ASYA KATILIM BANKASI A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2011

To the Board of Directors of
Asya Katılım Bankası A.Ş.
Istanbul

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying consolidated balance sheet of Asya Katılım Bankası A.Ş. (the "Bank") and its subsidiaries (together the "Group") as of 30 June 2011 and the related consolidated statements of income, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The management is responsible for the preparation and fair presentation of these interim consolidated financial information in accordance with International Financial Reporting Standards ("IFRS"). Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information, does not present fairly, in all material respects the financial position of the Group as at 30 June 2011 and of its financial performance and its cash flows for the six month period then ended in accordance with IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MUŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

İstanbul

22 August 2011

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ASYA KATILIM BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2011

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

ASSETS	Note	30 June 2011	31 December 2010
Cash and Cash Equivalents	6	1,724,510	1,989,620
Reserve Deposits at the Central Bank	7	374,912	320,704
Financial Assets at Fair Value through Profit and Loss			
- Held for Trading	8	68,005	66,526
-Derivative Financial Instruments	24	1,690	2,581
Loans and Leasing Receivables	9	11,881,490	10,723,132
Trade Receivables	10	3,057	2,159
Insurance Receivables	11	36,678	37,737
Inventories	12	92,654	94,114
Investment Securities			
-Available-for-Sale Investments	13	490,258	396,708
-Held-to-Maturity Investments	13	77,010	77,032
Subsidiaries		50	50
Investments in Associates	15	31,710	31,166
Goodwill	14	4,366	4,366
Premises and Equipment	16	417,958	416,977
Investment Properties	17	28,795	1,997
Intangible Assets	18	11,557	10,578
Assets Held for Sale	19	6,210	6,509
Other Assets	20	70,069	46,884
Deferred Tax Asset	23	63,591	54,476
Total Assets		15,384,570	14,283,316

ASYA KATILIM BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2011

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

LIABILITIES	Note	30 June 2011	31 December 2010
Customers' Current and Profit Sharing Accounts	21	11,152,476	11,012,344
Financial Liabilities at Fair Value through Profit and Loss			
-Derivative Financial Instruments	24	2,822	5,397
Obligations Under Repurchase Agreements	22	262,984	-
Borrowings	22	1,078,066	651,117
Trade Payables		2,325	1,791
Corporate Tax Payable	23	24,218	15,726
Provisions	25	202,347	157,022
Other Liabilities	26	643,101	521,857
Total Liabilities		13,368,339	12,365,254
EQUITY			
Share Capital			
Nominal Capital		900,000	900,000
Inflation Adjustment to Capital		7,870	7,870
Total Paid-in Capital	27	907,870	907,870
Premium in Excess of Par		3,307	3,307
Revaluation Reserve		5,336	5,675
Unrealized Gains / (Losses) on Available-for-Sale Investments, Net of Tax		(508)	6,732
Translation Reserve		(500)	(670)
Retained Earnings and Other Reserves		1,030,564	923,753
Equity Attributable to Equity Holders of the Group		1,946,069	1,846,667
Non- controlling Interest		70,162	71,395
Total Equity		2,016,231	1,918,062
Total Liabilities and Shareholders' Equity		15,384,570	14,283,316

ASYA KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

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

	Note	1 January- 30 June 2011	1 January- 30 June 2010
Income on Loans		561,153	557,226
Income on Finance Leases		5,739	7,793
Income on Deposits at Banks		2,409	16,810
Income on Securities		23,992	15,184
Income on Reserve Deposit at the Central Bank		-	8,483
		593,293	605,496
Expense on Customers' Current and Profit Sharing Accounts		(281,278)	(311,610)
Expense on Obligations Under Repurchase Agreement		(262)	-
Expense on Borrowings		(16,285)	(5,669)
Other		(200)	(178)
		(298,025)	(317,457)
Net Profit Sharing & Similar Income		295,268	288,039
Fees and Commission Income		159,432	149,804
Fees and Commission Expense		(38,057)	(32,783)
Net Fees and Commission Income	30	121,375	117,021
Income from Insurance Operations	28	42,074	42,991
Income from Time Shares and Rental Operations	28	10,462	8,781
Other Operating Income	31	18,633	16,932
Cost of Insurance Operations	29	(30,824)	(26,834)
Cost of Time Shares and Rental Operations	29	(9,233)	(6,993)
Impairment Losses on Loan and Finance Lease Receivables (Net)	9	(34,069)	(42,155)
Other Impairment Losses	33	(321)	(2,116)
General Administrative and Other Operating Expenses	32	(305,587)	(277,395)
Foreign Exchange Gains/(Losses) (Net)		(7,768)	1,461
Gain on Derivative Transactions (Net)		31,043	22,200
Share of Profit of Associates		373	1,175
PROFIT BEFORE TAXATION		131,426	143,107
Taxation	23	(25,698)	(30,371)
NET PROFIT FOR THE PERIOD		105,728	112,736
Net Profit Attributable to:			
Equity Holders of the Group		106,811	112,143
Non-controlling Interest		(1,083)	593
Weighted Number of Shares with TRY 1 Face Value Each	39	900,000,000	900,000,000
Basic and Diluted Earnings Per Share (Full TRY)		0.12	0.12

ASYA KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

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

	1 January- 30 June 2011	1 January- 30 June 2010
Profit for the Period	105,728	112,736
Non-controlling Interest	(1,083)	593
Equity Holders of the Group	106,811	112,143
Change in Unrealized Gains /(Losses) on Available-for-Sale Financial Assets, Net of Tax	(7,240)	(551)
Change in Translation Reserve	170	(1,500)
Fair Value Changes on Revaluation Reserve	(489)	(887)
Non-controlling Interest	(150)	(301)
Equity Holders of the Group	(339)	(586)
Total Comprehensive Income for the Period	98,169	109,798
Total Comprehensive Income Attributable to		
Non-controlling Interest	(1,233)	292
Equity Holders of the Group	99,402	109,506

ASYA KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

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

	Share Capital	Inflation Adjustment to Capital	Premium in Excess of Par	Unrealized Gains on Available-for-Sale Investments, Net of Tax	Revaluation Reserve	Translation Reserve	Retained Earnings and Other Reserves	Non controlling Interest	Total
At 1 January 2010	900,000	7,870	3,307	2,921	6,155	-	722,045	68,099	1,710,397
Change in Revaluation Reserve	-	-	-	-	(586)	-	-	(301)	(887)
Change in Unrealized Gains on Available- for-Sale Investments, Net of Tax	-	-	-	(551)	-	-	-	-	(551)
Change in Translation Reserves	-	-	-	-	-	(1,500)	-	-	(1,500)
Profit for the Period	-	-	-	-	-	-	112,143	593	112,736
Total Comprehensive Income for the Period	-	-	-	(551)	(586)	(1,500)	112,143	292	109,798
Dividend Paid	-	-	-	-	-	-	(30,000)	-	(30,000)
At 30 June 2010	900,000	7,870	3,307	2,370	5,569	(1,500)	804,188	68,391	1,790,195
At 1 January 2011	900,000	7,870	3,307	6,732	5,675	(670)	923,753	71,395	1,918,062
Change in Revaluation Reserve	-	-	-	-	(339)	-	-	(150)	(489)
Change in Unrealized Gains on Available- for-Sale Investments, Net of Tax	-	-	-	(7,240)	-	-	-	-	(7,240)
Change in Translation Reserves	-	-	-	-	-	170	-	-	170
Profit for the Period	-	-	-	-	-	-	106,811	(1,083)	105,728
Total Comprehensive Income for the Period	-	-	-	(7,240)	(339)	170	106,811	(1,233)	98,169
At 30 June 2011	900,000	7,870	3,307	(508)	5,336	(500)	1,030,564	70,162	2,016,231

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

ASYA KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

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

	Notes	1 January-30 June 2011	1 January-30 June 2010
Cash flows from operating activities:			
Net profit for the period		105,728	112,736
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment booked in operating expenses	16	25,133	21,463
Amortization of intangible assets	18	1,823	1,537
Depreciation of investment property	17	16	16
Impairment losses on loans and leasing receivables	9	34,069	42,155
Allowance on trade receivables	10	112	83
(Recoveries) / allowance on insurance receivables	11	(1,638)	1,916
Impairment (reversal) / charge on property and equipment, investment property and assets held for sale	16,17,19	(450)	2,116
Income tax provision	23	33,002	40,064
Deferred tax benefit	23	(7,304)	(9,693)
Employee termination benefits	25	2,574	1,612
Unused vacation provisions	25	1,873	3,198
Other provision expenses		41,621	14,305
Gain on sale of property, plant & equipment (net)		8,676	(3,297)
Accrued (income)/expense (net)		(59,716)	5,103
Unrealized foreign exchange (gain) / losses (net)		(67,842)	(7,784)
Share of profit of associates	15	(373)	(1,175)
Operating profit before changes in operating assets / liabilities		117,304	224,355
Changes in operating assets / liabilities:			
(Increase) / decrease in financial assets at fair value through profit and loss		(4,188)	11,712
Decrease in bank balances		68,812	248,299
Increase in loans and leasing receivables		(990,159)	(1,493,870)
(Increase)/decrease in trade receivables		(1,010)	206
Decrease / (increase) in inventories		971	(2,719)
Decrease in other assets		40,711	26,731
(Increase) / decrease in insurance receivables		(13,168)	952
(Decrease) / increase in customers' current and profit sharing accounts		(18,294)	636,517
Increase in trade payables		534	1,252
Increase in other creditors, taxes & liabilities		329,610	87,551
Employee termination benefits paid	25	(827)	(384)
Income taxes paid	23	(24,510)	(38,494)
Net cash used in operating activities		(494,130)	(297,892)
Cash flows from investing activities:			
Purchase of available -for- sale investments	13	(100,000)	(100,000)
Disposal of available -for- sale investments	13	-	50,000
Purchase of held- to- maturity investments	13	-	(50,000)
Disposal of held- to- maturity investments	13	-	50,000
Purchase of premises and equipment	16	(8,545)	(23,632)
Sale of premises and equipment	16	14,920	17,912
Purchase of investment property	17	-	(190)
Purchase of investment in associates	15	-	(30,625)
Purchase of intangible assets	18	(2,802)	(1,509)
Net cash used in investing activities		(96,427)	(88,044)
Cash flow from financing activities:			
New borrowings		503,612	349,117
Repayment of borrowings		(70,194)	(23,945)
Dividend paid		-	(30,000)
Net cash provided from financing activities		433,418	295,172
Net increase / (decrease) in cash and cash equivalents		(157,139)	(90,764)
Cash and cash equivalents at the beginning of the period	6	429,712	368,378
Cash and cash equivalents at the end of the period	6	272,573	277,614

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

1. ACTIVITIES OF THE BANK

Asya Katılım Bankası A.Ş. (the "Bank" or "Asya Katılım") was incorporated on 24 October 1996 as a private finance house in Turkey. As of 30 June 2011, the Bank has 186 branches (31 December 2010: 175) and 4,280 employees (31 December 2010: 4,266). The Bank was established in accordance with the principles of interest-free banking and with an emphasis on product development based on this idea. The Bank's main activity is to collect and provide funds in the form of current accounts and profit / loss sharing accounts. The shares of the Bank are listed on the Istanbul Stock Exchange.

The registered Head Office of the Bank is at the following address:

Address: Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No: 10 34768 Ümraniye / İSTANBUL
Phone : +90 216 633 50 00
Web site: www.bankasya.com.tr

For the purposes of the accompanying consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as "the Group" (Please see refer to note 3.1).

2. BASIS OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS"). The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Basis of Presentation of Financial Statements

The Bank and its subsidiaries which are incorporated in Turkey maintain their books of account and prepare their financial statements in Turkish Lira, which is the currency of the primary economic environment in which the Bank operates, in accordance with the Banking Act, based on accounting principles regulated by the Banking Regulation and Supervision Agency ("BRSA"), the other relevant rules and regulations regulated by the Turkish Commercial Code and Turkish tax legislation and relevant accounting rules and regulations. The Bank's consolidated subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with regulations prevailing in their area of specialization, commercial practice and tax legislation.

The accompanying consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale securities, financial assets at fair value through profit and loss and derivative financial instruments that have been measured at fair value. These consolidated financial statements are presented in Turkish Lira since that is the currency in which the majority of the Group's transactions are denominated. For the purpose of fair presentation in accordance with IFRS, certain adjustments and reclassifications have been made to the statutory financial statements, which mainly comprise the effects of deferred taxation and impairment of loans and receivables.

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

Inflation Accounting

The financial statements of the Bank and its subsidiaries for the periods before 1 January 2006 were adjusted to compensate for the effect of changes in the general purchasing power of the Turkish Lira based on IAS 29. Turkish Economy is accepted to come off its highly inflationary status as of 1 January 2006. Based on this consideration, IAS 29 has not been applied in the preparation of the consolidated financial statements since 1 January 2006. Amounts expressed in the measuring unit current at 31 December 2005 were treated as the basis for the carrying amounts after 1 January 2006.

New and Revised International Financial Reporting Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are set out.

New and Revised IFRSs affecting presentation and disclosure only

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendments have been applied retrospectively.

Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)

The amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. The amendment also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. The amendments have been applied retrospectively.

New and Revised IFRSs affecting the reported financial performance and / or financial position

None.

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

<u>New and Revised International Financial Reporting Standards (cont'd)</u>

<u>New and Revised IFRSs applied with no material effect on the consolidated financial statements</u>

IAS 24 (Revised 2009) *Related Party Disclosures*

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011.

IAS 32 (Amendments) *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements*

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

IFRIC 14 (Amendments) Pre-payment of a Minimum Funding Requirement

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 5 main standards/interpretations as follow: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 3 Business Combinations; IAS 27 Consolidated and Separate Financial Statements; IAS 34 Interim Financial Reporting and IFRIC 13 Customer Loyalty Programmes. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011.

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

New and Revised International Financial Reporting Standards (cont'd)

New and Revised IFRSs applied with no material effect on the consolidated financial statements (cont'd)

The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

New and Revised IFRSs in issue but not yet effective

IFRS 7 Financial Instruments: Disclosures

In October 2010, IFRS 7 Financial Instruments: Disclosures is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

IAS 12 Income Taxes

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be , be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

New and Revised International Financial Reporting Standards (cont'd)

New and Revised IFRSs in issue but not yet effective (cont'd)

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation — Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The new standard is mandatory for annual periods beginning on or after January 1, 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

IFRS 11 Joint Arrangements

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The new standard is mandatory for annual periods beginning on or after January 1, 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The new standard is mandatory for annual periods beginning on or after January 1, 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

IAS 27 Separate Financial Statements (2011)

The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10.

IAS 28 Investments in Associates and Joint Ventures (2011)

IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

New and Revised International Financial Reporting Standards (cont'd)

New and Revised IFRSs in issue but not yet effective (cont'd)

IFRS 13 Fair Value Measurements

On 12 May 2011, IASB issued IFRS 13 Fair Value Measurement, which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The Standard does not include requirements on when fair value measurements is required; it prescribes how fair value is to be measured if another Standard requires it. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 1 Presentation of Financial Statements (2011) – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 provide guidance on the presentation of items contained in other comprehensive income (OCI) and their classification within OCI. The new standard is mandatory for annual periods beginning on or after 1 July 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 19 Employee Benefits (2011) (the "amendments")

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Bank and entities controlled by the Parent Bank (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Investment in associate is consolidated using equity method.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling's share of changes in equity since the date of the combination. Losses applicable to the non controlling in excess of the non- controlling's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non controlling has a binding obligation and is able to make an additional investment to cover the losses.

