,990</b>	<b>1,855</b>	<b>232</b>	<b>5</b>	<b>-</b>	<b>56,493</b>

**3. Information on dividend income:**

	December 31, 2011	December 31, 2010
Trading securities	-	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	5	2
Other	-	-
<b>Total</b>	<b>5</b>	<b>2</b>

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**IV. Explanations and Disclosures Related to the Income Statement: (continued)**

**4. Information on net trading income:**

	December 31, 2011	December 31, 2010
<b>Income</b>	<b>1,465,199</b>	<b>922,848</b>
Gains on capital market operations	5,953	8,871
Gains on derivative financial instruments	14,248	6,858
Foreign exchange gains	1,444,998	907,119
<b>Losses (-)</b>	<b>(1,460,297)</b>	<b>(914,403)</b>
Losses on capital market operations	(8)	(18)
Losses on derivative financial instruments	(14,244)	(17,620)
Foreign exchange losses	(1,446,045)	(896,765)

**5. Information on other operating income:**

	December 31, 2011	December 31, 2010
Provisions for communication expense collected from customers	92	75
Provisions for expenditure collected from customers	50	32
Reversal of specific provision (*)(**)	8,729	19,163
Reversal of general loan loss provision	214	3,678
Reversal of free provision	610	5,568
Expenses of previous year	210	-
Income from operational leases	-	22
Income from sales of assets written off	775	562
Other	695	296
<b>Total</b>	<b>11,375</b>	<b>29,396</b>

(\*) In accordance with the Board of Directors decision dated October 26, 2011, due to the sale of non-performing loans, TRY 6,988 Thousand provision related prior years has been reversed.

(\*\*) Includes TRY 358 Thousand Specific provisions reversed for unindemnified non cash loans.

**6. Provision expenses of banks for loans and other receivables:**

	December 31, 2011	December 31, 2010
Specific provisions for loans and other receivables	7,216	8,296
III. Group Loans and Receivables	1,174	4,010
IV. Group Loans and Receivables	1,551	1,452
V. Group Loans and Receivables	4,491	2,834
General loan loss provision expenses	4,889	6,871
Provision expenses for possible losses	300	547
Marketable securities impairment losses	155	212
Financial assets at fair value through profit and loss	2	-
Investment securities available for sale	153	212
Impairment provision expense on investments	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities	-	-
Investments held to maturity	-	-
Other	854	1,142
<b>Total</b>	<b>13,414</b>	<b>17,068</b>

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**IV. Explanations and Disclosures Related to the Income Statement: (continued)**

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

	December 31, 2011	December 31, 2010
Personnel expenses	43,132	39,782
Reserve for employee termination benefits	796	773
Taxes and duties	2,146	2,175
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	4,363	3,977
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	778	1,229
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	24	21
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	24,812	19,952
Rent expenses	8,084	7,060
Maintenance expenses	1,167	1,491
Advertisement expenses	365	366
Other expenses(*)	15,196	11,035
Loss on sales of assets (***)	7,229	15,023
Other(**)	3,520	2,591
<b>Total</b>	<b>86,798</b>	<b>85,523</b>

(\*) Included in other operating expenses; vehicle expenses are TRY 3,304 Thousand, communication expenses are TRY 1,839 Thousand, cleaning expenses are TRY 1,432 thousand, heating- lighting expenses are TRY 947 Thousand, stationery expenses are TRY 510 Thousand, computer usage expenses are TRY 1,190 Thousand, insurance expenses are TRY 273 Thousand, nonallowable charges are TRY 238 Thousand, other provisions expenses are TRY 3,362 Thousand and other expenses are TRY 2,101 Thousand (December 31, 2010: TRY 2,905 Thousand vehicle ; TRY 1,828 Thousand communication, TRY 1,188 Thousand cleaning, TRY 915 Thousand heating- lighting; TRY 493 Thousand nonallowable charges; TRY 500 Thousand stationery; TRY 938 computer usage expenses; TRY 314 insurance expenses and TRY 1,954 Thousand other expenses).

(\*\*) Included in other; the premiums paid to Saving Deposit Insurance Fund is TRY 1,013 Thousand, assurance and financial services expenses are TRY 1,525 Thousand and other expenses are TRY 511 Thousand unused vacation and TRY 364 Thousand other expenses. (December 31, 2010: TRY 713 Thousand premiums paid to Saving Deposit Insurance Fund; TRY 922 Thousand assurance and financial consultancy expenses; TRY 522 Thousand unused vacation and TRY 364 Thousand other expenses).

