IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER: (a) QIBS (AS DEFINED BELOW) OR (b) NON-US PERSONS (AS DEFINED IN REGULATION S) OUTSIDE OF THE US

IMPORTANT: You must read the following before continuing. The following applies to the attached Offering Circular (the "*Offering Circular*"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from (or on behalf of) the issuer as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OF AMERICA (THE "*UNITED STATES*") OR ANY OTHER JURISDICTION TO THE EXTENT THAT IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND SUCH SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S ("*REGULATION S*") UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR MAY NOT BE FORWARDED TO ANY US PERSON OR TO ANY US ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, THEN YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities described herein, prospective investors must be either: (a) qualified institutional buyers ("*QIBs*") (within the meaning of Rule 144A ("*Rule 144A*") under the Securities Act) or (b) non-US persons (as defined in Regulation S) outside of the United States. This Offering Circular is being sent at your request and by accepting this e-mail and accessing this Offering Circular, you will be deemed to have represented to the issuer that: (i) you and any customers you represent are either: (A) QIBs or (B) non-US persons outside of the United States, its territories or possessions (including Puerto Rico, the US Virgin Islands, Guam, America Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia and that the electronic mail address that you gave the issuer and to which this e-mail has been delivered is not located in the United States, (ii) you consent to delivery of the Offering Circular by electronic transmission and (iii) you have understood and agree to the terms set out herein.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place to the extent that offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and an underwriter or any affiliate of an underwriter is a licensed broker or dealer in that jurisdiction, then the offering will be deemed to be made by such underwriter or such affiliate on behalf of the issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities Ltd., Standard Chartered Bank or Banco

Bilbao Vizcaya Argentaria S.A., as Initial Purchasers, the issuer or any person who controls any of them, nor any director, officer, employee nor agent of any of them or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

This Offering Circular is being distributed only to and directed only at: (a) persons who are outside the United Kingdom, (b) persons in the United Kingdom who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or (c) those persons in the United Kingdom to whom it may otherwise lawfully be distributed (all such persons together being referred to as "*relevant persons*"). In the United Kingdom, the Offering Circular is directed only at relevant persons and must not be acted on or relied upon by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which the Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

OFFERING CIRCULAR

TÜRKİYE GARANTİ BANKASI A.Ş.

US$300,000,000 Floating Rate Notes due 2016

Türkiye Garanti Bankası A.Ş., a Turkish banking institution organized as a joint stock company (the "*Bank*" or "*Issuer*"), is issuing US$300,000,000 Floating Rate Notes due 2016 (the "*Notes*"). The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "*Securities Act*"), or the securities or "blue sky" laws of any state of the United States of America ("*United States*" or "*US*"), the United Kingdom or any other jurisdiction, and are being offered: (a) for sale (the "*US Offering*") to qualified institutional buyers only (each a "*QIB*") as defined in, and in reliance upon, Rule 144A under the Securities Act ("*Rule 144A*") and (b) for sale to non-US persons outside the United States (the "*International Offering*" and, with the US Offering, the "*Offering*") in reliance upon Regulation S under the Securities Act ("*Regulation S*"). For a description of certain restrictions on sale and transfer of investments in the Notes, see "Plan of Distribution," "Selling Restrictions" and "Transfer Restrictions" herein.

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER "RISK FACTORS" BEGINNING ON PAGE 17 OF THIS OFFERING CIRCULAR.

Interest on the Notes will be paid on the 20th day of each January, April, July and October; *provided* that if any such date is not a Business Day (as defined below), then such payment will be made on the next Business Day, subject to adjustment in accordance with Condition 6.1. Principal of the Notes is scheduled to be paid on the Interest Payment Date falling in April 2016, but may be paid earlier under certain circumstances as further described herein. The Notes initially will be sold to investors at a price equal to 100.00% of the principal amount thereof. For a more detailed description of the Notes, see "Conditions of the Notes."