The financial statements of the entities below have been consolidated with those of the Group in the accompanying consolidated financial statements. The ownership percentages stated below comprise the total of the Group's direct and indirect holdings:

Subsidiaries Consolidated by Line by Line Method:

Entity	Sector	Direct Ownership (%)	Indirect Ownership (%)
Işık Sigorta A.Ş.	Insurance	65.42	65.42
Tuna Gayrimenkul Yatırım Ortaklığı A.Ş. ("Tuna GYO")	Real Estate	22.94	69.42
GH Sultanbeyli Gayrimenkul ve Proje Geliştirme A.Ş. (*)	Real Estate	-	69.42
Nil Yönetim Hizmetleri Tur. San. ve Tic. A.Ş. ("Nil A.Ş.")	Real Estate Management	99.93	99.93
Asyafin Sigorta Aracılık Hizm. Ltd. Şti. ("Asyafin Sigorta")	Insurance/ Brokerage	95.00	95.00
Asyakart Teknoloji Hiz. A.Ş. ("Asyakart") (**)	Finance	99.50	99.50

(*) As of 30 November 2010, Tuna GYO has purchased 99.99% of GH Sultanbeyli Gayrimenkul ve Proje Geliştirme A.Ş. at TRY 27,012 Thousand. Please see Note 4 for details.
(**) In June 2011 and December 2010, Asyakart's activity has been considered as immaterial and the entities have not been consolidated in the accompanying financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of Consolidation (cont'd)

Investment in Associates Accounted by Under Equity Method:

Entity	Sector	Direct Ownership (%)	Indirect Ownership (%)
Tamweel Africa Holding S.A. (*)	Finance	40.00	40.00

(*) As of 4 February 2010, the Parent Bank has paid for TRY 21,548 Thousand and as a consequence, became owner of 40% of Tamweel Africa Holding S.A. that is owned by the Islamic Corporation for the Development of the Private Sector ("ICD") which is a group establishment of the Islamic Development Bank ("IDB") and has paid TRY 9,077 Thousand of capital increase on 8 June 2010. As of the reporting date capital registry process of the increase has not been finalized yet.

3.2 Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non controlling shareholders in the acquiree is initially measured at the non controlling's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

3.3 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Goodwill (cont'd)

for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.4 Income and Expense Recognition

Profit share income and expense

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

The effective profit share rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective profit share rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective profit share rate, transaction costs, and all other premiums or discounts.

The accrued profit share income has been canceled when the loans and leasing receivables are classified as non-performing loans and is not recognized until collection.

Fees and commissions

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

Revenue recognized from time share sales and marketing

Tuna GYO sells and markets vacation ownership interests and provides short term consumer financing to individuals purchasing vacation ownership interests. These companies recognize revenue from the sale of vacation ownership interests on a full accrual basis for fully constructed inventory after a binding sales contract has been executed, a minimum down payment has been received and receivables are deemed collectible.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Foreign Currency Items

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gain and losses arising from monetary items translation, collection or disbursements are recognized in profit or loss.

All exchange gains and losses arising on settlement and translation of foreign currency items are included in the statement of income.

As at 30 June 2011 and 31 December 2010 the Group's period end and average exchange rates of US Dollar and Euro are as follows:

	30 June 2011		31 December 2010	
	Period end	Average	Period end	Average
1 US Dollar	1.6302	1.5934	1.5460	1.5119
1 Euro	2.3400	2.2905	2.0498	1.9954

3.6 Financial Instruments

The term financial instruments include both financial assets and financial liabilities. Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are fundamental to the Group's business and constitute the core element of its operations. The risks associated with financial instruments are a significant component of the risks faced by the Group. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Group's balance sheet.

Financial Assets

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

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the Group acquires the financial asset principally for the purpose of selling in the near term, the financial asset is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking as well as derivatives that are not designated as effective hedging instruments. A gain or loss from valuation of a financial asset or financial liability classified as at fair value through profit or loss shall be recognized in profit or loss. Net gain / loss recognized in profit or loss includes interest and dividend income earned on the financial asset.

Held- to- maturity investments

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

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

Profit sharing income on held to maturity securities is reported as income on securities.

When financial assets are transferred to held-to-maturity category from available-for-sale portfolio, as a result of a change in intention, the fair value carrying amount of the related financial assets becomes the new amortized cost. Any previous gain or losses on those assets that have been recognized in equity are amortized over the remaining life of the held-to-maturity investments using the effective interest method.

Available- for- sale financial assets

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

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive payments is established. The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

For investments that are traded in an active market, fair value is determined by reference to stock exchange or current market bid prices, at the close of business on the balance sheet date. For investments where there is no market price or market price is not indicative of the fair value of the instrument, fair value is determined by reference to the current market value of another instrument which is substantially the same, recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used.

Loans and receivables

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows at initial recognition.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Due to other financial institutions and banks

Bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial Instruments (cont'd)

Due to other financial institutions and banks (cont'd)

The Group enters into sales of investments under agreements with the Central Bank to repurchase substantially identical investments at a certain date in the future at a fixed price. Investments sold under repurchase agreements continue to be recognized in the consolidated statement of financial position and are measured in accordance with the accounting policy for either investments held to maturity or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as obligations under repurchase agreements.

Expenses arising from the repurchase and resale agreements over investments are recognized on an accruals basis over the period of the transaction and are included in "profit share expense".

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derivatives held for trading

The Group enters into transactions with derivative instruments including forwards, currency swaps in the foreign exchange and capital markets. Fair values of foreign currency forward and swap transactions are determined by comparing the forward rates with the contractual forward rates discounted to the balance sheet date with the current market rates. The resulting gain or loss is reflected in the income statement.

Off balance sheet commitments and contingencies

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

Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash, amounts due from other banks and cheques received.

Fair value considerations

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial Instruments (cont'd)

Fair value considerations (cont'd)

Due to economic conditions and volatility or low trading volumes in markets, the Group may be unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparison with similar financial instruments that do have active markets and calculation of present values on an amortized cost basis. Where no reliable estimate of fair value is available, amortized cost is used as the carrying value. As there are a wide range of valuation techniques, it may be inappropriate to compare the Group's fair value information to independent markets or to other financial institutions' fair value information.

For the financial assets and liabilities carried at amortized cost, the fair values are assumed not to differ significantly from cost as the profit shares applicable to those receivables are in line with the market rates due to the short-term nature of the items involved.

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

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

Loans and leasing receivables: The fair value of the loans, leasing receivables and advances to the customers is estimated using current profit sharing rates as of the balance sheet date.

Customers' current and profit sharing accounts: Estimated fair value of customers' current and profit sharing accounts is the amount payable on demand at the reporting date. Please see note 38 for further details.

Due to other financial institutions and banks: Borrowings are initially recognized at cost. After initial recognition, all liabilities are subsequently measured at amortized cost.

3.7 Loans, Leasing Receivables and Allowance for Credit Losses

Loans and leasing receivables are financial instruments extended by the Group and accounted for at amortized cost by using effective profit share method.

Based on its evaluation of the current status of the loans granted, the Group provides allowance for impairment losses on loans which it considers are adequate to cover estimated uncollectible amounts in the loan portfolio and losses under guarantees and commitments. The estimates are reviewed periodically and, as adjustments become necessary, they are reflected in the statement of income in the periods in which they become known.

The Group classifies any credit which is not adequately collateralized or the management believing borrowers lost their creditworthiness into overdue credits. The Group ceases to recognize income on overdue credits and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Loans, Leasing Receivables and Allowance for Credit Losses (cont'd)

The Group recognizes the allowance for credit losses depending on the source of the credit. The allowances of the credits which are financed by the Group's equity or the current accounts are recognized in the income statement of the Group as a provision expense whereas the credits which are financed through profit/loss partnerships are recognized in the income statement to the extent the Group's participation rate in profit/loss sharing accounts. The remaining portion of the allowance is reflected to the customers' accounts as a loss incurred from the respective profit/loss partnership.

3.8 Customers' Current and Profit Sharing Accounts

Customers' current and profit sharing accounts are initially recognized at cost. Subsequent to the initial recognition, all profit share accounts are recognized considering the attributable profits or any losses incurred on the respective loan balances. In all cases, profit/loss sharing accounts receive a proportion of the profit or bear a share of loss based on the results of the respective loan balances. The major portion of the customers' current and profit sharing accounts are short-term and has pre-determined profit share rates that are not subject to fluctuation at short notice in accordance with the prevailing interest rates in the market. Therefore, the management believes that the fair values of such financing activities do not materially differ from their respective book values.

3.9 Premises and Equipment

Premises and equipment are carried at restated cost less restated accumulated depreciation and any accumulated impairment losses at the equivalent purchasing power as at the reporting date.

Leasehold improvements are depreciated based on the shorter of the rental period or useful life of the assets.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of income.

3.10 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Estimated useful lives of investment properties and depreciation rates are 50 years and 2.0% respectively. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

3.11 Intangible Assets

Intangible assets acquired separately from a business are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. There is no impairment recorded related to intangible assets. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial period-end.

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

3.11 Intangible Assets (cont’d)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Patents and licenses mainly relate to software and were amortized over their useful economic lives of 5 periods.

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

3.12 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group’s net investment in the leases. Profit share income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases. Initial direct costs are deferred over the lease term of the properties as the Group’s accounting policy.

The Group as Lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of return on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group’s general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3.13 Non-Current Assets Held for Sale

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.15 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.16 Retirement Benefits

Under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Related Parties

For the purpose of the accompanying financial statements shareholders of the Group and related companies, consolidated and non consolidated equity participations, related companies, directors, key management personnel together with their families, related companies and other companies in the Group are referred to as "Related Parties" in this report.

During the conduct of its business the Group had various transactions and balances with related parties during the period/year. Certain balances and transactions with Related Parties as at the balance sheet date are set out in note 34.

3.18 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

3.19 Business and Geographical Segments

Business Segments

For management purposes, the Group is currently organized into three operating divisions – banking, insurance, and others. These divisions are the basis on which the Group reports its primary segment information.

Principal activities of the Group are as follows:

Banking: all corporate, commercial and retail banking activities including accepting customer deposits.

Insurance: providing general property and casualty insurance transactions.

Others: selling and marketing vacation ownership interests.

Geographical Segments

The Group’s operations are mainly located in Turkey and accordingly, geographical segment information is not presented.

3.20 Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and in the measurement of income and expenses in the profit and loss statement and in the carrying value of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

3.21 Offsetting

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

3.22 Borrowing Costs

In the accompanying financial statements borrowing costs are recognized in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 Insurance Contracts

Effective 1 January 2005, the Group's insurance subsidiaries adopted IFRS 4, Insurance Contracts ("IFRS 4"). IFRS 4 represents the completion of phase I and is a transitional standard until the IAS has more fully addressed the recognition and measurement of insurance contracts. IFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. IFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out.

Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with IAS 39 revised.

Insurance contracts are those contracts that transfer significant insurance risk. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. Financial risk is defined as the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

3.24 Premium Revenue

For all insurance contracts, premiums are recognized as revenue proportionally over the period of coverage, having regard, where appropriate, to the incidence of risk and this is known as earned premium. The portion of premium receivable on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium reserve.

Premiums comprise total premiums earned under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums earned in respect of business written in previous financial years.

3.25 Reinsurance Contracts Held

The Group cedes premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Insurance claims and loss adjustment expenses recovered from reinsurers are accounted for in the same accounting period as the claims for the related inward insurance and reinsurance business being covered and are estimated in a manner consistent with the claim liability associated with the reinsurance policy.

Provision is made for potentially non-collectable reinsurance recoveries and the exposure of the Group to credit risk is assessed through the aggregation of reinsurance assets due from counterparties belonging to the same insurance groups.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.26 Deferred Acquisition Costs ("DAC")

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium. They are capitalized as intangible assets.

3.27 Insurance Claims and Loss Adjustment Expenses

Insurance claims and loss adjustment expenses comprise the estimated cost of all claims occurring prior to the balance sheet date, whether reported or not, and include loss adjustment expenses related to internal and external direct and indirect claims handling costs, and adjustments to claims outstanding from previous years. Claims handling costs include related internal and external direct and indirect claims handling costs and consist of third party loss adjustor fees, legal expenses and claims staff costs.

Liabilities for unpaid claims are made on an individual case basis and are based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs and net of salvage and subrogation recoveries. The provision also includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods.

3.28 Liability Adequacy Test ("LAT")

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related DAC and premiums receivable.

Provision is made where current best estimates of future contractual cash flows and claims handling and administration expenses arising after the end of the financial year from contracts concluded before that date is expected to exceed the provision for unearned premiums net of DAC and premiums receivable. Investment income from the assets backing the liabilities is taken into account in calculating the provision. The assessment of whether a provision is necessary is made on the basis of information available as at the balance sheet date, after offsetting surpluses and deficits arising on products which are managed together. Any deficiency is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Any DAC written off as a result of this test cannot subsequently be reinstated.

3.29 Earnings per share

The basic earnings per share (EPS) ratio is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share ratio is computed using the same method as for basic EPS, but the determinants are adjusted to reflect the potential dilution that could occur if convertible debt securities, options, warrants or other contracts to issue ordinary share were converted or exercised into ordinary shares. There are no outstanding convertible debt securities, options, warrants or other contracts to issue ordinary share of the Group.

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

4. BUSINESS COMBINATIONS

There is no business combination in the current period.

Purchase of 99.99% of GH Sultanbeyli Gayrimenkul ve Proje Geliştirme A.Ş. by Tuna GYO as of 30 November 2010:

All transferred amounts consist of cash.

	Book value	Fair value
Current Assets		
Cash and cash equivalents	735	735
Other receivables	263	263
Fixed Assets		
Premises and Equipment	17,481	26,890
Short Term Liabilities		
Trade and other payables	(324)	(324)
	18,155	27,564

Generated goodwill from acquisition:

	Total
Transferred amount	27,012
Less: Fair value of acquired companies net assets	(27,564)
Gain on bargain purchase	552

Transferred amount	27,012
Cash and cash equivalents	(735)
Net cash flow	26,277

Based on the assessment above, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred. The excess TRY 552 Thousand has been recognized immediately in the consolidated income statement as of 31 December 2010 as a bargain purchase gain. The amounts reported in the financial statements are provisional amounts. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized or would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

5. SEGMENT INFORMATION

The Group has identified operating segments in a manner consistent with the internal reporting provided to the chief operating decision maker, the Board of Directors.

The segment information below is presented on the basis used by the Board of Directors to evaluate performance. The Board of Directors reviews discrete financial information for each of its segments, including measures of operating results. The segments are managed primarily on the basis of their results. The results are measured on a basis which is broadly consistent with the Summary of Significant Accounting Policies described in Note 2, with the exception of certain adjustments. Management considers that this information provides the most appropriate way of reviewing the performance of the business. The adjustments are as follows:

- **Recoveries on loans and advances to customers previously net-off:** The subsequent recovery on loan amounts previously written off are reported in "net other income" instead of as a reduction of the provision for loan losses as under IFRS.
- **Impairment on losses IFRS adjustment:** Represents loan loss impairment differences between statutory records and IFRS results.
- **Fair value adjustment of financial assets at FVTPL:** Represents fair value adjustments of financial assets recognized at cost at statutory records.
- **Deferred tax:** Represents deferred tax effect of IFRS adjustments.
- **Other:** Adjustments included in other represent which is not included in the provision for impairment losses in the segment results of operations, and other individually insignificant reclassifications.

Transactions between the business segments are on normal commercial terms and conditions.

During 2011, the Group has managed its segments on the basis described above, which differs from IFRS. As the historical periods for the years ended 31 December 2010 and 2009 were previously presented on an IFRS basis, included below as supplemental information is the 31 December 2010 and 2009 segment information recast on the basis described above for comparative purposes.