(\*\*\*) According to the Board of Directors decision numbered 495/B and dated October 26, 2011, non-performing loans with a principal amount of TRY 7,223 Thousand are sold to an asset management company for an amount of TRY 305 Thousand. (December 31, 2010: According to the Board of Directors decision numbered 488 and dated October 21, 2010, nonperforming loans with a principal amount of TRY 16,667 Thousand are sold for an amount of TRY 1,675 Thousand. The difference between the principal and the sale amount is TRY 14,992 Thousand loss and TRY 15,916 Thousand provision related to prior years and TRY 477 Thousand provision related to current year have been reversed.)

**8. Information on profit/(loss) from continued and discontinued operations before taxes:**

The Bank has TRY 4,466 Thousand profit before tax as of December 2010 and TRY 5,618 Thousand profit before tax as of December 2011. Compared to the prior year, the total of Bank's provision expenses for loans and other receivables and operating expense excluding the effect of loss on sale of assets increased by 33% and fees and commission income increased by 17 %.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**IV. Explanations and Disclosures Related to the Income Statement: (continued)**

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

- a) As of December 31, 2011, current tax charge has been no balance.(December 31, 2010: TRY 972 Thousand); deferred tax charge is 2,057 Thousand (December 31, 2010: TRY 1,031 Thousand deferred tax expense)
- b) Deferred tax charge on temporary differences except carried forward tax losses is TRY 2,377 Thousand. (December 31, 2010: TRY 1,031 Thousand deferred tax expense)
- c) Deferred tax charge for temporary differences on carried forward tax losses or tax exemptions or deductions which is included in the current year statement of income:TRY 320 Thousand (December 31, 2010: None).

d) Tax reconciliation:

	December 31, 2011	December 31, 2010
<b>Profit before tax</b>	<b>5,618</b>	<b>4,466</b>
Tax at the domestic income tax rate of 20% (2010: 20%)	(1,124)	(893)
Disallowables and other, net	(933)	(1,110)
<b>Tax calculated</b>	<b>(2,057)</b>	<b>(2,003)</b>

**10. Information on net profit/(loss) from continued and discontinued operations:**

The Bank has TRY 2,463 Thousand net profit as of December 2010 and TRY 3,561 Thousand net profit as of December 2011.

**11. Explanations on net income / loss for the period:**

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the understanding of the Bank's performance for the period:

According to Board of Directors decision dated October 26, 2011 the Bank has booked net TRY 200 Thousand income due to sale of its non performing loan portfolio, that has TRY 7,223 Thousand principal value, for an amount of TRY 305 Thousand to Efes Varlık Yönetim A.Ş.

- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.
- c) Profit or loss attributable to minority shares: None.

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**TURKLAND BANK ANONİM ŞİRKETİ**

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**IV. Explanations and Disclosures Related to the Income Statement: (continued)**

12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

	December 31, 2011	December 31, 2010
<u>Other fees and commissions received</u>		
Expertise fees collected from customers	570	253
Transfer commissions	457	405
Collection note commissions	102	80
Insurance commissions	110	104
Import letters of credit commissions	128	187
Credit cards commissions and fees	6	8
Other banking operations income	8,410	6,711
<b>Total</b>	<b>9,783</b>	<b>7,748</b>

	December 31, 2011	December 31, 2010
<u>Other fees and commissions given</u>		
Transfer Commission	89	142
Credit Card Commission	-	1
Settlement Commission	27	42
Bond Market Share	62	96
Other commissions paid to banks	431	341
ATM Expense Commission	14	30
EFT expenses	87	73
Other	149	43
<b>Total</b>	<b>859</b>	<b>776</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity**

- a) Decrease resulting from revaluation of financial assets available for sale : TRY 14,735 Thousand (December 31, 2010: TRY 1,509 Thousand increase )
- b) Increase in cash flow risk hedging items: None.
  - b.1) Reconciliation of beginning and ending balances: None.
  - b.2) Amount recorded in the current period if a gain or loss from a cash flow hedging derivative or non-derivative financial asset is accounted for under shareholders' equity: None.
- c) The reconciliation related with foreign currency translation reserves at the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not yet been conducted as of the date the accompanying financial statements are authorized for issue.
- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date the financial statements are authorized for issue.
- g) Amounts transferred to legal reserves: TRY 123 Thousand (December 31,2010:None).
- h) Information on shares issued:

The Bank does not have any issued debt securities. As of the date of approval of these financial statements, there is no subsequent dividend announcement of the Bank after the balance sheet date.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**VI. Explanations and Disclosures Related To Statement Of Cash Flows**

**1. The effects of the other items stated in the statement of cash flows and the changes in foreign currency exchange rates on cash and cash equivalents:**

“Other items” amounting to TRY 33,409 Thousand in “Operating profit before changes in operating assets and liabilities” in essence consist of fees and commissions paid, other operating expenses, gain/losses from derivative financial instruments and other operating expenses except for personnel expenses, leasing expenses, reserve for employee termination benefits, depreciation expenses and taxes paid.