Application has been made to: (a) the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "*UK Listing Authority*") for the Notes to be admitted to listing on the official list of the UK Listing Authority (the "*Official List*") and (b) the London Stock Exchange plc (the "*London Stock Exchange*") for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "*Market*"). References in this Offering Circular (this "*Offering Circular*") to the Notes being "listed" (and all related references) will mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

Application has been made to the Capital Markets Board of Turkey (the "*CMB*") in its capacity as competent authority under Law No. 2499 of the Republic of Turkey ("*Turkey*") relating to capital markets (the "*Capital Markets Law*") for the registration of the Notes with the CMB and the issuance of the Notes by the Bank outside Turkey. The issuance of the Notes was approved by the CMB on April 4, 2011, and the registration certificate relating to the Notes is expected to be obtained from the CMB on or about April 19, 2011.

Under current Turkish tax law, withholding tax at the rate of 0% applies to interest on the Notes. See "Taxation – Certain Turkish Tax Considerations."

The Notes are expected to be rated at issuance "BBB-" by Fitch Ratings Ltd. ("*Fitch*") and "Ba1" by Moody's Investors Services Limited ("*Moody's*" and, together with Fitch, the "*Rating Agencies*"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. As of the date of this Offering Circular, each of the Rating Agencies is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009 (the "*CRA Regulation*"), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before June 7, 2010 and that has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

The Notes are being offered under Rule 144A and Regulation S by each of Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities Ltd., Standard Chartered Bank and Banco Bilbao Vizcaya Argentaria S.A. (each an "*Initial Purchaser*" and, collectively, the "*Initial Purchasers*"), subject to their acceptance and right to reject orders in whole or in part. It is expected that delivery of the Notes will be made in book-entry form only through the facilities of The Depository Trust Company ("*DTC*"), including for the account of Euroclear Bank S.A./N.V. ("*Euroclear*") and/or Clearstream Banking, *société anonyme*, Luxembourg ("*Clearstream, Luxembourg*"), against payment therefor in immediately available funds on April 20, 2011 (*i.e.*, the fourth Business Day following the date of pricing of the Notes (such date being referred to herein as the "*Issue Date*" and such settlement cycle being herein referred to as "*T+4*").

Joint Lead Managers

Deutsche Bank **Goldman Sachs International** **J.P. Morgan** **Standard Chartered Bank**

Co-Manager

Banco Bilbao Vizcaya Argentaria S.A.

The date of this Offering Circular is April 18, 2011.

This Offering Circular constitutes a prospectus for the purpose of Article 5 of Directive 2003/71/EC (the "*Prospectus Directive*") and for the purpose of giving information with regard to the Bank and the Notes that, according to the particular nature of the Bank and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Bank and of the rights attaching to the Notes. This Offering Circular is to be read in conjunction with the Group's IFRS Financial Statements (as defined in "Presentation of Financial Information"), which form part of and are included herein.

The Bank, having made all reasonable enquiries, confirms that: (a) this Offering Circular contains all information that in its view is material in the context of the issuance and offering of the Notes, (b) the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, (c) any opinions, predictions or intentions expressed in this Offering Circular on the part of the Bank are honestly held or made by the Bank and are not misleading in any material respects, and there are no other facts the omission of which would make the Offering Circular or any of such information or the expression of any such opinions, predictions or intentions misleading in any material respect, and (d) all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Bank and the Initial Purchasers to subscribe for or purchase, any Notes. This Offering Circular is intended only to provide information to assist potential investors in deciding whether or not to subscribe for or purchase Notes in accordance with the terms and conditions specified by the Initial Purchasers. The Notes may not be offered or sold, directly or indirectly, and this Offering Circular may not be circulated, in any jurisdiction except in accordance with legal requirements applicable to such jurisdiction.

The distribution of this Offering Circular and the offer or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular may come are required by the Bank and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Offering Circular and other offering material relating to the Notes, see "Selling Restrictions" and "Transfer Restrictions."

No person has been authorized in connection with the offering of the Notes to give any information or make any representation regarding the Bank, the Initial Purchasers or the Notes other than as contained in this Offering Circular. Any such representation or information must not be relied upon as having been authorized by the Bank or the Initial Purchasers. The delivery of this Offering Circular at any time does not imply that there has been no change in the Bank's affairs or that the information contained in it is correct as at any time subsequent to its date. This Offering Circular may only be used for the purpose for which it has been published.

No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of the information set forth in this Offering Circular, and nothing contained in this document is, or will be relied upon as, a promise or representation, whether as to the past or the future. None of the Initial Purchasers assumes any responsibility for the accuracy or completeness of the information set forth in this Offering Circular. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Bank and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment.