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

5. SEGMENT INFORMATION (cont'd)

STATEMENT OF INCOME

30 June 2011	Banking	Insurance	Other	Combined	Eliminations	Segments total
Profit Sharing & Similar Income from External Customers	591,708	1,585	-	593,293	-	593,293
Profit Sharing & Similar Income from Other Segments	-	2,490	184	2,674	(2,674)	-
Profit Sharing & Similar Expense	(298,530)	-	(2,169)	(300,699)	2,674	(298,025)
Net Profit Sharing and Similar Income	293,178	4,075	(1,985)	295,268	-	295,268
Fees and Commission Income	157,790	4,518	-	162,308	(2,876)	159,432
Fees and Commission Expense	(28,794)	(12,139)	-	(40,933)	2,876	(38,057)
Net Fees and Commission Income	128,996	(7,621)	-	121,375	-	121,375
Income from Insurance Operations	-	42,345	-	42,345	(271)	42,074
Income from Time Shares and Rental Operations	-	-	11,200	11,200	(738)	10,462
Other Operating Income	48,941	1,102	45	50,088	(1,178)	48,910
Cost of Insurance Operations	-	(30,824)	-	(30,824)	-	(30,824)
Cost of Time Shares and Rental Operations	-	-	(9,826)	(9,826)	593	(9,233)
Impairment Losses on Loans and Lease Receivables	(66,399)	-	-	(66,399)	-	(66,399)
Other Impairment Losses	(246)	(75)	-	(321)	-	(321)
General Administrative and Other Operating Expenses	(297,614)	(10,531)	(2,047)	(310,192)	1,594	(308,598)
Foreign Exchange Gains (Net)	(8,147)	379	-	(7,768)	-	(7,768)
Income on Derivative Transactions (Net)	30,847	196	-	31,043	-	31,043
Share of Profit of Associates	-	-	-	-	373	373
PROFIT BEFORE TAXATION	129,556	(954)	(2,613)	125,989	373	126,362
Taxation	(26,065)	111	-	(25,954)	-	(25,954)
NET PROFIT FOR THE PERIOD	103,491	(843)	(2,613)	100,035	373	100,408

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

5. SEGMENT INFORMATION (cont'd)

STATEMENT OF INCOME Period Ending 30 June 2011	Segments total	Reconciling Items Recoveries on loans and advances to customers net-off	Reconciling Items Impairment on losses IFRS adjustment	Total
Profit Sharing & Similar Income from External Customers	593,293	-	-	593,293
Profit Sharing & Similar Income from Other Segments	-	-	-	-
Profit Sharing & Similar Expense	(298,025)	-	-	(298,025)
Net Profit Sharing and Similar Income	295,268	-	-	295,268
Fees and Commission Income	159,432	-	-	159,432
Fees and Commission Expense	(38,057)	-	-	(38,057)
Net Fees and Commission Income	121,375	-	-	121,375
Income from Insurance Operations	42,074	-	-	42,074
Income from Time Shares and Rental Operations	10,462	-	-	10,462
Other Operating Income	48,910	(30,277)	-	18,633
Cost of Insurance Operations	(30,824)	-	-	(30,824)
Cost of Time Shares and Rental Operations	(9,233)	-	-	(9,233)
Impairment Losses on Loans and Lease Receivables	(66,399)	27,266	5,064	(34,069)
Other Impairment Losses	(321)	-	-	(321)
General Administrative and Other Operating Expenses	(308,598)	3,011	-	(305,587)
Foreign Exchange Gains (Net)	(7,768)	-	-	(7,768)
Income on Derivative Transactions (Net)	31,043	-	-	31,043
Share of Profit of Associates	373	-	-	373
PROFIT BEFORE TAXATION	126,362	-	5,064	131,426
Taxation	(25,954)	-	256	(25,698)
NET PROFIT FOR THE PERIOD	100,408	-	5,320	105,728
Net Profit Attributable to Equity Holders of the Group				106,811
Non controlling Interest				(1,083)

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

5. SEGMENT INFORMATION (cont'd)

STATEMENT OF INCOME

30 June 2010	Banking	Insurance	Other	Combined	Eliminations	Segments total
Profit Sharing & Similar Income from External Customers	601,489	3,748	259	605,496	-	605,496
Profit Sharing & Similar Income from Other Segments	-	2,400	314	2,714	(2,714)	-
Profit Sharing & Similar Expense	(320,146)	-	(25)	(320,171)	2,714	(317,457)
Net Profit Sharing and Similar Income	281,343	6,148	548	288,039	-	288,039
Fees and Commission Income	147,401	3,991	-	151,392	(1,588)	149,804
Fees and Commission Expense	(23,599)	(10,772)	-	(34,371)	1,588	(32,783)
Net Fees and Commission Income	123,802	(6,781)	-	117,021	-	117,021
Income from Insurance Operations	-	43,318	-	43,318	(327)	42,991
Income from Time Shares and Rental Operations	-	-	8,409	8,409	372	8,781
Other Operating Income	67,914	489	(33)	68,370	(1,016)	67,354
Cost of Insurance Operations	-	(26,834)	-	(26,834)	-	(26,834)
Cost of Time Shares and Rental Operations	-	-	(7,493)	(7,493)	500	(6,993)
Impairment Losses on Loans and Lease Receivables	(72,178)	-	-	(72,178)	-	(72,178)
Other Impairment Losses	(2,056)	(60)	-	(2,116)	-	(2,116)
General Administrative and Other Operating Expenses	(264,321)	(12,815)	(1,701)	(278,837)	1,442	(277,395)
Foreign Exchange Gains (Net)	1,635	(174)	-	1,461	-	1,461
Income on Derivative Transactions (Net)	22,200	-	-	22,200	-	22,200
Share of Profit of Associates	-	-	-	-	1,175	1,175
PROFIT BEFORE TAXATION	158,339	3,291	(270)	161,360	2,146	163,506
Taxation	(35,380)	(1,113)	-	(36,493)	-	(36,493)
NET PROFIT FOR THE PERIOD	122,959	2,178	(270)	124,867	2,146	127,013

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

5. SEGMENT INFORMATION (cont'd)

STATEMENT OF INCOME Period Ending 30 June 2010	Segments total	Reconciling Items Recoveries on loans and advances to customers net-off	Reconciling Items Impairment on losses IFRS adjustment	Total
Profit Sharing & Similar Income from External Customers	605,496	-	-	605,496
Profit Sharing & Similar Income from Other Segments	-	-	-	-
Profit Sharing & Similar Expense	(317,457)	-	-	(317,457)
Net Profit Sharing and Similar Income	288,039	-	-	288,039
Fees and Commission Income	149,804	-	-	149,804
Fees and Commission Expense	(32,783)	-	-	(32,783)
Net Fees and Commission Income	117,021	-	-	117,021
Income from Insurance Operations	42,991	-	-	42,991
Income from Time Shares and Rental Operations	8,781	-	-	8,781
Other Operating Income	67,354	(50,422)	-	16,932
Cost of Insurance Operations	(26,834)	-	-	(26,834)
Cost of Time Shares and Rental Operations	(6,993)	-	-	(6,993)
Impairment Losses on Loans and Lease Receivables	(72,178)	50,422	(20,399)	(42,155)
Other Impairment Losses	(2,116)	-	-	(2,116)
General Administrative and Other Operating Expenses	(277,395)	-	-	(277,395)
Foreign Exchange Gains (Net)	1,461	-	-	1,461
Income on Derivative Transactions (Net)	22,200	-	-	22,200
Share of Profit of Associates	1,175	-	-	1,175
PROFIT BEFORE TAXATION	163,506	-	(20,399)	143,107
Taxation	(36,493)	-	6,122	(30,371)
NET PROFIT FOR THE PERIOD	127,013	-	(14,277)	112,736
Net Profit Attributable to Equity Holders of the Group				112,143
Non controlling Interest				593

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

5. SEGMENT INFORMATION (cont'd)

STATEMENT OF INCOME

31 December 2010	Banking	Insurance	Other	Combined	Eliminations	Segments total
Profit Sharing & Similar Income from External Customers	1,206,930	2,289	33	1,209,252	-	1,209,252
Profit Sharing & Similar Income from Other Segments	-	4,976	591	5,567	(5,567)	-
Profit Sharing & Similar Expense	(613,392)	-	(206)	(613,598)	5,567	(608,031)
Net Profit Sharing and Similar Income	593,538	7,265	418	601,221	-	601,221
Fees and Commission Income	300,661	7,765	-	308,426	(4,062)	304,364
Fees and Commission Expense	(51,283)	(22,014)	-	(73,297)	4,062	(69,235)
Net Fees and Commission Income	249,378	(14,249)	-	235,129	-	235,129
Income from Insurance Operations	-	82,786	-	82,786	(976)	81,810
Income from Time Shares and Rental Operations	-	-	18,942	18,942	(312)	18,630
Other Operating Income	134,193	681	2,238	137,112	(3,258)	133,854
Cost of Insurance Operations	-	(55,875)	-	(55,875)	-	(55,875)
Cost of Time Shares and Rental Operations	-	-	(15,934)	(15,934)	1,000	(14,934)
Impairment Losses on Loans and Lease Receivables	(145,595)	-	-	(145,595)	-	(145,595)
Other Impairment Losses	(1,863)	(60)	-	(1,923)	-	(1,923)
General Administrative and Other Operating Expenses	(550,316)	(21,816)	(3,705)	(575,837)	2,919	(572,918)
Foreign Exchange Gains (Net)	14,455	(117)	-	14,338	-	14,338
Income on Derivative Transactions (Net)	30,508	3,281	-	33,789	-	33,789
Share of Profit of Associates	-	-	-	-	1,211	1,211
PROFIT BEFORE TAXATION	324,298	1,896	1,959	328,153	584	328,737
Taxation	(64,336)	(790)	-	(65,126)	-	(65,126)
NET PROFIT FOR THE YEAR	259,962	1,106	1,959	263,027	584	263,611

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

5. SEGMENT INFORMATION (cont'd)

STATEMENT OF INCOME Period Ending 31 December 2010	Segments total	Reconciling Items Recoveries on loans and advances to customers net-off	Reconciling Items Impairment on losses IFRS adjustment	Total
Profit Sharing & Similar Income from External Customers	1,209,252	-	-	1,209,252
Profit Sharing & Similar Income from Other Segments	-	-	-	-
Profit Sharing & Similar Expense	(608,031)	-	-	(608,031)
Net Profit Sharing and Similar Income	601,221	-	-	601,221
Fees and Commission Income	304,364	-	-	304,364
Fees and Commission Expense	(69,235)	-	-	(69,235)
Net Fees and Commission Income	235,129	-	-	235,129
Income from Insurance Operations	81,810	-	-	81,810
Income from Time Shares and Rental Operations	18,630	-	-	18,630
Other Operating Income	133,854	(82,530)	-	51,324
Cost of Insurance Operations	(55,875)	-	-	(55,875)
Cost of Time Shares and Rental Operations	(14,934)	-	-	(14,934)
Impairment Losses on Loans and Lease Receivables	(145,595)	65,205	(44,314)	(124,704)
Other Impairment Losses	(1,923)	-	-	(1,923)
General Administrative and Other Operating Expenses	(572,918)	17,325	54	(555,539)
Foreign Exchange Gains (Net)	14,338	-	-	14,338
Income on Derivative Transactions (Net)	33,789	-	-	33,789
Share of Profit of Associates	1,211	-	-	1,211
PROFIT BEFORE TAXATION	328,737	-	(44,260)	284,477
Taxation	(65,126)	-	13,040	(52,086)
NET PROFIT FOR THE PERIOD	263,611	-	(31,220)	232,391
Net Profit Attributable to Equity Holders of the Group				231,564
Non controlling Interest				827

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

5. SEGMENT INFORMATION (cont'd)

STATEMENT OF INCOME

31 December 2009	Banking	Insurance	Other	Combined	Eliminations	Segments total
Profit Sharing & Similar Income from External Customers	1,305,652	-	-	1,305,652	-	1,305,652
Profit Sharing & Similar Income from Other Segments	-	18,958	1,275	20,233	(6,306)	13,927
Profit Sharing & Similar Expense	(705,805)	-	(25)	(705,830)	6,306	(699,524)
Net Profit Sharing and Similar Income	599,847	18,958	1,250	620,055	-	620,055
Fees and Commission Income	311,003	7,117	-	318,120	(3,364)	314,756
Fees and Commission Expense	(52,630)	(20,188)	(27)	(72,845)	3,364	(69,481)
Net Fees and Commission Income	258,373	(13,071)	(27)	245,275	-	245,275
Income from Insurance Operations	-	79,500	-	79,500	(590)	78,910
Income from Time Shares and Rental Operations	-	-	14,777	14,777	(1,339)	13,438
Other Operating Income	102,619	3,803	153	106,575	(1,506)	105,069
Cost of Insurance Operations	-	(59,905)	-	(59,905)	27	(59,878)
Cost of Time Shares and Rental Operations	-	-	(15,984)	(15,984)	250	(15,734)
Impairment Losses on Loans and Lease Receivables	(203,331)	-	-	(203,331)	-	(203,331)
Other Impairment Losses	(3,709)	-	-	(3,709)	-	(3,709)
General Administrative and Other Operating Expenses	(469,172)	(21,068)	(1,058)	(491,298)	2,170	(489,128)
Foreign Exchange Gains (Net)	(109,429)	109	14	(109,306)	-	(109,306)
Income on Derivative Transactions (Net)	203,194	-	-	203,194	-	203,194
PROFIT BEFORE TAXATION	378,392	8,326	(875)	385,843	(988)	384,855
Taxation	(77,111)	(1,240)	-	(78,351)	-	(78,351)
NET PROFIT FOR THE YEAR	301,281	7,086	(875)	307,492	(988)	306,504

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

5. SEGMENT INFORMATION (cont'd)

STATEMENT OF INCOME Period Ending 31 December 2009	Segments total	Reconciling Items Recoveries on loans and advances to customers net-off	Reconciling Items Impairment on losses IFRS adjustment	Reconciling Items Fair value differences	Total
Profit Sharing & Similar Income from External Customers	1,305,652	-	-	7,648	1,313,300
Profit Sharing & Similar Income from Other Segments	13,927	-	-	-	13,927
Profit Sharing & Similar Expense	(699,524)	-	-	-	(699,524)
Net Profit Sharing and Similar Income	620,055	-	-	7,648	627,703
Fees and Commission Income	314,756	-	-	-	314,756
Fees and Commission Expense	(69,481)	-	-	-	(69,481)
Net Fees and Commission Income	245,275	-	-	-	245,275
Income from Insurance Operations	78,910	-	-	-	78,910
Income from Time Shares and Rental Operations	13,438	-	-	-	13,438
Other Operating Income	105,069	(76,026)	-	-	29,043
Cost of Insurance Operations	(59,878)	-	-	-	(59,878)
Cost of Time Shares and Rental Operations	(15,734)	-	-	-	(15,734)
Impairment Losses on Loans and Lease Receivables	(203,331)	76,026	(64,992)	-	(192,297)
Other Impairment Losses	(3,709)	-	-	-	(3,709)
General Administrative and Other Operating Expenses	(489,128)	-	(37)	-	(489,165)
Foreign Exchange Gains (Net)	(109,306)	-	-	-	(109,306)
Income on Derivative Transactions (Net)	203,194	-	-	-	203,194
PROFIT BEFORE TAXATION	384,855	-	(65,029)	7,648	327,474
Taxation	(78,351)	-	22,102	-	(56,249)
NET PROFIT FOR THE PERIOD	306,504	-	(42,927)	7,648	271,225
Net Profit Attributable to Equity Holders of the Group					269,085
Non controlling Interest					2,140