“Net increase/decrease in other liabilities” amounting to TRY 1,958 Thousand in “Changes in operating assets and liabilities” in essence consists of changes in sundry creditors, other liabilities and tax liability.

“Net increase/decrease in other assets” amounting to TRY 5,567 Thousand in “Changes in operating assets and liabilities” in essence consists of changes in sundry debtors and other assets.

The effect of the change in the foreign exchange rate on the cash and cash equivalents is calculated as approximately 18,389 Thousands TL and it represents the effect of the change in the foreign exchange rates over the foreign currency cash and cash equivalents.

**2. Cash and cash equivalents at beginning and end of periods:**

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the statement of cash flow:

Beginning of the period	December 31,2010	December 31, 2008
<b>Cash</b>		
Cash in TRY/Foreign Currency	15,300	20,234
Central Bank	44,750	14,475
Other	-	-
<b>Cash equivalents</b>		
Banks	79,931	67,244
Money market placements	14,000	77,500
<b>Total cash and cash equivalents</b>	<b>153,981</b>	<b>179,453</b>

End of the period	December 31,2011	December 31, 2010
<b>Cash</b>		
Cash in TRY/Foreign Currency	16,373	15,300
Central Bank	65,030	44,750
Other	-	-
<b>Cash equivalents</b>		
Banks	80,368	79,931
Money market placements	80,000	14,000
<b>Total cash and cash equivalents</b>	<b>241,771</b>	<b>153,981</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**VII. Explanations on the Risk Group of the Bank**

**1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:**

a) December 31, 2011:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	10	1,024	42	7,254
Balance at end of period	-	-	192	7,522	-	2,346
Interest and commission income	-	-	1	30	-	33

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contains foreign bank accounts amounting to TRY 123 Thousand.

b) December 31, 2010:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect Shareholders of the Bank		Other entities included In the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	9	-	28	38,799
Balance at end of period	-	-	10	1,024	42	7,254
Interest and commission income received	-	-	55	6	2	103

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contains foreign bank accounts amounting to TRY 10 Thousand.

c.1) Information on related party deposits balances:

Risk Group of The Bank Deposits	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	Balance at beginning of period	-	-	93	107	10,841
Balance at end of period	-	-	488	93	16,852	10,841
Interest on deposits	-	-	-	-	255	134

In addition, the Bank has "Funds Borrowed" at an amount of TRY 19,833 Thousand used from risk group of the Bank (December 31, 2010: TRY 30,802 Thousand) and TRY 2,696 Thousand interest expense from funds borrowed in 2011 (December 31, 2010: TRY 913 Thousand).

c.2) Information on forward and option agreements and other similar agreements made with related parties: None.

d) As of December 31, 2011, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 5,193 Thousand (December 31, 2010: TRY 4,641 Thousand).

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**TURKLAND BANK ANONİM ŞİRKETİ**

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**VII. Explanations on the Risk Group of the Bank (continued)**

**2. Disclosures for related parties:**

- a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various business transactions with related parties.

- b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	<b>Amount</b>	<b>% Compared to the Amounts in the Financial Statements</b>
Cash loans	69	0,00
Banks and other receivables	123	0,15
Non-cash loans	9,868	0,87
Deposits	17,340	1,09
Other financial institutions	19,833	18,94

These transactions are priced in accordance with the general pricing policies of the Bank.

- c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: Explained in b).
- d) Transactions accounted under the equity method: None.
- e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts:

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 0.37%. Details of these loans are explained in 1a above.

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**VIII. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches**

**1. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches:**

	Number	Employees			
Domestic branches	27	496			
			Country		
Rep-offices abroad	-	-	-		
				Total Assets	Capital
Branches abroad	-	-	-	-	-
Off-shore banking	-	-	-	-	-

**2. Explanations on Branch and Agency Openings or Closings of the Bank:**

There has been no opened new branch in 2011 (December 31, 2010: 2 Branches).

**IX. Explanations and disclosures related to subsequent events:**

None.

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**TURKLAND BANK ANONİM ŞİRKETİ**  
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**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Other Explanations on the Operations of the Bank:**

According to the Board of Directors decision numbered 495/B and dated October 26, 2011, non-performing loans with a principal amount of TRY 7,223 Thousand are sold to Efes Varlık Yönetim A.Ş. for an amount of TRY 305 Thousand.

**SECTION SEVEN**

**INDEPENDENT AUDITOR'S REPORT**

**I. Explanations on the Independent Auditor's Report:**

The unconsolidated financial statements of the Bank as of and for the period ended December 31, 2011 were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited).

The independent auditor's report dated March 1, 2012 is presented preceding the financial statements.

**II. Other Footnotes and Explanations Prepared by Independent Auditors:**

None.