None of the Bank, the Initial Purchasers or any of their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of any investment by such offeree or purchaser under appropriate legal investment or similar laws. Each investor should consult with his own advisers as to the legal, tax, business, financial and related aspects of an investment in the Notes.

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GENERAL INFORMATION

The Notes have not been and will not be registered under the Securities Act or under the securities or "blue sky" laws of any state of the United States or any other US jurisdiction. Each investor, by purchasing a Note (or a beneficial interest therein), agrees that the Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions therefrom described under "Transfer Restrictions." Each investor also will be deemed to have made certain representations and agreements as described therein. Any resale or other transfer, or attempted resale or other attempted transfer, that is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

The offering of the Notes has been authorized by the CMB only for the purpose of the sale of the Notes outside of Turkey in accordance with Article 15(b) of Decree 32 on the Protection of the Value of the Turkish Currency (as issued in August 1989 and amended in December 1990, June 1991, March 1993, October 1994, April 1997, December 1998, July 1999, July 2003, January 2005, June 2006, January 2008 and June 2009, "*Decree 32*") and Articles 6 and 25 of Communiqué Serial II, No. 22 on the Principles on the Registration and Sale of Debt Instruments (the "*Communiqué*"). The Notes (or beneficial interests therein) have to be offered or sold to real persons and legal entities domiciled outside of Turkey in accordance with the Banking Regulation and Supervision Agency (the "*BRSA*") decision dated May 6, 2010 No. 3665 (as notified by the BRSA in its letter to the Turkish Banking Association, dated May 10, 2010 and numbered B.02.1.BDK.0.11.00.00.31.2 9392) and the CMB has authorized the Notes; *provided* that, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) in secondary markets by residents of Turkey; *provided* that they purchase or sell such Notes (or beneficial interests) in the financial markets outside of Turkey and such sale and purchase is made through banks and/or licensed brokerage institutions authorised pursuant to CMB regulations. The registration certificate relating to the Notes is expected to be obtained from the CMB on or about April 19, 2011.

Notes offered and sold in the United States to QIBs in reliance upon Rule 144A (the "*Rule 144A Notes*") will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons (the "*Rule 144A Certificates*"). Notes offered and sold outside the United States to non-US persons pursuant to Regulation S (the "*Regulation S Notes*") will be represented by beneficial interests in one or more, permanent global certificates in fully registered form without interest coupons (the "*Regulation S Certificates*" and, with the Rule 144A Certificates, the "*Global Certificates*").

The Global Certificates will be deposited on or about the Issue Date with Deutsche Bank Trust Company Americas in its capacity as custodian (the "*Custodian*") for, and will be registered in the name of Cede & Co. as nominee of, DTC. Except as described in this Offering Circular, beneficial interests in the Global Certificates will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC, Euroclear and Clearstream, Luxembourg. Except as described in this Offering Circular, owners of beneficial interests in the Global Certificates will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered holders of the Notes under the Notes and the Agency Agreement.

An application has been made to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the Market; *however*, no assurance can be given that such application will be accepted.

In connection with the issue of the Notes, Goldman Sachs International (the "*Stabilizing Manager*") (or persons acting on behalf of the Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake any stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) in accordance with all applicable laws and rules. Notwithstanding anything herein to the contrary, the Bank may not (whether through over-allotment or otherwise) issue more Notes than have been registered with the CMB.

Other than the registration with the CMB, the Notes have not been approved or disapproved by the US Securities and Exchange Commission (the "*SEC*"), any state securities commission or any other US, Turkish, United Kingdom or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary may be a criminal offense.

The distribution of this Offering Circular and the offering of the Notes (and beneficial interests therein) in certain jurisdictions may be restricted by law. Persons that come into possession of this Offering Circular are required by the Bank and the Initial Purchasers to inform themselves about and to observe any such restrictions.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or any beneficial interest therein) in any jurisdiction to the extent that such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Offering Circular and the offer and sale of the Notes (and beneficial interests therein) in the United States, Turkey, the United Kingdom and numerous other jurisdictions.

In this Offering Circular "*Bank*" means Türkiye Garanti Bankası A.Ş on a stand-alone basis and "*Group*" means the Bank and its subsidiaries (and, with respect to accounting information, other consolidated entities).