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

5. SEGMENT INFORMATION (cont'd)

BALANCE SHEET	Banking	Insurance	Other	Combined	Eliminations	Segments total
At 30 June 2011						
Total Assets	15,615,708	192,792	252,908	16,061,408	(323,880)	15,737,528
Liabilities	13,577,790	123,341	36,060	13,737,191	(109,517)	13,627,674
Shareholders' Equity before Net Profit	1,934,427	70,294	219,461	2,224,182	(214,736)	2,009,446
Net Profit for the Period	103,491	(843)	(2,613)	100,035	373	100,408
Total Shareholders' Equity	2,037,918	69,451	216,848	2,324,217	(214,363)	2,109,854
Total Liabilities and Shareholders' Equity	15,615,708	192,792	252,908	16,061,408	(323,880)	15,737,528
At 31 December 2010						
Total Assets	14,513,419	176,488	255,310	14,945,217	(304,620)	14,640,597
Liabilities	12,571,752	106,193	35,366	12,713,311	(89,711)	12,623,600
Shareholders' Equity before Net Profit	1,681,705	69,189	217,985	1,968,879	(215,493)	1,753,386
Net Profit for the Period	259,962	1,106	1,959	263,027	584	263,611
Total Shareholders' Equity	1,941,667	70,295	219,944	2,231,906	(214,909)	2,016,997
Total Liabilities and Shareholders' Equity	14,513,419	176,488	255,310	14,945,217	(304,620)	14,640,597
At 31 December 2009						
Total Assets	11,608,955	155,359	221,532	11,985,846	(267,364)	11,718,482
Liabilities	9,901,061	94,023	3,055	9,998,139	(57,716)	9,940,423
Shareholders' Equity before Net Profit	1,406,613	54,250	219,352	1,680,215	(208,660)	1,471,555
Net Profit for the Year	301,281	7,086	(875)	307,492	(988)	306,504
Total Shareholders' Equity	1,707,894	61,336	218,477	1,987,707	(209,648)	1,778,059
Total Liabilities and Shareholders' Equity	11,608,955	155,359	221,532	11,985,846	(267,364)	11,718,482

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

5. SEGMENT INFORMATION (cont’d)

		Reconciling Items				
BALANCE SHEET	Segments total	Loan impairment	Deferred tax	Fair value	Other	Total
At 30 June 2011						
Total Assets	15,737,528	(297,722)	43,224	7,648	(106,108)	15,384,570
Liabilities	13,627,674	(151,897)	-	-	(107,438)	13,368,339
Shareholders’ Equity before Net Profit	2,009,446	(150,889)	42,968	7,648	1,330	1,910,503
Net Profit for the Period	100,408	5,064	256	-	-	105,728
Total Shareholders’ Equity	2,109,854	(145,825)	43,224	7,648	1,330	2,016,231
Total Liabilities and Shareholders’ Equity	15,737,528	(297,722)	43,224	7,648	(106,108)	15,384,570
At 31 December 2010						
Total Assets	14,640,597	(337,135)	42,966	7,648	(70,760)	14,283,316
Liabilities	12,623,600	(186,255)	-	-	(72,091)	12,365,254
Shareholders’ Equity before Net Profit	1,753,386	(106,566)	29,926	7,648	1,277	1,685,671
Net Profit for the Period	263,611	(44,314)	13,040	-	54	232,391
Total Shareholders’ Equity	2,016,997	(150,880)	42,966	7,648	1,331	1,918,062
Total Liabilities and Shareholders’ Equity	14,640,597	(337,135)	42,966	7,648	(70,760)	14,283,316
At 31 December 2009						
Total Assets	11,718,482	(202,153)	29,925	7,648	(52,953)	11,500,949
Liabilities	9,940,423	(95,587)	-	-	(54,284)	9,790,552
Shareholders’ Equity before Net Profit	1,471,555	(41,574)	7,823	-	1,368	1,439,172
Net Profit for the Period	306,504	(64,992)	22,102	7,648	(37)	271,225
Total Shareholders’ Equity	1,778,059	(106,566)	29,925	7,648	1,331	1,710,397
Total Liabilities and Shareholders’ Equity	11,718,482	(202,153)	29,925	7,648	(52,953)	11,500,949

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

5. SEGMENT INFORMATION (cont'd)

Other Information (**)	Banking	Insurance	Other	Combined	Eliminations	Consolidated
At 30 June 2011						
Capital Expenditures (*)	9,605	46	1,584	11,235	-	11,235
Depreciation & Amortization(*)	23,464	164	933	24,561	-	24,561
Impairment Losses Recognized in Profit or Loss (*)	-	(75)	-	(75)	-	(75)
At 30 June 2010						
Capital Expenditures (*)	24,818	398	130	25,346	(15)	25,331
Depreciation & Amortization (*)	20,412	226	736	21,274	-	21,274
Impairment Losses Recognized in Profit or Loss (*)	-	-	-	-	-	-

(*) It consists of information on investment properties, intangible and tangible assets except assets to be disposed off.
(**) Assets to be disposed off have TRY 2,411 Thousand depreciation & amortization charge and TRY 246 Thousand impairment (2010: TRY 1,642 Thousand depreciation & amortization charge and TRY 1,719 Thousand impairment).

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

6. CASH AND CASH EQUIVALENTS

	30 June 2011	31 December 2010
Cash balances – Turkish Lira ("TRY")	81,383	95,975
Cash balances – Foreign currencies ("FC")	36,481	35,644
Gold account at Istanbul Gold Exchange	100,289	122,479
Balances with the Central Bank	1,379,131	1,510,198
Due from other banks	127,226	225,324
	1,724,510	1,989,620
Less: Income accruals	(36,528)	(21,479)
Less: Due from other banks (with original maturity more than 90 days)	(19,584)	(13,000)
Less: Blocked amount	(16,694)	(15,231)
Less: Balances with the Central Bank	(1,379,131)	(1,510,198)
Cash and cash equivalents for cash flow purpose	272,573	429,712

	30 June 2010	31 December 2009
Cash and cash equivalents	2,050,925	2,317,090
Less: Income accruals	(12,561)	(4,680)
Less: Due from other banks (with original maturity more than 90 days)	-	(17,863)
Less: Blocked amount	-	(14,171)
Add: Murabaha transactions	-	100,000
Less: Balances with the Central Bank	(1,760,750)	(2,011,998)
Cash and cash equivalents for cash flow purpose	277,614	368,378

a) Balances with the Central Bank

	30 June 2011	31 December 2010
Demand deposits – TRY	1,243,528	1,261,233
Demand deposits – FC	135,603	248,965
	1,379,131	1,510,198

Under the regulations of the Central Bank of the Republic of Turkey ("Central Bank"), banks are required to deposit the Central Bank a proportion of all deposits taken from customers, other than domestic interbank deposits. These reserves are not available funds to finance the operations of the Bank.

The Central Bank of Turkey makes profit share payments for TL reserves on a quarterly basis. After the announcement on the change of reserve deposits, declared on 5 November 2008 the Central Bank of Turkey ceased paying profit share for foreign currency reserves.

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

6. CASH AND CASH EQUIVALENTS (cont'd)

a) Balances with the Central Bank (cont'd)

According to the communiqué No: 2005/1 on "Reserve Deposits", the banks operating in Turkey are required to keep reserve deposit at the rates varying from 5% to 16% and denominated in TL for TL liabilities depending on maturities of liabilities and at the rate 11%-12% and denominated mainly in EUR and USD for FC liabilities.

Based on the subsequent amendment to the aforementioned communiqué, reserve deposit rates for FC liabilities vary from 9.5% to 11.5% depending on maturities of liabilities, and those rates are effective as at 19 August 2011.

Blocked reserve deposits are recognized in "Reserve Deposits at the Central Bank".

b) Due from other banks

	30 June 2011	31 December 2010
Domestic Banks		
Demand deposits – TRY	16,906	37,844
Time deposits – TRY	28,906	37,078
Demand deposits – FC	22,242	32,474
	68,054	107,396
Banks Abroad		
Demand deposits – FC	35,421	117,928
Time deposits – FC	23,751	-
	59,172	117,928
Total	127,226	225,324

7. RESERVE DEPOSITS AT THE CENTRAL BANK

	30 June 2011	31 December 2010
Foreign currency reserves	374,912	320,704
	374,912	320,704

According to the regulations of the Central Bank, banks are obliged to reserve a portion of certain liability accounts.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	30 June 2011	31 December 2010
Equity securities - listed	6,376	4,897
Yeni Mağazacılık A.Ş. - non listed	49,188	49,188
Landmark Holding A.Ş.- non listed	12,441	12,441
	68,005	66,526

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (cont'd)

The Parent Bank has participated in Yeni Mağazacılık A.Ş. and in Landmark Holding A.Ş. in the form of joint investment method ("Musharaka").

As such investments have been considered as venture capital provided to early stage, growth companies in the interest of generating a return through an eventual realization event such as an IPO, these investments are considered as held for trading accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" by the Group Management. These investments are measured at fair value, with changes recognized in profit or loss in the period in which they occur.

9. LOANS AND LEASING RECEIVABLES

	30 June 2011	31 December 2010
Loans	11,660,967	10,592,575
Leasing receivables	133,610	105,471
Non-performing loans and leasing receivables (net)	86,913	25,086
	11,881,490	10,723,132

	30 June 2011	31 December 2010
Short term loans	3,905,401	3,850,809
Medium and long term loans	7,889,176	6,847,237
	11,794,577	10,698,046
Non-performing loans and leasing receivables	666,433	665,837
Less: Allowance for impaired loans	(579,520)	(640,751)
	86,913	25,086
	11,881,490	10,723,132

SHORT TERM LOANS	30 June 2011	31 December 2010
Collateralized export loans	117,413	134,229
Other loans	3,718,783	3,651,152
Finance lease receivables	16,923	4,820
Rescheduled loans	50,100	52,842
Non-cash loans indemnified	2,182	7,766
	3,905,401	3,850,809

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

9. LOANS AND LEASING RECEIVABLES (cont'd)

MEDIUM AND LONG TERM LOANS	30 June 2011	31 December 2010
Other investment and operating loans	7,154,752	6,294,312
Finance lease receivables	116,687	100,651
Rescheduled loans	617,737	452,274
	7,889,176	6,847,237

Movement of the allowance for loan losses is as follows:

	30 June 2011	30 June 2010
As at 1 January	640,751	524,444
Charge for the period	38,116	107,933
Charges / (Recoveries) to the profit and loss	57,942	91,295
Charge to the profit / loss sharing accounts	(19,826)	16,638
Collections	(23,873)	(49,140)
Written off	(75,474)	(10,150)
	579,520	573,087

Loans and leasing receivables can be further analyzed by customer groups and currency as follows:

	30 June 2011	31 December 2010
Customer group:		
Corporate / commercial customers	9,694,360	9,013,880
Consumer loans	1,292,436	930,329
Credit cards	807,781	753,837
Non-performing loans and leasing receivables	666,433	665,837
Less: Allowance for loan losses	(579,520)	(640,751)
	11,881,490	10,723,132

	30 June 2011	31 December 2010
Currency:		
Turkish Lira	7,890,119	7,323,782
US Dollars	874,977	803,268
Euro	393,528	207,512
Foreign currency indexed TRY loans	2,722,866	2,388,570
	11,881,490	10,723,132

Finance lease receivables are as follows:

	30 June 2011	31 December 2010
Minimum lease payments receivable	154,612	121,714
Less: Unearned finance income	(21,002)	(16,243)
	133,610	105,471

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

9. LOANS AND LEASING RECEIVABLES (cont'd)

The maturity analysis of minimum lease receivables is as follows:

Periods	30 June 2011	31 December 2010
2011	10,428	1,443
2012	81,889	4,118
2013 and following years	62,295	116,153
	154,612	121,714

The table below presents information on quality of the loan portfolio:

30 June 2011	Neither past due nor impaired	Past due, not impaired	Individually impaired	Total
Loans (*)				
Corporate and commercial lending	4,779,771	423,014	268,087	5,470,872
SME lending	3,880,020	477,946	287,457	4,645,423
Consumer lending	1,275,486	16,950	8,426	1,300,862
Credit cards	795,354	12,427	91,671	899,452
Leasing	131,846	1,763	10,792	144,401
Total	10,862,477	932,100	666,433	12,461,010

(*) The Group classifies small and medium sized enterprises ("SME") considering the criteria set out in the Council of Ministers' decision dated 18 November 2005 and numbered 25997 published in the Trade Registry Gazette and the Communiqué on "Descriptions, Nature and Classification of Small and Medium Sized Enterprises".

31 December 2010	Neither past due nor impaired	Past due, not impaired	Individually impaired	Total
Loans (*)				
Corporate and commercial lending	4,794,743	347,573	259,516	5,401,832
SME lending	3,467,710	298,383	282,945	4,049,038
Consumer lending	913,669	16,660	6,790	937,119
Credit cards	723,690	30,147	97,174	851,011
Leasing	105,151	320	19,412	124,883
Total	10,004,963	693,083	665,837	11,363,883

(*) The Group classifies small and medium sized enterprises ("SME") considering the criteria set out in the Council of Ministers' decision dated 18 November 2005 and numbered 25997 published in the Trade Registry Gazette and the Communiqué on "Descriptions, Nature and Classification of Small and Medium Sized Enterprises".

As of the balance sheet date, the Group's loans and finance lease receivables which are overdue less than 90 days are amounting to TRY 932,100 Thousand (31 December 2010: TRY 693,083 Thousand). The Group does not recognize individual impairment for such amounts considering the fact that there is no substantial risk regarding the recoverability of these receivables.

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

9. LOANS AND LEASING RECEIVABLES (cont'd)

The details of guarantees obtained for loans and leasing receivables are summarized below:

30 June 2011 (*) (**) (***)	Neither past due nor impaired	Past due, not impaired	Individually impaired	Total
Residential, commercial or industrial properties	3,499,515	278,737	105,681	3,883,933
Financial assets	480,388	139,681	14,080	634,149
Other	1,572,674	237,932	92,463	1,903,069
Total	5,552,577	656,350	212,224	6,421,151

(*) Individual loan agreements, general loan agreements, foreign currency cheques, suretyships, customer cheques and notes and other guarantees are not included in the table above.
(**) The table above is prepared by taking into consideration the lowest value presented as a result of the comparison made between the outstanding loan balance as of the balance sheet date and the lower of the net amount reached at the fair value of collaterals stated in the corresponding expertise reports or the net collateral amount less any pledges or incumbrances on such amounts, if any.
(***) Guarantee details of the credit portfolio determined based on the "Measurement and Assessment of Capital Adequacy of Banks" that published on 1 November 2006 in the Official Gazette numbered 26333.

31 December 2010 (*) (**) (***)	Neither past due nor impaired	Past due, not impaired	Individually impaired	Total
Residential, commercial or industrial property	2,788,876	223,188	216,551	3,228,615
Financial assets	332,971	98,578	19,279	450,828
Other	1,162,783	157,740	158,652	1,479,175
Total	4,284,630	479,506	394,482	5,158,618

(*) Individual loan agreements, general loan agreements, foreign currency cheques, suretyships, customer cheques and notes and other guarantees are not included in the table above.
(**) The table above is prepared by taking into consideration the lowest value presented as a result of the comparison made between the outstanding loan balance as of the balance sheet date and the lower of the net amount reached at the fair value of collaterals stated in the corresponding expertise reports or the net collateral amount less any pledges or encumbrances on such amounts, if any.
(***) Guarantee details of the credit portfolio determined based on the "Measurement and Assessment of Capital Adequacy of Banks" that published on 1 November 2006 in the Official Gazette numbered 26333.

Aging analysis of past due but not impaired loans is stated below:

30 June 2011	Less than 30 days (*)	31-60 days	61-90 days	Total
Loans and leasing receivables				
Corporate lending	367,886	26,718	28,410	423,014
SME lending	331,740	37,450	108,756	477,946
Consumer lending	2,402	10,134	4,414	16,950
Credit cards	-	4,600	7,827	12,427
Leasing	1,011	16	736	1,763
Total	703,039	78,918	150,143	932,100

(*) The Group has classified loans performing amounting to TRY 702,155 Thousand to close monitoring category based on the conservatism principle even though no delay in repayment has occurred as of the balance sheet date (Finance Leasing: TRY 1,011 Thousand).