Reference is made to the "Index of Terms" for the location of the definitions of certain terms defined herein.

RESPONSIBILITY STATEMENT

The Bank accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and contains no omission likely to affect the import of such information.

The Bank has derived substantially all of the information contained in this Offering Circular concerning the Turkish market and its competitors from publicly available information, including press releases and filings made under various securities laws. Unless otherwise indicated, all data relating to the Turkish banking sector in this Offering Circular have been obtained from the BRSA's website at www.bddk.org.tr or the Turkish Banking Association's website at www.tbb.org.tr, and all data relating to the Turkish economy, including statistical data, have been obtained from the website of the Turkish Statistical Institute (*Türkiye Istatistik Kurumu)* ("*TurkStat*") at www.turkstat.gov.tr, the website of the Central Bank of Turkey (*Türkiye Cumhuriyeti Merkez Bankası*) (the "*Central Bank*") at www.tcmb.gov.tr or the Turkish Treasury's website at www.hazine.gov.tr. Data has been downloaded/observed on various days between the months of February 2011 and April 2011 and may be the result of calculations made by the Bank, and therefore may not appear in the exact same form on such websites or elsewhere. Such websites should not be deemed to be a part of, or to be incorporated into, this Offering Circular.

Any translation of information from Turkish into English for the purpose of inclusion in this Offering Circular is direct and accurate.

Where third-party information has been used in this Offering Circular, the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. Information regarding the Bank's shareholders (including ownership levels and agreements) in the "Overview of the Bank", "The Group and its Business" and "Ownership" sections has been based upon public filings and announcements by such parties, including the Doğuş Group and BBVA. Such data (including from TurkStat and the Central Bank), while believed to be reliable and accurately extracted by the Bank for the purposes of this Offering Circular, has not been independently verified by the Bank or any other party and prospective investors should not place undue reliance upon such data included in this Offering Circular. As far as the Bank is aware and able to ascertain from the information published by such third-party sources, this information has been accurately reproduced and no facts have been omitted that would render the reproduction of this information inaccurate or misleading.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED (THE "*RSA*") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE NEW HAMPSHIRE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE NEW HAMPSHIRE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

TURKISH TAX CONSIDERATIONS

The withholding tax rates for interest payments of bonds issued by Turkish companies outside of Turkey vary depending upon the maturity of such bonds as specified under Decree No. 2010/1182 dated December 20, 2010 (the "*Decree*"). According to the Decree, the withholding tax rate on interest payments on the Notes (including any original-issue discount) is 0%. See "Taxation – Certain Turkish Tax Considerations."

FORWARD-LOOKING STATEMENTS

This Offering Circular contains statements that may be considered to be "forward-looking statements" as that term is defined in the US Private Securities Litigation Reform Act of 1995 relating to the Group's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group's businesses). When used in this Offering Circular, the words "anticipates," "estimates," "expects," "believes," "intends," "plans," aims," "works," "may," "will," " should" and any similar expression generally identify forward-looking statements. Forward-looking statements appear in a number of places throughout this Offering Circular, including (without limitation) under "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "The Group and its Business" and include, but are not limited to, statements regarding:

- strategy and objectives,
- trends affecting the Group's results of operations and financial condition,
- asset portfolios,
- loan loss reserves,
- capital spending,
- legal proceedings, and
- the Group's potential exposure to market risk and other risk factors.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements.

The Bank has identified some of the risks inherent in these forward-looking statements under "Risk Factors." Other important factors that could cause actual results to differ materially from those in these forward-looking statements include, among others:

- changes in the Turkish economy,

- changes in the banking and financial markets in Turkey,
- changes in applicable laws and regulations, including taxes, or accounting standards or practices,
- the monetary, interest rate and other policies of central banks in Turkey, the European Union, the United States and elsewhere,
- changes or volatility in interest rates, foreign exchange rates, asset prices, equity markets and commodity prices,
- inflation or deflation,
- the effects of competition in the markets in which the Bank operates, which may be influenced by regulation or deregulation,
- changes in consumer spending, saving and borrowing habits in Turkey, including changes in government policies that may influence investment decisions,
- the Group's ability to hedge certain risks economically,
- the Group's ability to manage any mismatches between its interest-earning assets and its interest-bearing liabilities,
- the Group's ability to manage operational risks and prevent security breaches,
- the Group's ability to grow its loan portfolio at historical rates,
- the Group's ability to compete in its business lines and increase or maintain market share,
- the Group's ability to control expenses,
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by the Group's clients,
- the Group's ability to carry out acquisitions, disposals and any other strategic transactions,
- the Group's ability to manage liquidity risks and to access financial markets,
- the performance of, and the Group's ability to manage, its equity participations,
- the Group's success in managing the risks involved in the foregoing, which depends, among other things, upon the Group's ability to anticipate events that cannot be captured by the statistical models that it uses, and
- *force majeure* and other events beyond the Group's control.

There may be other risks, including some risks of which the Bank is unaware, that could adversely affect the Group's results or the accuracy of forward-looking statements in this Offering Circular. Therefore, potential investors should not consider the factors discussed here or under "Risk Factors" to be a complete set of all potential risks or uncertainties of investing in the Notes.

Potential investors should not place undue reliance upon any forward-looking statements. The Bank does not have any intention or obligation to update forward-looking statements to reflect new information or future events or risks that may cause the forward-looking events discussed in this Offering Circular not to occur or to occur in a manner different from what the Bank currently expects.

PRESENTATION OF FINANCIAL INFORMATION

Though the Group is not required by Turkish law to prepare financial statements in accordance with International Financial Reporting Standards, including International Accounting Standards ("*IAS*") as promulgated by the International Accounting Standards Board ("*IASB*") (collectively, "*IFRS*") and interpretations issued by the Standards Interpretations Committee of IASB, as international investors are generally unfamiliar with the Accounting Practice Regulations as promulgated by the BRSA and also the generally accepted accounting principles under Turkish Commercial Code and the Turkish tax legislation (collectively, "*Turkish GAAP*"), the Group publishes financial statements in Turkish Lira that have been prepared and presented in accordance with IFRS (the "*IFRS Financial Statements*"). The IFRS Financial Statements included herein for the years ended December 31, 2008 and 2009 were audited by KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International, a Swiss cooperative) ("*KPMG*"). The IFRS Financial Statements included herein for the year ended December 31, 2010 were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Deloitte Touche Tohmatsu Ltd) ("*Deloitte*"). The Bank's Board of Directors has, in accordance with the mandatory rotation of auditors, selected Deloitte to be its external audit firm, effective as of January 1, 2010.

While the Group voluntarily prepares its IFRS Financial Statements, the Bank and its Turkish subsidiaries are required to maintain their books of account and prepare statutory financial statements in accordance with Turkish GAAP and to prepare regulatory financial statements in accordance with the requirements of the BRSA (the "*BRSA Financial Statements*"). The BRSA Financial Statements are filed with the Istanbul Stock Exchange (the "*ISE*") and are used for determinations of the Bank's and the Group's compliance with Turkish regulatory requirements established by the BRSA, including for the calculation of capital adequacy ratios.

The financial data for the Group for the years ended December 31, 2008, 2009 and 2010 included herein are derived from the Group's IFRS Financial Statements. Potential investors should note that this Offering Circular also includes certain financial information for the Bank only, which is derived from the BRSA Financial Statements. Such financial information is identified as being of "the Bank" in the description of the associated tables or information. The BRSA Financial Statements are not included or incorporated by reference in this Offering Circular. Such Bank-only financial information is included to provide more detailed information than that which is provided for the Group on a segment basis in the IFRS Financial Statements. Bank-only financial information is presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations," "The Group and its Business" and "Selected Statistical and Other Information."

While Turkish GAAP and BRSA reporting standards have been converging with IFRS over recent years, they still differ in certain respects from IFRS and the Group does not prepare, and the Bank is not providing in this Offering Circular, any reconciliation between IFRS and Turkish GAAP or the BRSA Financial Statements.

NON-GAAP MEASURES OF FINANCIAL PERFORMANCE

To supplement the Group's consolidated financial statements presented in accordance with IFRS, the Group uses certain ratios and measures included in this Offering Circular that would also be considered a non-GAAP financial measure in the United States of America. A body of generally accepted accounting principles such as IFRS or Turkish GAAP is commonly referred to as "GAAP". A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. These non-GAAP financial measures are not a substitute for GAAP measures, for which management has responsibility.