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

9. LOANS AND LEASING RECEIVABLES (cont'd)

31 December 2010	Less than 30 days (*)	31-60 days	61-90 days	Total
Loans and leasing receivables				
Corporate lending	251,538	31,473	64,562	347,573
SME lending	162,992	42,757	92,634	298,383
Consumer lending	914	9,352	6,394	16,660
Credit cards	405	21,263	8,479	30,147
Leasing	33	2	285	320
Total	415,882	104,847	172,354	693,083

(*) The Group has classified performing loans amounting to TRY 444,037 Thousand in close monitoring category as based on the conservatism principle even though no delay in repayment has occurred as of the balance sheet date (Finance Leasing: TRY 39 Thousand).

Sector concentration for cash loans:

	Current Period		Prior Period	
	Total	(%)	Total	(%)
Agriculture	195,463	1.67	276,567	2.60
Farming and raising livestock	141,413	1.21	225,029	2.12
Forestry, wood and paper	38,650	0.33	40,540	0.38
Fishery	15,400	0.13	10,998	0.10
Manufacturing	4,717,567	40.45	4,123,952	38.93
Mining and quarry	398,103	3.41	223,327	2.11
Production	3,279,982	28.13	2,969,050	28.03
Electricity, gas and water	1,039,481	8.91	931,575	8.79
Construction	2,192,179	18.80	2,198,747	20.76
Services	2,235,768	19.17	2,085,335	19.69
Wholesale and retail trade	665,222	5.70	649,597	6.13
Hotel, tourism, food and beverage services	328,406	2.82	323,834	3.06
Transportation and communication	571,626	4.90	564,460	5.33
Financial institutions	121,368	1.04	89,029	0.84
Real estate and renting services	213,085	1.83	166,277	1.57
Self-employment services	15,462	0.13	15,065	0.14
Education services	158,014	1.36	107,763	1.02
Health and social services	162,585	1.39	169,310	1.60
Other	2,319,990	19.91	1,907,974	18.02
Total	11,660,967	100.00	10,592,575	100.00

(*) Net balance of non-performing loans and leasing receivables are not included in this table.

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

10. TRADE RECEIVABLES

	30 June 2011	31 December 2010
Trade receivables	3,429	2,391
Less: Discount on trade receivables	(171)	(143)
Less: Allowance for doubtful receivable	(201)	(89)
	3,057	2,159

The movement for the allowance for doubtful receivables is as follows:

	30 June 2011	30 June 2010
Opening balance, 1 January	(89)	(13)
Charge for the period	(112)	(83)
Collections	-	-
Closing balance, 30 June	(201)	(96)

As of balance sheet date, the Group has over due receivables amounting to TRY 201 Thousand (31 December 2010 : TRY 276 Thousand). TRY 201 Thousand provision has been allocated for this receivables. The Group does not have any collaterals for these receivables.

	30 June 2011	31 December 2010
60-90 days	201	276
	201	276

Trade receivables mainly consist of receivables from sale of vacation ownership interests. Sales are recognized on a full accrual basis after a binding sales contract has been executed, a minimum down payment has been received and receivables are deemed collectible. The fair value of receivables does not differ from their respective book values.

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

11. INSURANCE RECEIVABLES

	30 June 2011	31 December 2010
Agencies	9,817	13,325
Policy holders	24,382	21,277
Receivables from insurers and reinsurers	895	1,568
Receivables from recourse transactions	1,047	1,087
Overdue insurance receivables	8,980	10,561
Allowance for overdue insurance receivables	(8,443)	(10,081)
	36,678	37,737

The movement for the allowance for overdue insurance receivables is as follows:

	30 June 2011	30 June 2010
Opening balance, 1 January	(10,081)	(9,122)
Recoveries / (charges) for the period for the period	1,194	(2,460)
Collections	444	544
Closing balance, 30 June	(8,443)	(11,038)

12. INVENTORIES

	30 June 2011	31 December 2010
Merchandises	91,912	93,305
-Time shares (*)	90,137	91,530
-Land	1,775	1,775
Raw materials	402	353
Other inventories	340	456
	92,654	94,114

(*) The subsidiary of the Group, Tuna GYO sells and markets vacation ownership interests and provides short term consumer financing to individuals purchasing vacation ownership interests. The balance consists of these unsold ownership interests on the time share flats as of the balance sheet date.

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

13. INVESTMENT SECURITIES

	30 June 2011	31 December 2010
Available-for-sale securities at fair value		
Revenue sharing certificates	488,034	394,484
Available-for-sale securities at cost		
Kredi Garanti Fonu A.Ş. -non listed	2,000	2,000
Tarım Sigortaları Havuz İşletmesi A.Ş.-non listed	131	131
Other	93	93
Total available-for-sale securities	490,258	396,708
Held-to-maturity securities at fair value		
Revenue sharing certificates	77,010	77,032
Total held-to-maturity securities	77,010	77,032
Total investment securities	567,268	473,740

	30 June 2011			31 December 2010		
	Available-for-sale	Held-to-maturity	Total	Available-for-sale	Held-to-maturity	Total
Opening balance, 1 January	396,708	77,032	473,740	82,335	76,460	158,795
Additions (*)	100,000	-	100,000	350,000	50,000	400,000
Disposals	-	-	-	(50,000)	(50,000)	(100,000)
Change in income accrual	(6,450)	(22)	(6,472)	14,373	572	14,945
Closing balance	490,258	77,010	567,268	396,708	77,032	473,740

(*) This balance includes revenue sharing certificates whose income is based on financial performance of selected public entities.

As of 30 June 2011, the Parent Bank has revenue sharing certificates in "Available for Sale Financial Assets" portfolio which are subject to repurchase agreements with the Central Bank of the Republic of Turkey amounting to TRY 315,259 Thousand nominal value (31 December 2010: None.) and TRY 321,804 Thousand fair value (31 December 2010: None).

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

14. GOODWILL

	30 June 2011	30 June 2010
Cost		
At 1 January	12,150	12,150
At 30 June	12,150	12,150
Impairment		
At 1 January	(7,784)	(7,784)
At 30 June	(7,784)	(7,784)
Carrying Amount		
At 30 June	4,366	4,366

The above goodwill is attributable to Işık Sigorta A.Ş..

15. INVESTMENT IN ASSOCIATES

Investment in associates accounted for using the equity method:

	Participation Rate (%)	Carrying amount
Tamweel Africa Holding S.A. ("Tamweel")	40	31,710

As of 4 February 2010, the Parent Bank has paid for TRY 21,548 Thousand and as a consequence, became owner of 40% of Tamweel that is owned by the Islamic Corporation for the Development of the Private Sector ("ICD") which is a group establishment of the Islamic Development Bank ("IDB") and has paid TRY 9,077 Thousand of capital increase on 8 June 2010. As of the reporting date capital registry process has not been finalized yet.

The Group has significant influence on Tamweel due to having voting rights of 40%. Summary financial information on Tamweel is as follows:

	31 March 2011 (*)	30 June 2010
Total assets	455,296	333,804
Total liabilities	372,547	269,815
Net asset	82,749	63,989
Profit for the period	933	2,936
The Group's share of profit	373	1,175

(*) The financial statements of Tamweel were not readily available as of 30 June 2011. Therefore, the Bank Management has considered the effects of any significant transactions on events that occurred between 31 March 2011 and the accompanying balance sheet date and used 31 March 2011 financial statements in accordance with IAS 28 "Investment in Associates".

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

16. PREMISES AND EQUIPMENT

	Land	Land Improvements	Leasehold Improvement	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixture	Other Fixed Assets	Assets to be Disposed off	Total
Acquisition Cost										
Opening balance, 1 January 2011	28,633	1,882	101,132	47,772	45,502	2,735	60,314	54,263	224,253	566,486
Additions	-	-	2,891	-	2,064	132	548	2,910	67,606	76,151
Disposals	-	-	(1,307)	-	(1,236)	(491)	-	(2,130)	(23,527)	(28,691)
Transfer (*)	(26,889)	-	-	-	-	-	-	(430)	95	(27,224)
Impairment (**)	-	-	-	-	-	-	-	-	649	649
Closing balance, 30 June 2011	1,744	1,882	102,716	47,772	46,330	2,376	60,862	54,613	269,076	587,371
Accumulated Depreciation										
Opening balance, 1 January 2011	-	1,392	45,317	6,071	26,905	646	37,023	26,017	6,138	149,509
Charge for the period (***)	-	16	9,175	495	3,723	220	1,193	7,900	2,411	25,133
Disposals	-	-	(1,021)	-	(1,233)	(59)	-	(2,130)	(652)	(5,095)
Transfer (*)	-	-	-	-	-	-	-	(258)	-	(258)
Impairment	-	-	-	-	-	-	-	-	124	124
Closing balance, 30 June 2011	-	1,408	53,471	6,566	29,395	807	38,216	31,529	8,021	169,413
Net book value at 30 June 2011	1,744	474	49,245	41,206	16,935	1,569	22,646	23,084	261,055	417,958

(*) TRY 95 Thousand of the balance is transferred from assets held for sale to assets to be disposed off ; TRY 172 Thousand of the balance is transferred from premises and equipment to intangible assets and TRY 26,889 Thousand of the balance is transferred from premises and equipment to investment properties.
(**) In the current period, the Parent Bank has provided an additional impairment of TRY 246 Thousand and reversed TRY 771 Thousand impairment due to disposals.
(***) Total depreciation expense has been recognized in operating expenses.

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

16. PREMISES AND EQUIPMENT (cont'd)

	Land	Land Improvements	Leasehold Improvement	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixture	Other Fixed Assets	Assets to be Disposed off	Total
Acquisition Cost										
Opening balance, 1 January 2010	1,743	1,382	82,364	46,767	35,859	1,982	60,263	42,535	187,739	460,634
Additions	-	-	9,768	-	5,936	269	450	7,209	53,891	77,523
Disposals	-	-	(6)	-	-	(265)	(7)	(1,116)	(15,177)	(16,571)
Transfer (*)	-	-	-	-	-	-	-	-	(1,126)	(1,126)
Impairment	-	-	-	-	-	-	-	-	(2,178)	(2,178)
Closing balance, 30 June 2010	1,743	1,382	92,126	46,767	41,795	1,986	60,706	48,628	223,149	518,282
Accumulated Depreciation										
Opening balance, 1 January 2010	-	1,382	31,256	5,012	20,408	921	35,718	14,131	4,127	112,955
Charge for the period	-	-	7,436	477	3,062	281	987	7,578	1,642	21,463
Disposals	-	-	-	-	-	(244)	(5)	(1,116)	(591)	(1,956)
Impairment	-	-	-	-	-	-	-	-	(459)	(459)
Closing balance, 30 June 2010	-	1,382	38,692	5,489	23,470	958	36,700	20,593	4,719	132,003
Net book value at 30 June 2010	1,743	-	53,434	41,278	18,325	1,028	24,006	28,035	218,430	386,279

(*) TRY 1,817 Thousand of the balance is transferred from assets held for sale to tangible fixed assets, TRY 2,943 Thousand of real estate to be disposed have acquired the classification as fixed assets is transferred to assets held for sale.

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

16. PREMISES AND EQUIPMENT (cont'd)

Premises and equipment, except land that is deemed to have indefinite life, are depreciated on a straight-line basis using the following main rates which write off the assets over their expected useful lives:

Buildings	50 years
Vehicles	5 years
Machinery and Equipment	5-25 years
Furniture and Fixtures	4-16 years
Leasehold and Leasehold Improvements	lease term or 5 years

17. INVESTMENT PROPERTIES

	Land	Buildings	Total
Acquisition cost			
Balance at 1 January 2011	-	2,287	2,287
Transfer (*)	26,889	-	26,889
Impairment	-	(75)	(75)
Balance at 30 June 2011	26,889	2,212	29,101
Accumulated amortization			
Balance at 1 January 2011	-	290	290
Charge for the period	-	16	16
Balance at 30 June 2011	-	306	306
Net book value at 30 June 2011	26,889	1,906	28,795

(*)TRY 26,889 Thousand of the balance is transferred from premises and equipment to investment properties.

	Land	Buildings	Total
Acquisition cost			
Balance at 1 January 2010	-	2,107	2,107
Transfer	-	190	190
Impairment	-	(60)	(60)
Balance at 30 June 2010	-	2,237	2,237
Accumulated amortization			
Balance at 1 January 2010	-	258	258
Charge for the period	-	16	16
Balance at 30 June 2010	-	274	274
Net book value at 30 June 2010	-	1,963	1,963

All of the Group's investment properties are held under freehold interests. The Group Management states that there is no material rent income or operating expense arising on these investments during the year.

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

18. INTANGIBLE ASSETS

	30 June 2011 Software Programs & Rights	30 June 2010 Software Programs & Rights
Acquisition Cost		
Balance at 1 January	21,177	17,617
Additions	2,679	1,509
Transfer (*)	430	-
Balance at 30 June	24,286	19,126
Accumulated Amortization		
Balance at 1 January	10,599	7,364
Charge for the period	1,872	1,537
Transfer (*)	258	-
Balance at 30 June	12,729	8,901
Net book value at 30 June	11,557	10,225

(*) TRY 172 Thousand of the balance is transferred from premises and equipment to intangible assets.

19. ASSETS HELD FOR SALE

	30 June 2011	30 June 2010
Acquisition Cost		
Balance at 1 January	6,509	9,196
Disposals	(204)	(1,210)
Transfer (*)	(95)	1,126
Impairment loss	-	(337)
Balance at 30 June	6,210	8,775

(*) TRY 95 Thousand of the balance is transferred from assets held for sale to assets to be disposed off (30 June 2010: TRY 1,817 Thousand of the balance is transferred from assets held for sale to assets to be disposed off and TRY 2,943 Thousand of the balance transferred from assets to be disposed off to assets held for sale to assets).

20. OTHER ASSETS

	30 June 2011	31 December 2010
Prepaid expenses	47,636	27,046
VAT receivable	8,457	8,349
Receivables from credit card POS machineries	3,883	4,557
Stationery	1,241	1,173
Other	8,852	5,759
	70,069	46,884

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

21. CUSTOMERS' CURRENT AND PROFIT SHARING ACCOUNTS

	Demand	Time	30 June 2011 Total	31 December 2010 Total
TRY savings accounts	534,545	5,089,254	5,623,799	5,378,500
Foreign currency saving accounts	182,245	1,587,856	1,770,101	2,037,342
TRY public, commercial and other enterprises	753,947	1,263,881	2,017,828	2,155,100
Foreign currency public, commercial and other enterprises	320,552	1,088,867	1,409,419	1,305,114
TRY interbank accounts	59	-	59	973
Foreign currency interbank accounts	15,732	51,920	67,652	11,943
Foreign currency precious metal accounts	263,618	-	263,618	123,372
	2,070,698	9,081,778	11,152,476	11,012,344

The majority of time deposits have maturity of less than six months.

The customer accounts are mainly short term and adjusted in accordance with the profit sharing rates at repricing dates reflecting approximately market rates therefore fair values do not materially differ from their carrying values.

22. OBLIGATIONS UNDER REPURCHASE AGREEMENTS AND BORROWINGS

Obligations under Repurchase Agreements:

	30 June 2011			31 December 2010		
	Amount	Effective Profit Share Rate	Maturity	Amount	Effective Profit Share Rate	Maturity
- Due to the Central Bank	262,984	6.25%	Up to 7 days	-	-	

Obligations under repurchase agreements amounting to TRY 262,984 Thousand have fixed profit share rates.

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

22. OBLIGATIONS UNDER REPURCHASE AGREEMENTS AND BORROWINGS (cont'd)

Borrowings:

	30 June 2011	31 December 2010
Bank domestic – TL	28,553	28,880
Banks abroad – FC	1,049,513	622,237
	1,078,066	651,117

The Group has syndicated loans as of 30 June 2011 and 31 December 2010.