For the Group, these non-GAAP measures include: net interest margin, adjusted net interest margin, net yield, adjusted net interest income as a percentage of average interest-earning assets, cost to income ratio, cost to income ratio if income were calculated without subtracting impairment losses, operating expenses as a percentage of total assets, liquid assets as a percentage of total deposits, free capital ratio, allowance for possible loan losses to non-performing loans, return on average total assets, return on average shareholders' equity, average spread, the amount of net allowances charged to operating expenses, the increase of operating expenses if impairment losses and foreign exchange losses are excluded, average total assets, average shareholders' equity, average shareholders' equity as a percentage of average total assets and non-recurring items in income statement. Refer to the "Overview of the Bank," "Summary Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Statistical and Other

Information" and "The Group and its Business" sections of this document for the additional discussion of the specific adjustments applied in reconciliation to the directly comparable measures.

The non-GAAP measures included in this Offering Circular are not in accordance with or an alternative to measures prepared in accordance with IFRS and may be different from non-GAAP measures used by other companies. The Group's management believes that this information, along with comparable IFRS measures, is useful to investors because it provides a basis for measuring the organic operating performance in the years presented. These measures are used in internal management of the Group, along with the most directly comparable IFRS financial measures, in evaluating the operating performance. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Non-GAAP financial measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies.

The Group believes that these non-GAAP measures, when considered in conjunction with IFRS measures, enhance investors' and management's overall understanding of the Group's current financial performance. In addition, because the Group has historically reported certain non-GAAP results to investors, it believes the inclusion of non-GAAP measures provides consistency in its financial reporting

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

Unless otherwise indicated, references to "*Turkish Lira*" or "*TL*" are references to the Turkish currency, references to "*US$*," "*$*," "*US Dollars*" or "*Dollars*" are to United States Dollars and references to "*Euro*" or "*€*" are to the single currency of the participating member states of the European Union (the "*EU*").

For the convenience of the reader, this Offering Circular presents translations of certain Turkish Lira amounts into Dollars at the Turkish Lira exchange rate for purchases of Dollars announced by the Bank (the "*TL/$ Exchange Rate*"). Unless otherwise stated, any balance sheet or income statement data in Dollars derived from the IFRS Financial Statements as of and for the year ended December 31, 2010 have been translated from Turkish Lira into Dollars at the rate of TL 1.52 = US$1.00 (being the TL/$ Exchange Rate on December 31, 2010). This rate differs from the official cash buying rate for Dollars announced by the Central Bank as the TL/$ Exchange Rates are based upon the actual cash buying rates announced by the Bank on the relevant dates and used by the Group in preparing its IFRS Financial Statements. See "Exchange Rates," which sets out certain historical information relating to the Turkish Lira exchange rate for purchases of US Dollars as announced by the Central Bank.

No representation is made that the Turkish Lira or Dollar amounts in this Offering Circular could have been or could be converted into Dollars or Turkish Lira, as the case may be, at any particular rate or at all. For a discussion of the effects on the Group of fluctuating exchange rates, see "Risk Factors – Risks Relating to the Group and its Business – Exchange Rate Risk" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a public joint stock company organized under the laws of Turkey. Certain of the directors and officers of the Bank named herein reside inside Turkey and all or a significant portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. In accordance with Articles 50-59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

(a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments,

(b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts, or

(c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Turkey and either the United States or the United Kingdom providing for reciprocal enforcement of judgments. There is no *de facto* reciprocity between Turkey and the United States. Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom. However, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon the US federal or any other non-Turkish securities laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

(a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed,

(b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey,

(c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey,

(d) the judgment is not of a civil nature,

(e) the judgment is clearly against public policy rules of Turkey,

(f) the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered, or

(g) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

In connection with the issuance of the Notes, service of process may be made upon the Bank at its representative office at 192 Sloane Street, Fifth Floor, London SW1X 9QX United Kingdom with respect to any proceedings in England.