The details of loans that are provided from banks and financial institutions are summarized below:

Current Period Repayment Date	TRY	EUR (*)	USD (*)	JPY(*)	Total
2011	2,516	63,826	200,882	5,425	272,649
2012	7,096	232,338	416,943	-	656,377
2013	7,958	-	-	-	7,958
2014	8,874	33,080	870	-	42,824
2015	2,109	-	10,190	-	12,299
2016	-	85,959	-	-	85,959
	28,553	415,203	628,885	5,425	1,078,066

(*) Amounts stand for the TRY equivalents of the original foreign currency balances.

Prior Year Repayment Date	TRY	EUR (*)	USD (*)	Total
2011	3,889	246,596	321,384	571,869
2012	24,991	10,315	9,011	44,317
2013	-	10,314	275	10,589
2014	-	10,314	138	10,452
2015	-	2,035	10,837	12,872
2016	-	1,018	-	1,018
	28,880	280,592	341,645	651,117

(*) Amounts stand for the TRY equivalents of the original foreign currency balances.

Borrowings are mainly denominated in US Dollar, Euro and TRY. Interest rates vary between Libor+0.39- Libor+0.75% for US Dollar, Libor+1.29%- Libor+1.76% for Euro and 10.56%- 12.83% for TRY (31 December 2010: +0.44- Libor+0.74% for US Dollar, Libor+1.18%- Libor+1.21% for Euro and 9.00%- 11.09% for TRY).

Borrowings will be repayable as follows:

	30 June 2011	31 December 2010
Within one year	806,355	571,869
Over 1 year	271,711	79,248
	1,078,066	651,117

23. TAXATION

Corporate Tax

The Group is subject to the Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2011 is 20% (2010: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2011 is 20% (2010: 20%).

The income earned from real estate investment trust activities of Tuna GYO, having acquired the status of the real estate investment trust, is exempt from Corporate Tax according to Article 5/(1) 4-d of the Corporate Tax Law No: 5520 ("CTL"). Accordingly, the effective tax rate for real estate investment trusts is 0% on portfolio management income based on the Council of Ministers decision No: 2009/14594.

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 25 April of the following year (between 1st and 25th of the following 4th month of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21 June 2006. However until the resolution of Council of Ministers, it has been used as 10%. With the resolution of Council of Ministers, effective from 23 July 2006, income withholding tax rate has been changed to 15%. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.

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

23. TAXATION (cont'd)

Income withholding tax (cont'd):

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years as of 31 December 2005 so as to be deducted from taxable income of subsequent profitable years. However, the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

However upon the resolution made by the Constitutional Court on 15 October 2009, the legal arrangement, which proposes to eliminate the vested rights, was revoked on the basis of being contradictory to the constitution. The related court decree was published in the Official Gazette as at 8 January 2010.

Investment incentive application is revised based on Article 5 of Law No: 6009, which was published in the Official Gazette No: 27659 on 1 August 2010. Under the revised standard, the investment incentive amount which will be used as a discount in determining the tax basis should not exceed 25% of the related period's profit, only to the extent that it is applicable to profit for the 2010 period, whereas corporate tax will be calculated based on the applicable tax rate over the remaining profit.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes. In the accompanying financial statements corporate tax and deferred tax asset/liability are comprised of the following:

	30 June 2011	31 December 2010
Corporate tax provision	33,002	70,887
Prepaid tax (-)	(8,784)	(55,161)
	24,218	15,726

Income statement:

	30 June 2011	30 June 2010
Corporate tax charge	33,002	40,064
Deferred tax benefit	(7,304)	(9,693)
	25,698	30,371

	30 June 2011	31 December 2010
Deferred tax assets	63,591	54,476
	63,591	54,476

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

23. TAXATION (cont'd)

	30 June 2011	30 June 2010
Deferred tax asset movement:		
Opening balance	54,476	36,628
Deferred tax benefit for the period	7,304	9,693
Deferred tax recognized in other comprehensive income	1,811	140
Closing balance	63,591	46,461

For calculation of deferred tax asset and liabilities, the rate of 20% (2010: 20%) is used.

Deferred tax asset/ (liability) relate to each type of temporary difference as of 30 June 2011 and 31 December 2010 is as follows:

	30 June 2011	31 December 2010
Leasing adjustment	381	386
Fixed assets useful life differences	(5,345)	(6,886)
Employee benefits	5,502	4,779
Impairment of assets to be disposed off	1,361	1,456
Impairment of buildings	510	585
Derivative financial instruments	226	563
Allowance for loan losses	47,686	47,429
Unrealized loss on equity shares	(41)	(30)
Deferred commission income	9,920	6,629
Carry forward tax losses	2	4
Other timing differences	3,391	(435)
Deferred tax asset / (liability)	63,593	54,480
Provision for deferred tax asset	(2)	(4)
Deferred tax asset / (liability) (net)	63,591	54,476

The Group Management has provided allowance for the deferred tax assets of Nil A.Ş. arising from carry forward tax losses since it is not probable that there will be sufficient taxable profit to recover such amount in the future.

30 June 2011

Year	Amount	Expiry date
2008	11	2013
	11	

31 December 2010

Year	Amount	Expiry date
2008	22	2013
	22	

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

23. TAXATION (cont'd)

Tax reconciliation is as follows:	30 June 2011	30 June 2010
Income before tax	131,426	143,107
Effective tax rate	20%	20%
Tax at the statutory income tax rate	26,285	28,621
Undeductible expenses:		
- Disallowed expenses (penalties, vehicle and comm. taxes, provisions etc.)	446	2,363
Deductions:		
- Free zone branch income	(120)	(146)
- Income from associates	(75)	(235)
- Gain on sale of fixed asset	(810)	(255)
- Transfer pricing	(193)	-
- Real estate income/(expense)	517	54
- Other deductions	(352)	(31)
Taxation	25,698	30,371

Income / (expense) relate to each type of temporary difference	30 June 2011	30 June 2010
Leasing adjustment	(5)	(27)
Fixed assets useful life differences	1,541	420
Employee benefits	723	837
Impairment of assets to be disposed off	(95)	343
Impairment of buildings	(75)	-
Derivative financial instruments	(337)	1,080
Allowance for loan losses	257	4,859
Unrealized loss on equity shares	(11)	(18)
Deferred commission income	3,291	625
Carry forward tax losses	(2)	(77)
Other timing differences	2,015	1,574
Deferred tax asset / (liability)	7,302	9,616
Provision charge/(reversal) for deferred tax asset	2	77
Deferred tax asset / (liability) (net)	7,304	9,693

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

24. DERIVATIVES

The Group's derivative financial instruments consist of swap agreements. Profit share amounts to be paid or to be received due to/from the fixed rate on the derivative contract are discounted to the balance sheet date with the current applicable fixed rate in the market that is prevailing between the balance sheet dates.

The table below shows the fair values of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	30 June 2011			31 December 2010		
	Fair value asset	Fair value liabilities	Notional amount in TRY equivalent	Fair value asset	Fair value liabilities	Notional amount in TRY equivalent
Derivatives held-for-trading						
Forward contracts (*)	-	-	81,588	-	-	-
Swaps contracts	1,690	2,822	272,157	2,581	5,397	926,555
	1,690	2,822	353,745	2,581	5,397	926,555

(*) The fair value of these contracts is nominal.

25. PROVISIONS

	30 June 2011	31 December 2010
Retirement pay provision	14,647	12,816
Vacation pay provision	13,438	11,565
Insurance reserves	107,612	91,747
Provision for credit card promotions	4,336	4,212
Provision for guarantees bearing indemnification risk	40,497	29,205
Payment commitments for checks	13,288	6,170
Provision for other liabilities	8,529	1,307
	202,347	157,022

i) Retirement Pay Provision:

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who is qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TRY 2,623 (full TRY) for each year of service at 30 June 2011 (31 December 2010: TRY 2,517 (full TRY)).

The liability is not funded, as there is no funding requirement.

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

25. PROVISIONS (cont'd)

i) Retirement Pay Provision (cont'd):

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 June 2011, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5.10% and a discount rate of 10%, resulting in a real discount rate of approximately 4.66% (31 December 2010: 4.66%). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TRY 2,731 (full TRY) (31 December 2010: TRY 2,527 (full TRY)) effective as of 1 July 2011 has been taken into consideration in calculation of provision from employment termination benefits.

	30 June 2011	30 June 2010
At 1 January	12,816	8,590
Service cost	2,354	1,351
Interest cost	304	261
Benefits paid	(827)	(384)
At 30 June	14,647	9,818

ii) Vacation pay provision

	30 June 2011	30 June 2010
At 1 January	11,565	9,109
Charge for the period	1,873	3,198
At 30 June	13,438	12,307

iii) Insurance reserves

	30 June 2011	31 December 2010
Outstanding claims reserve (*)	48,799	40,147
Reserves for unearned premiums	56,509	49,783
Other	2,304	1,817
	107,612	91,747

(*) Outstanding claims reserve includes TRY 15,132 Thousand of IBNR (incurred but not reported losses) reserve (31 December 2010: TRY 8,034 Thousand).

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

25. PROVISIONS (cont'd)

iii) Insurance reserves (cont'd)

Gross insurance liabilities	30 June 2011	31 December 2010
Outstanding claims reserve	80,306	56,862
Unearned premium reserve	73,435	66,331
Other	5,958	5,046
	159,699	128,239
Recoverable from reinsurers		
Outstanding claims reserve	31,507	16,715
Unearned premium reserve	16,926	16,548
Other	3,654	3,229
	52,087	36,492

iv) Provision for credit card promotions

	30 June 2011	30 June 2010
At 1 January	4,212	4,909
Charge for the period	3,690	2,566
Used points	(3,566)	(3,262)
At 30 June	4,336	4,213

v) Provision for non-cash loans bearing indemnification risk

	30 June 2011	30 June 2010
At 1 January	29,205	37,657
Charge for the period	13,917	3,721
Reversals	(2,625)	(5,361)
At 30 June	40,497	36,017

vi) Payment commitments for checks

	30 June 2011	30 June 2010
At 1 January	6,170	5,389
Charge for the period	7,118	380
Reversals	-	(490)
At 30 June	13,288	5,279

vii) Provision for other liabilities

	30June 2011	30 June 2010
At 1 January	1,307	1,451
Charge for the period	7,222	6,713
Reversals	-	(49)
At 30 June	8,529	8,115

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

26. OTHER LIABILITIES

	30 June 2011	31 December 2010
Payable to cheque clearance system	226,303	141,683
Credit card payables (*)	267,853	244,991
Deferred commission income	49,601	33,145
Taxes and dues other than on income	26,899	34,840
Import transfer orders	18,218	12,016
Cash guarantees taken	10,855	9,968
Blocked money	7,337	6,475
Due to reinsurers	7,663	5,018
Payment orders	4,071	6,419
Other	24,301	27,302
	643,101	521,857

(*) The balance represents total credit card payable to various institutions as a result of expenditures of the credit card holders of the Group.

27. EQUITY

The authorized share capital of the Group consists of 900 million shares of TRY 1 (full TRY) each.

Shareholders	%	30 June 2011 Authorized Capital	%	31December 2010 Authorized Capital
Ortadoğu Tekstil Tic. San. A.Ş.	4.22	37,992	4.22	37,992
Osman Can Pehlivan	3.85	34,668	3.23	29,076
Forum İnşaat Dekorasyon Turizm San. ve Tic. A.Ş.	3.23	29,076	2.51	22,565
Birim Birleşik İnş. Müm. San ve Tic. A.Ş.	2.40	21,630	2.40	21,630
Abdülkadir Konukoğlu	2.23	20,088	2.33	20,966
BJ Tekstil Tic. San. A.Ş.	2.00	18,000	2.23	20,088
Serra Turizm Ltd. Şti.	1.67	15,000	2.00	18,000
Hasan Sayın	1.50	13,510	1.67	15,000
İrfan Hacıosmanoğlu	1.46	13,161	1.50	13,510
Negiş Giyim İmalat ve İhracat A.Ş.	1.46	13,142	1.46	13,161
İbrahim Sayın	1.41	12,679	1.46	13,142
Fehim Arıcı	0.86	7,750	1.41	12,679
Publicly traded	52.78	475,030	52.54	472,876
Other	20.93	188,274	21.04	189,315
	100.00	900,000	100.00	900,000

360 million of the total shares are A group preferred shares having right to nominate candidates for the Board of Directors and the Audit Committee.

	30 June 2011	31 December 2010
Components of Capital:		
Nominal capital	900,000	900,000
Effect of inflation	7,870	7,870
	907,870	907,870

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

28. INCOME FROM INSURANCE AND OTHER OPERATIONS

INSURANCE	30 June 2011	30 June 2010
Premiums written	50,060	41,578
Change in unearned premium reserve	(6,779)	(1,194)
Change in continuing risk	-	283
Other technical income	(1,207)	2,324
	42,074	42,991

OTHER		
Income from time shares and rental operations	10,462	8,781
	10,462	8,781

29. COST OF INSURANCE AND OTHER OPERATIONS

INSURANCE	30 June 2011	30 June 2010
Claims paid	21,686	23,353
Change in outstanding claim provision	8,652	2,073
Change at other technical reserve	486	1,408
	30,824	26,834

OTHER		
Cost of time shares and rental operations	9,233	6,993
	9,233	6,993

30. NET FEES AND COMMISSIONS INCOME

	30 June 2011	30 June 2010
BANKING		
Commissions received from non-cash loans	65,331	77,135
Credit card commission income	24,521	18,287
Commission income on credit card POS Machineries	28,786	27,627
Other	36,276	22,764
	154,914	145,813
Commissions paid	(25,918)	(22,011)
INSURANCE		
Insurance commissions received	4,518	3,991
Commissions paid	(12,139)	(10,772)
Net balance	121,375	117,021

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

31. OTHER OPERATING INCOME

	30 June 2011	30 June 2010
Gain on sale of assets	9,112	3,979
Reversal of prior year provisions	1,275	1,262
Dividend income on equity shares	108	156
Communication expenses reversal and online data service income	510	4,960
Other	7,628	6,575
	18,633	16,932

32. GENERAL ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	30 June 2011	30 June 2010
Salaries and employee benefits	135,970	126,851
Depreciation and amortization expense	27,021	23,016
Rent expense	26,945	22,311
Advertisement expenses	17,619	13,157
Stationery expenses	15,949	12,858
Credit card expenses	13,774	10,463
Taxes other than on income	7,916	8,399
Audit and consultancy expenses	6,129	6,232
Communication expenses	5,407	6,186
Banking services expenses	3,690	2,522
Cleaning expenses	3,301	3,666
Safety fund expenses	2,201	9,276
Other	39,665	32,458
	305,587	277,395

33. IMPAIRMENT LOSSES

	30 June 2011	30 June 2010
Impairment losses on fixed assets held for sale	-	337
Impairment losses on assets to be disposed off	246	1,719
Impairment losses on investment property	75	60
	321	2,116

Impairment losses on fixed assets held for sale and assets to be disposed off is occurred as a result of the difference of the fair value and carrying value of related assets. Fair values are produced based on independent appraisals.

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

34. RELATED PARTY TRANSACTIONS AND BALANCES

Banking transactions were entered into with the related parties in the normal course of the banking business including cash and non cash loans, finance leases and deposit. The related parties mainly consist of shareholders, related companies, directors and key management personnel.

	30 June 2011	31 December 2010
Balances with the related parties		
Loans	183,643	172,548
Non-cash loans	66,080	42,782
Total	249,723	215,330
Deposits	107,982	109,357
Total	107,982	109,357

	30 June 2011	30 June 2010
Transactions with the related parties		
Profit share income	22,583	14,638
Profit share expense	2,652	1,889
Commission income	-	447

Balances with related parties include all of the risk group balances, direct shareholders and indirect shareholders.

Balances with related parties generally earn or incur profit share at the similar rates at normal commercial terms applied to third parties.

In addition to the transactions and balances explained in the note above, the total remuneration of directors and other key members of key management are as follows:

	30 June 2011	30 June 2010
Short-term compensation of key management personnel	6,330	4,809

35. COMMITMENTS AND CONTINGENCIES

	30 June 2011	31 December 2010
Letter of guarantees	7,935,308	7,938,655
Letter of credit loans and commitments	1,159,879	997,362
Acceptances	190,347	154,318
Derivative financial instruments	353,745	926,555
Other guarantees	141,446	136,548
Total	9,780,725	10,153,438

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

35. COMMITMENTS AND CONTINGENCIES (cont'd)

Total amount of letters of guarantees, guarantees and commitments submitted by the Group pursuant to its own internal affairs and guarantees given to third parties by other institutions in favor of the Group stands at TRY 32,775 Thousand (31 December 2010: TRY 32,454 Thousand).

The Group provides loans from abroad to the agriculture sector clients for their direct agricultural imports under GSM program of the Commodity Credit Corporation of the US Department of Agriculture. At the balance sheet date, the Group has given guarantees within the context of GSM programs of the Commodity Credit Corporation of the US Department related balances shown as below:

	30 June 2011	31 December 2010
GSM guarantees	132,748	128,621
Guarantees taken for given GSM guarantees	(21,020)	(32,507)
Net exposure	111,728	96,114

Litigations

As of the balance sheet date, there are 1,260 ongoing court cases against the Group amounting to TRY 41,148 Thousand, USD 2,319 and EUR 946 based on the information provided from the legal department of the Group. For some of the ongoing court cases mentioned above, provision amounting to TRY 1,330 Thousand has been made in the accompanying consolidated financial statements.

36. DIVIDENDS

None (31 December 2010: None).

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS

Through its normal operations, the Group takes on exposure to number of risks, the most significant of which are liquidity, credit, operational and market risks. The risk management department exercises its functions according to the Internal Risk Management Policies of the Group.

Liquidity risk

Liquidity risk has a substantial risk profile in Turkish markets that have significant volatility characteristics in nature. The Group's funding and liquidity management is both managed by the Treasury and Risk Management Department. The Group's policy seeks to ensure that, even in adverse conditions, the Group maintains sufficient funds available to meet its operational needs, including maturing liabilities, and to ensure compliance with the BRSA regulations. Funding and liquidity risk refers to the unavailability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments or the risk arising from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. The Group's exposure to liquidity risk mainly arises from the general funding of the its financing activities and management of its positions.

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

In order to meet its funding needs, the Group principally uses on current accounts and participation accounts as the main funding source. The Group also utilizes the syndicated interest-free commodity Murabaha facility and enters into sales of investments under agreements with the Central Bank to repurchase substantially identical investments at a certain date in the future at a fixed price in order to balance its liquidity needs.

In order to manage its funding and liquidity risk, the Risk Management Department, the Treasury Department, and Bank Management run analyses that are prepared in accordance with the applicable provisions of the "Regulations on the Measurement and Assessment of the Banks' Liquidity Adequacy" published by the BRSA. Measures are taken as needed by the ALCO to ensure that relevant ratios remain within the legal prescribed limits. Maturity mismatches of the Group's assets and liabilities are monitored by means of day-to-day liquidity gap analyses. As part of the Group's assessment on further enhancing its liquidity, a core deposits study is performed and early warning and ultimate liquidity risk limits are established based on the results of the gap analyses.

The performance of, and return on, the customer participation accounts directly depend on the performance of, and return on, the Bank's loan portfolio. Therefore, it limits the liquidity risks that may arise in the period in which the market is exposed to fluctuations. In addition, the Bank has a periodical principal repayment schedule for commercial loans (i.e. the Bank does not offer any equivalents of interests only and/or "balloon" credits), which enables the Bank to have more predictable monthly cash inflows. The Group assesses its funding and liquidity risk by identifying and monitoring changes in funding required to meet business goals and objectives set in terms of its overall strategy regularly.

TRY and FC liquidity needs of the Group are met by the funds collected. Although the average maturity of deposits is short-term, based on the market conditions most of the maturity dates of deposits are renewed on a continuous basis. Therefore, deposits constitute a stable and long-term source for the Group. There are no significant unused liquidity sources.

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

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

As at 30 June 2011, the maturity analysis for assets and liabilities is presented below:

	Demand	Up to 1 months	1-3 month	3-12 month	1-5 year	Over 5 year	No maturity	Total
ASSETS								
Cash and Cash Equivalents	1,535,949	163,441	5,536	19,584	-	-	-	1,724,510
Reserve Deposits at the Central Bank	-	374,912	-	-	-	-	-	374,912
Derivative Financial Instruments	-	1,657	33	-	-	-	-	1,690
Financial Assets at Fair Value through Profit and Loss	-	-	-	-	-	-	68,005	68,005
Loans and Leasing Receivables	-	2,202,041	1,521,432	3,562,123	4,127,586	381,052	87,256	11,881,490
Trade Receivables	-	942	258	1,857	-	-	-	3,057
Insurance Receivables	11,597	2,950	10,799	10,794	-	-	538	36,678
Inventories	5	-	-	-	-	-	92,649	92,654
Available for Sale Investments	93	-	-	138,034	350,000	-	2,131	490,258
Subsidiaries	-	-	-	-	-	-	31,710	31,710
Associates	-	-	-	-	-	-	50	50
Held to Maturity Investment	-	-	2,010	75,000	-	-	-	77,010
Goodwill	-	-	-	-	-	-	4,366	4,366
Premises and Equipment	-	-	-	-	-	-	417,958	417,958
Investment Properties	-	-	-	-	-	-	28,795	28,795
Intangible Assets	-	-	-	-	-	-	11,557	11,557
Assets Held for Sale	-	-	-	-	-	-	6,210	6,210
Other Assets	-	9,276	17	89	26	-	60,661	70,069
Deferred Tax Asset	-	-	-	-	-	-	63,591	63,591
	1,547,644	2,755,219	1,540,085	3,807,481	4,477,612	381,052	875,477	15,384,570
LIABILITIES								
Customers' Current and Profit Sharing Accounts	2,070,698	3,871,733	1,196,506	3,619,916	393,623	-	-	11,152,476
Obligation Under Repurchase Agreement	-	262,984	-	-	-	-	-	262,984
Financial Liabilities at Fair Value through Profit and Loss	-	2,822	-	-	-	-	-	2,822
Borrowings	-	83,029	43,368	790,238	98,839	62,592	-	1,078,066
Trade Payables	-	132	67	825	1,301	-	-	2,325
Provisions	-	-	-	-	-	-	202,347	202,347
Other Liabilities	32,946	502,759	1,289	2,571	31	-	127,723	667,319
Total Liabilities	2,103,644	4,723,459	1,241,230	4,413,550	493,794	62,592	330,070	13,368,339
EQUITY								
Share Capital								
Nominal Capital	-	-	-	-	-	-	900,000	900,000
Inflation Adjustment to Capital	-	-	-	-	-	-	7,870	7,870
Premium in Excess of Par	-	-	-	-	-	-	3,307	3,307
Revaluation Reserves	-	-	-	-	-	-	5,336	5,336
Unrealized Gains on Available for Sale Investments, Net of Tax	-	-	-	-	-	-	(508)	(508)
Translation Reserves	-	-	-	-	-	-	(500)	(500)
Retained Earnings and Other Reserves	-	-	-	-	-	-	1,030,564	1,030,564
Equity Attributable to the Equity Holders of the Group	-	-	-	-	-	-	1,946,069	1,946,069
Non controlling Interest	-	-	-	-	-	-	70,162	70,162
Total Liabilities and Shareholders' Equity	2,103,644	4,723,459	1,241,230	4,413,550	493,794	62,592	2,346,301	15,384,570
Net Liquidity Position	(556,000)	(1,968,240)	298,855	(606,069)	3,983,818	318,460	(1,470,824)	-

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

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

As at 31 December 2010, the maturity analysis for assets and liabilities is presented below:

	Demand	Up to 1 months	1-3 month	3-12 month	1-5 year	Over 5 year	No maturity	Total
ASSETS								
Cash and Cash Equivalents	1,702,935	286,409	273	-	3	-	-	1,989,620
Reserve Deposits at the Central Bank	-	320,704	-	-	-	-	-	320,704
Derivative Financial Instruments	-	1,748	833	-	-	-	-	2,581
Financial Assets at Fair Value through Profit and Loss	-	-	-	-	-	-	66,526	66,526
Loans and Leasing Receivables	-	1,159,202	2,066,801	3,383,949	3,690,813	152,652	269,715	10,723,132
Trade Receivables	-	277	272	1,375	235	-	-	2,159
Insurance Receivables	12,785	4,123	11,130	9,219	-	-	480	37,737
Inventories	5	-	-	-	-	-	94,109	94,114
Available for Sale Investments	93	-	19,484	-	375,000	-	2,131	396,708
Subsidiaries	-	-	-	-	-	-	31,166	31,166
Associates	-	-	-	-	-	-	50	50
Held to Maturity Investment	-	-	2,032	-	75,000	-	-	77,032
Goodwill	-	-	-	-	-	-	4,366	4,366
Premises and Equipment	-	-	-	-	-	-	416,977	416,977
Investment Properties	-	-	-	-	-	-	1,997	1,997
Intangible Assets	-	-	-	-	-	-	10,578	10,578
Assets Held for Sale	-	-	-	-	-	-	6,509	6,509
Other Assets	-	4,864	31	602	88	-	41,299	46,884
Deferred Tax Asset	-	-	-	-	-	-	54,476	54,476
	1,715,818	1,777,327	2,100,856	3,395,145	4,141,139	152,652	1,000,379	14,283,316
LIABILITIES								
Customers' Current and Profit Sharing Accounts	2,079,209	4,581,030	2,053,293	2,257,957	40,855	-	-	11,012,344
Financial Liabilities at Fair Value through Profit and Loss	-	2,399	2,998	-	-	-	-	5,397
Borrowings	-	27,344	46,959	497,566	78,230	1,018	-	651,117
Trade Payables	-	832	825	-	134	-	-	1,791
Provisions	-	-	-	-	-	-	157,022	157,022
Other Liabilities	31,368	452,255	1,926	17,453	82	-	34,499	537,583
Total Liabilities	2,110,577	5,063,860	2,106,001	2,772,976	119,301	1,018	191,521	12,365,254
EQUITY								
Share Capital								
Nominal Capital	-	-	-	-	-	-	900,000	900,000
Inflation Adjustment to Capital	-	-	-	-	-	-	7,870	7,870
Premium in Excess of Par	-	-	-	-	-	-	3,307	3,307
Revaluation Reserves	-	-	-	-	-	-	5,675	5,675
Unrealized Gains on Available for Sale Investments, Net of Tax	-	-	-	-	-	-	6,732	6,732
Translation Reserves	-	-	-	-	-	-	(670)	(670)
Retained Earnings and Other Reserves	-	-	-	-	-	-	923,753	923,753
Equity Attributable to the Equity Holders of the Group	-	-	-	-	-	-	1,846,667	1,846,667
Non controlling Interest	-	-	-	-	-	-	71,395	71,395
Total Liabilities and Shareholders' Equity	2,110,577	5,063,860	2,106,001	2,772,976	119,301	1,018	2,109,583	14,283,316
Net Liquidity Position	(394,759)	(3,286,533)	(5,145)	622,169	4,021,838	151,634	(1,109,204)	-

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

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

The following table details the Group's expected maturity for its non derivative financial liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial liabilities.

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 year	Adjustments	Total
30 June 2011								
Funds collected	2,070,698	3,871,733	1,196,506	3,619,916	393,623	-	-	11,152,476
Funds borrowed	-	83,315	44,251	815,803	95,965	66,106	(27,374)	1,078,066
Obligation Under Repurchase Agreement	-	263,152	-	-	-	-	(168)	262,984
Total	2,070,698	4,218,200	1,240,757	4,435,719	489,588	66,106	(27,542)	12,493,526
31 December 2010								
Funds collected	2,079,209	4,581,030	2,053,293	2,257,957	40,855	-	-	11,012,344
Funds borrowed	-	27,346	47,910	516,755	97,972	1,147	(40,013)	651,117
Total	2,079,209	4,608,376	2,101,203	2,774,712	138,827	1,147	(40,013)	11,663,461

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

30 June 2011	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 year	Total
Held for trading transactions						
Forward sales contracts	40,692	-	-	-	-	40,692
Swap sales contracts	103,399	32,604	-	-	-	136,003
Total	144,091	32,604	-	-	-	176,695

31 December 2010	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 year	Total
Held for trading transactions						
Swap sales contracts	254,867	208,710	-	-	-	463,577
Total	254,867	208,710	-	-	-	463,577

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

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

The following table details the derivative contracts and forward asset purchase-sale commitments other than derivative financial instruments outstanding as at the balance sheet date:

			Purchase Contracts		Sales Contracts		Fair Value	
	Average Exchange Rate		Original Amount		Original Amount		TRY	
Outstanding Contracts (*)	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Swap Transactions								
EUR Purchase-USD Sale								
Less than 3 Months	1,4252	1,3143	15,000	95,000	21,378	124,856	248	1,681
XAU Purchase-USD Sale								
Less than 3 Months	1,4989	-	500	-	24,049	-	-	-
JPY Purchase-USD Sale								
Less than 3 Months	81,0173	-	243,052	-	3,000	-	4	-
TRY Purchase-USD Sale								
Less than 3 Months	1,0988	1,5282	56,738	268,243	35,000	175,000	(673)	(4,388)
Forward Transactions								
XAU Purchase-USD Sale								
Less than 3 Months	48,1406	-	519	-	24,961	-	-	-
Other Term Foreign Exchange Transactions (**)								
TRY Purchase-USD Sale								
Less than 3 Months	1,6228	1,5443	51,853	28,571	32,000	18,500	(325)	(45)
TRY Purchase-EUR Sale								
Less than 3 Months	2,3540	2,0645	25,901	5,676	11,000	2,750	145	36
TRY Purchase-GBP Sale								
Less than 3 Months	2,6291	2,4030	394	529	150	220	2	5
USD Purchase-TRY Sale								
Less than 3 Months	1,6222	1,5481	5,500	1,000	8,922	1,548	46	(1)
TRY Purchase-AUD Sale								
Less than 3 Months	1,7363	-	26	-	15	-	-	-
CHF Purchase-USD Sale								
Less than 3 Months	0,8301	-	1,000	-	1,205	-	(15)	-
SAR Purchase-USD Sale								
Less than 3 Months	3,7502	-	2,250	-	600	-	(2)	-
USD Purchase-AUD Sale								
Less than 3 Months	1,0596	-	21	-	20	-	-	-
USD Purchase-XAU Sale								
Less than 3 Months	48,2329	-	628	-	13	-	(2)	-
GBP Purchase-EUR Sale								
Less than 3 Months	1,1115	-	896	-	995	-	20	-
SAR Purchase-EUR Sale								
Less than 3 Months	5,3945	-	1,079	-	200	-	-	-
EUR Purchase-SAR Sale								
Less than 3 Months	5,4370	-	200	-	1,087	-	(4)	-
CHF Purchase-GBP Sale								
Less than 3 Months	1,3527	-	6	-	4	-	-	-
USD Purchase-EUR Sale								
Less than 3 Months	1,4449	1,3311	85,649	997	59,250	750	995	3
EUR purchase-USD sale								
Less than 3 months	1,4445	1,3248	66,900	500	96,590	662	(934)	1
EUR purchase-TRY sale								
Lessthan3months	2,3518	-	7,500	-	17,638	-	(84)	-
USD Purchase-NOK Sale								
Lessthan3Months	5,3756	5,8992	9	19	50	110	-	-
JPY Purchase-USD Sale								
Lessthan3Months	-	82,1270	-	48,044	-	585	-	3
XAU Purchase-USD Sale								
Lessthan3Months	21,4950	45,2334	1,067	15	51,948	679	(557)	11
USD Purchase-GBP Sale								
Lessthan3Months	-	1,5504	-	140	-	90	-	2
GBP Purchase-USD Sale								
Lessthan3Months	1,6042	1,5489	-	7,000	8,856	10,842	4	(124)

(*) Maturity dates on the table are set based on the agreement period.
(**) It is presented in commitments within off balance sheet liabilities.