AVAILABLE INFORMATION

THE BANK HAS AGREED THAT, FOR SO LONG AS ANY NOTES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT, IT WILL, DURING ANY PERIOD IN WHICH IT IS NEITHER SUBJECT TO AND IN COMPLIANCE WITH SECTION 13 OR 15(D) OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "*EXCHANGE ACT*"), NOR EXEMPT FROM REPORTING PURSUANT TO RULE 12g3-2(b) THEREUNDER, FURNISH UPON REQUEST TO ANY HOLDER OR BENEFICIAL OWNER OF NOTES, OR ANY PROSPECTIVE PURCHASER DESIGNATED BY ANY SUCH HOLDER OR BENEFICIAL OWNER, THE INFORMATION SPECIFIED IN, AND MEETING THE REQUIREMENTS OF, RULE 144A(d)(4) UNDER THE SECURITIES ACT.

OVERVIEW OF THE BANK

The following text should be read in conjunction with, and is qualified in its entirety by, the detailed information and the IFRS Financial Statements (including the notes thereto) appearing elsewhere in this Offering Circular.

The Group is a leading Turkish banking group with significant market share in Turkey offering its customers a broad range of financial products and services. The Group's customers are comprised mainly of large, midsize and small Turkish corporations, foreign multinational corporations with operations in Turkey and customers from across the Turkish consumer market.

The Group served approximately 10 million customers as of March 31, 2011 (8.6 million retail customers, 1.3 million small and medium enterprise ("SME") customers, 34,700 commercial customers and 1,800 corporate customers) by offering a broad range of products and services, many of which are tailored to identified customer segments. These products and services include deposits, corporate loans, project finance loans, leasing, factoring, foreign exchange transactions, investment and cash management products, consumer loans, mortgages, pension and life insurance, portfolio management, securities brokerage and trading, investment banking, payment systems (including credit and debit cards) and technology and data processing operations. The Group also acts as an agent for the sale of a number of financial products such as securities, insurance and pension contracts and leasing services. As of March 31, 2011, the Bank's services in Turkey were provided through a nationwide network of 880 domestic branches as well as through sophisticated alternative delivery channels ("ADCs") such as automated teller machines ("ATMs"), internet banking and mobile phone banking. The Bank also has six overseas branches (one in Malta, one in the Grand Duchy of Luxembourg and four in Northern Cyprus), a representative office in each of London, Düsseldorf, Shanghai and Moscow and bank subsidiaries in the Netherlands (Garanti Bank International N.V.), Russia (Garanti Bank Moscow) and Romania (GE Garanti Bank SA).

As of December 31, 2010, the Group was the largest private banking group in Turkey in terms of net income and the second largest in terms of total assets as per its consolidated BRSA Financial Statements. As of December 31, 2010, the Group had total assets of TL 135,792,006 thousand (US$89,337 million), total loans and advances to customers (which includes leasing and factoring receivables and income accruals, in each case for both performing and non-performing loans and advances to customers) (as used herein, "*cash loans*") of TL 71,092,418 thousand (US$46,771 million) and shareholders' equity (including non-controlling interests) of TL 16,915,664 thousand (US$11,129 million) (TL 115,607,637 thousand of total assets, TL 54,765,251 thousand of cash loans and TL 13,836,281 thousand of shareholders' equity (including non-controlling interests) as of December 31, 2009). The Group's return on average equity was 22.3% for 2010, compared to 26.2% for 2009 and 22.8% for 2008. The Bank's shares have been listed on the Istanbul Stock Exchange since 1990 and it listed global depository receipts on the London Stock Exchange in 1993.

Organization

The Bank is organized into six major business lines: retail (excluding payment systems such as credit and debit cards), payment systems (which includes the Bank's credit and debit card business), SME banking, commercial banking, corporate banking and treasury. Each of the Bank's business lines is operated by a separate department within the Bank, except that the payment systems business line is operated by the Bank together with its subsidiary Garanti Payment Systems. The Bank also conducts certain international banking operations through its foreign offices and subsidiaries. All of the Group's business lines are supported by head office and other support functions.