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

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

The maturity analysis of guarantees and suretyships are presented below:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	With no maturity	Total
30 June 2011							
Guarantees	2,238,408	294,372	1,633,156	766,910	170,602	2,831,860	7,935,308
Acceptances	89,360	9,757	70,802	20,428	-	-	190,347
Letter of credits	292,917	269,955	498,171	98,836	-	-	1,159,879
Other guarantees	10,673	3,501	55,983	71,289	-	-	141,446
Total	2,631,358	577,585	2,258,112	957,463	170,602	2,831,860	9,426,980
31 December 2010							
Guarantees	3,000,691	331,837	1,731,858	1,116,032	180,726	1,577,511	7,938,655
Acceptances	88,179	18,616	38,775	8,748	-	-	154,318
Letter of credits	598,779	216,704	176,703	5,176	-	-	997,362
Other guarantees	7,927	2,643	38,030	87,948	-	-	136,548
Total	3,695,576	569,800	1,985,366	1,217,904	180,726	1,577,511	9,226,883

Credit risk

Credit risk arises where the possibility exists for a counterparty defaulting on its obligations. The granting of credit is authorized at the Board level or at appropriate levels of management depending on the size of the proposed commitment, and in accordance with the banking regulations in Turkey.

Credit worthiness of loan customers are monitored and reviewed regularly by the Credit Monitoring Department in accordance with the Communiqué on "Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions". Credit limits are determined by the Board of Directors, the Credit Committee of the Bank and the Credit Administration. The Group obtains sufficient guarantees for its risks, comprising of personal suretyships, real-estate mortgages, cash blockages and customer cheques.

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

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

The Group monitors restructured and rescheduled loans in accordance with the Communiqué on "Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions". Financial position and business operation of those customers are analyzed systematically and, principal and profit payments based on the restructured payment plan are monitored by the corresponding departments. The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is TRY 632,082 Thousand and includes only loans and leasing receivables (31 December 2010: TRY 505,116 Thousand).

Credit rating system:

The credit risk is assessed through the internal rating system of the Parent Bank, by classifying loans from highest grade to lowest grade according to the probability of default. As of 30 June 2011, consumer loans are excluded from the internal rating system of the Parent Bank. Additional scoring methodologies are applied for these loans. The exposure that is subject to rating models can be allocated as follows:

Category	Description of category	30 June 2011 Share in the total (%)	31 December 2010 Share in the total (%)
Above average	The borrower has a very strong financial structure	34%	35%
Average	The borrower has an intermediate level of financial structure	33%	36%
Under average	The financial structure of the borrower has to be closely monitored in the medium term	14%	11%
Not graded	The borrower is not assessed by the Parent Bank	19%	18%
Total		100%	100%

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

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

Sectoral risk concentration of non-cash loans:

	Current Period				Prior Year			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	63,349	1.53	28,477	0.54	59,075	1.40	21,182	0.42
Farming and raising livestock	50,952	1.23	27,878	0.53	46,038	1.09	21,014	0.42
Forestry, wood and paper	11,213	0.27	97	-	12,080	0.29	13	-
Fishery	1,184	0.03	502	0.01	957	0.02	155	-
Manufacturing	1,474,628	35.47	2,768,777	52.55	1,285,981	30.43	2,841,818	56.83
Mining and quarry	429,909	10.34	575,774	10.93	99,866	2.36	229,697	4.59
Production	827,632	19.91	1,815,231	34.45	706,971	16.73	1,660,230	33.20
Electricity, gas and water	217,087	5.22	377,772	7.17	479,144	11.34	951,891	19.04
Construction	1,927,146	46.35	1,395,304	26.48	2,006,166	47.47	1,275,631	25.51
Services	627,095	15.09	1,035,751	19.67	803,842	19.01	821,537	16.42
Wholesale and retail trade	195,672	4.71	155,205	2.95	214,921	5.08	166,733	3.33
Hotel, tourism, food and beverage services	67,402	1.62	213,962	4.06	73,912	1.75	58,248	1.16
Transportation and communication	107,622	2.59	453,712	8.61	143,854	3.40	414,787	8.30
Financial institutions	48,710	1.17	155,584	2.95	81,229	1.92	123,979	2.48
Real estate and renting services	42,195	1.01	6,117	0.12	87,120	2.06	18,576	0.37
Self-employment services	36,857	0.89	23,473	0.45	41,260	0.98	9,300	0.19
Education services	22,781	0.55	5,588	0.11	24,405	0.58	4,199	0.08
Health and social services	105,856	2.55	22,110	0.42	137,141	3.24	25,715	0.51
Other	65,560	1.56	40,893	0.76	71,531	1.69	40,120	0.82
Total	4,157,778	100.00	5,269,202	100.00	4,226,595	100.00	5,000,288	100.00

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

Gross maximum exposure	30 June 2011	31 December 2010
Cash and cash equivalents	1,724,510	1,989,620
Reserve deposit at central bank	374,912	320,704
Derivative financial instruments	1,690	2,581
Financial assets at fair value through profit and loss	68,005	66,526
Held to maturity investments	77,010	77,032
Loans and leasing receivables	11,881,490	10,723,132
Trade receivables	3,057	2,159
Insurance receivables	36,678	37,737
Available for sale investments	490,258	396,708
Investment in associates	31,710	31,166
Total	14,689,320	13,647,365
Commitments and contingencies	9,426,980	9,226,883
Total credit risk exposure	24,116,300	22,874,248

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Market risk

Market risks arise from changes in interest rates, foreign exchange rates and prices of equities, all of which are exposed to general and specific market movements. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, interest/profit rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributed to all market risk sensitive financial instruments, including loans, deposits and borrowings. The primary market risks are the indirect effects of interest rate fluctuation and the direct effects of exchange rate fluctuation.

The Group's management of its exposure to market risk is managed by the Asset and Liability Committee, comprising members of senior management, based on limits on the positions which can be taken by the Parent Bank's treasury and financial assets trading divisions.

The Risk Management Department measures and monitors the market risk exposure to the value of the financial instruments and held by the Group that may result from any number of market fluctuations. To measure market risk, the Group has adopted globally accepted and widely implemented risk management techniques. The Group calculates and reports market risk according to a standardized methodology. It manages market risk on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends, and management's estimate of long and short term changes in fair value.

Market risk is measured and assessed using procedures that comply with applicable laws and with the Group's "Market Risk Management Policy." The Group uses the internationally accepted "Value at Risk" (VaR) method, which conforms well to the Group's own market activities. VaR is an expression of the likelihood, at a specified confidence interval, of a loss that the Group's portfolio in risk factors within a specified period of time. The Group's VaR model has been developed in-house and is employed simultaneously and in conjunction with the "Standardized Approach" and its use is prescribed by public authorities. The market risk that the Group is exposed to based on these calculations and the results of back tests that are performed also on a daily basis to assess the model's reliability are reported to top management on a daily basis. By means of scenario analyses and stress tests that are performed using reverse changes in the Bank's own portfolio and in the market prices that are taken into account, the value of the Bank's portfolio is reconsidered under the existing and potential market conditions. The effects that the results of the scenario analyses and stress tests may have on the Bank's capital adequacy ratio are also separately analyzed and reported. In addition, in accordance with the "Historical Simulation Method", the Bank established early warning and ultimate market risk limits based on VaR calculations assuming a 10-day holding period and a 99 per cent of confidence interval; these limits were approved by the Board. Compliance with these commensurate risk limits is monitored daily and any violation of these limits is immediately reported to the ALCO, the Audit Committee and the Board.

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

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Currency risk

Assets and liabilities denominated in foreign currencies together with purchase and sale commitments give rise to foreign currency exposure.

The currency risk of the Group is monitored on a daily basis. Net foreign currency position / capital ratio is also controlled using the same basis.

The Group does not use any derivative instruments for speculative purposes.

As at 30 June 2011 and 31 December 2010 foreign currency assets and liabilities of the Group are mainly in US Dollar and Euro.

The table below summarizes the foreign currency position of the Group as at 30 June 2011:

	EURO	USD	Other foreign currencies	Total
ASSETS				
Cash and cash equivalents and reserve deposit at central bank	240,807	381,204	106,688	728,699
Loans and leasing receivables	1,218,401	2,772,970	-	3,991,371
Other assets	470	638	10	1,118
LIABILITIES				
Customers' current and profit sharing accounts	1,074,963	2,148,789	287,038	3,510,790
Borrowings	415,202	628,886	5,425	1,049,513
Other liabilities	8,421	24,033	768	33,222
Net balance sheet position	(38,908)	353,104	(186,533)	127,663
Off balance sheet position (*)				
Forwards to sell agreements	209,663	149,664	189,533	548,860
Forwards to buy agreements	167,181	488,387	1,977	657,545
Net off balance sheet position	42,482	(338,723)	187,556	(108,685)
Net position	3,574	14,381	1,023	18,978

(*) Forward asset purchase-sale commitments other than derivative financial instruments of TRY 428,548 Thousand is added to forwards to sell agreements and TRY 480,450 Thousand is added to forwards to buy agreements.

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

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Currency risk (cont'd)

The table below summarizes the foreign currency position of the Group as at 31 December 2010:

	EURO	USD	Other Foreign Currencies	Total
ASSETS				
Cash and cash equivalents and reserve deposit at central bank	245,324	497,767	135,103	878,194
Loans and leasing receivables	891,857	2,683,243	-	3,575,100
Other assets	509	2,177	-	2,686
LIABILITIES				
Customers' current and profit sharing accounts	1,031,563	2,294,483	151,725	3,477,771
Borrowings	280,592	341,645	-	622,237
Other liabilities	6,146	19,071	415	25,632
Net balance sheet position	(180,611)	527,988	(17,037)	330,340
Off balance sheet position (*)				
Forwards to sell agreements	195,760	3,332	18,606	217,698
Forwards to buy agreements	7,174	511,917	766	519,857
Net off balance sheet position	188,586	(508,585)	17,840	(302,159)
Net position	7,975	19,403	803	28,181

(*) Forward asset purchase-sale commitments other than derivative financial instruments of TRY 22,963 Thousand is added to forwards to sell agreements and TRY 56,280 Thousand is added to forwards to buy agreements.

The Group undertakes certain transactions denominated in US Dollar and EURO, hence expose to certain exchange rate fluctuations arise.

The change in net profit due to 10% change (increase) in the US Dollar and EURO rates would impact the profit and loss statement as below:

	USD (i)		EURO (ii)	
	1 January-30 June 2011	1 January-30 June 2010	1 January-30 June 2011	1 January-30 June 2010
10% increase	1,438	1,257	357	406
10% decrease	(1,438)	(1,257)	(357)	(406)

(i) This is mainly attributable to the exposure to outstanding loans, leasing receivables, lendings and deposits, borrowings denominated in US Dollar.
(ii) This is mainly attributable to the exposure to outstanding loans, leasing receivables, lendings and deposits, borrowings denominated in EURO.

37. RISK MANAGEMENT AND ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (cont'd)

Other price risks

Market risk also includes price risks. The Group only has positions in equities and commodities for investment or investment related purposes. It manages price risks relating to securities by utilizing the position limits. The Risk Management Department coordinates the monitoring of the limits. Foreign currency transactions both with customers and as part of the Group's proprietary trading usually generate foreign currency positions. The Group hedges these positions within set intra-day and/or overnight limits and executes transactions only in major convertible foreign currencies.

The Group is exposed to stock price risk as a consequence of investing in publicly traded companies in Istanbul Stock Exchange.

As of the balance sheet date, assuming that all other variables are fixed and 10% increase or decrease in valuation method parameters (stock prices) is appeared, TRY 559 Thousand increase or decrease at income before tax is anticipated (30 June 2010: TRY 929 Thousand).

Profit rate risk

Profit rate risk arises from the possibility that changes in the conventional profit share rate will affect the future profitability or the fair value of financial instruments. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amount of assets and liabilities and off-balance sheet instruments that mature or re-price during a given period. The impact of possible changes in the profit rates is measured and the profit rate gaps are reviewed to initiate corrective action in the Group's funding profile to ensure that the overall profit rate risk remains within acceptable tolerances.

The principal objective of the Group's profit share rate risk management activities is to enhance profitability by limiting the effect of adverse profit share rate movements in the banking sector and increasing profit share income by managing profit share rate exposure. The Group monitors profit share sensitivity by analyzing the composition of its assets and liabilities and off-balance sheet financial instruments.

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

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of the Group's major financial instruments that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Financial assets				
Cash and cash equivalents and reserve deposit	2,099,422	2,310,324	2,099,422	2,310,324
Derivative financial instruments	1,690	2,581	1,690	2,581
Financial assets at fair value through profit and loss	68,005	66,526	68,005	66,526
Loans and leasing receivables (*)	11,794,577	10,446,817	12,536,840	11,233,335
Financial liabilities				
Borrowings	1,078,066	651,117	1,077,514	651,383
Customers' deposits	11,152,476	11,012,344	11,152,476	11,012,344
Obligations under repurchase agreements	262,984	-	262,984	-

(*) Excluding net non-performing loans.

Receivables from banks and other financial institutions are in short-term nature, their fair value approximates to their book value.

In order to calculate the fair value of loans, current profit sharing rates are used as of the balance sheet date. Loan balance also includes finance lease receivables.

Book value of the funds collected approximates to their fair value as it is revalued with the year end unit value.

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

38. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

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

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

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

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

30 June 2011	Level 1	Level 2	Level 3
Financial assets			
Derivative financial instruments	-	1,690	-
Financial assets at fair value through profit and loss	6,376	-	61,629
Available-for-sale investments	100,479	387,555	2,224
Total	106,855	389,245	63,853
Financial liabilities			
Financial liabilities at fair value through profit and loss	-	2,822	-
Total	-	2,822	-

31 December 2010	Level 1	Level 2	Level 3
Financial assets			
Derivative financial instruments	-	2,581	-
Financial assets at fair value through profit and loss	4,897	-	61,629
Available-for-sale investments	103,400	291,084	2,224
Total	108,297	293,665	63,853
Financial liabilities			
Financial liabilities at fair value through profit and loss	-	5,397	-
Total	-	5,397	-

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

38. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Beginning and ending term reconciliation of 3rd level valuated financial assets and liabilities follows at below:

	Financial Assets at Fair Value through Profit and Loss	Financial Assets Available-for-Sale Share Certificates	Total
Opening balance	61,629	2,224	63,853
Total comprehensive income/(expense)	-	-	-
Purchases	-	-	-
Issued	-	-	-
Accrued	-	-	-
Transfers from 3rd level to other level	-	-	-
Ending balance	61,629	2,224	63,853

39. EARNINGS PER SHARE

Earnings per share disclosed in the accompanying consolidated statements of operations are calculated by dividing the net earnings attribute to ordinary shareholders by the weighted average number of shares outstanding during the period/year concerned.

A summary of the weighted average number of shares outstanding for the period ended 30 June 2011 and 30 June 2010 and the basic earnings per share calculation are as follows:

	30 June 2011	30 June 2010
Weighted average number of shares during the period	900,000,000	900,000,000
Net profit for the period attributable to equity holders of the Group (TRY Thousand)	106,811	112,143
The basic and diluted earnings per share (in full TRY)	0.12	0.12

40. SUBSEQUENT EVENTS

None.

41. APPROVAL OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements are authorized for issue by the management on 22 August 2011.