Principal Shareholders

The principal shareholders of the Bank are Doğuş Holding A.Ş. ("*Doğuş Holding*"), the holding company of the Doğuş Group of companies (the "*Doğuş Group*"), which holds a 24.89% interest in the Bank, and Banco Bilbao Vizcaya Argentaria S.A. ("*BBVA*"), which holds a 25.01% interest in the Bank (including the additional 0.12% of the shares of the Bank that BBVA acquired following its acquisition of a 24.89% interest in the Bank from Doğuş Holding and GE Capital Corporation without changing the joint control and management principles agreed to between Doğuş Holding and BBVA). GE Capital Corporation, together with its indirect subsidiary GE Araştırma ve Müşavirlik Limited Şirketi ("*GEAM*"), holds a 2.25% interest. Doğuş Holding and BBVA are parties to a shareholders' agreement pursuant to which they have agreed to act in concert, thereby enabling them to establish a significant voting block to control and manage the Bank. Neither GE Capital Corporation nor GEAM are parties to the shareholders' agreement between Doğuş Holding and BBVA.

Key Strengths

The Bank's management believes that the Group's success in the competitive Turkish banking sector is due to the following strengths:

- a robust balance sheet and high capital adequacy ratios,
- strong liquidity ratios and proven access to funding, particularly deposits,
- a strong brand and a reputation as a product and service innovator,
- a customer-centric approach that focuses on customer satisfaction and retention rates and allows for greater cross-selling through the use of sophisticated customer segmentation models and advanced technological capabilities,
- a high-quality and dynamic employee base with an experienced management team,
- a history of significant growth while maintaining sound asset quality due to its focus on risk management and a disciplined credit approval process,
- conservative loan loss provisions with a sophisticated and efficient collection procedure,
- a sophisticated proprietary IT platform that drives operating efficiency and is well-integrated with the Group's businesses, and
- broad geographic coverage through extensive branch network and leadership in ADCs.

Strategy

The Group's overall strategic goal is to maintain and build upon its position as a leading Turkish banking group. It intends to achieve this goal by continuing to implement the following key strategies:

- identifying opportunities for growth in the Group's lending portfolio while maintaining strong credit quality,
- focusing on sustainable and diverse sources of non-interest revenue,
- further refining its customer-centric approach, and
- maintaining disciplined control over expenses.

Prospective investors in the Notes should refer to "The Group and its Business – Overview of the Group – Strategy" for more detail on the key strategies outlined above.

Risk Factors

Investing in the Notes entails certain risks. Before investing in the Notes, investors should carefully review "Risk Factors" below, which sets out certain risks relating to political, economic and legal circumstances, the Turkish banking industry, the Group and its business, the Group's relationship with the Bank's principal shareholders and the Notes themselves. Potential investors should not consider the factors discussed under "Risk Factors" to be a complete set of all potential risks or uncertainties of investing in the Notes.

OVERVIEW OF THE NOTES

The following is an overview of certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular. See, in particular, "Conditions of the Notes."

Issue:	US$300,000,000 principal amount of Floating Rate Notes due 2016.
Interest and Interest Payment Dates:	The Notes will bear interest from and including the Issue Date (*i.e.*, April 20, 2011) at the rate of 2.50% *per annum plus* Three-Month LIBOR, payable quarterly in arrear on the 20th day of each of January, April, July and October (each an "*Interest Payment Date*"); *provided* that if any such date is not a Business Day, then such payment will be made on the next Business Day, subject to adjustment in accordance with Condition 6.1. The first interest payment (for the period from and including the Issue Date to but excluding the first Interest Payment Date and amounting to US$7.012 per US$1,000 principal amount of Notes) will be made on the first Interest Payment Date.
Maturity Date:	April 20, 2016
Use of Proceeds:	The net proceeds of the Offering will be used by the Bank for general corporate purposes.
Status:	The Notes will be direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Bank and will rank at least *pari passu*, without any preference among themselves, with all outstanding unsecured and unsubordinated obligations of the Bank, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The Notes will be issued pursuant to the Turkish Commercial Code (Law No. 6267), the Capital Markets Law (Law No. 2499) and the Communiqué.
Negative Pledge:	So long as any Note remains outstanding, the Bank will not create or have outstanding any Security Interest upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness unless the Bank, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that: (a) all amounts payable by it under the Notes are secured by the Security Interest equally and ratably with the Relevant Indebtedness, (b) such Security Interest is terminated or (c) such Security Interest is provided as is approved by an Extraordinary Resolution (which will be defined in the Agency Agreement as a resolution duly passed by not less than three-fourths of the votes cast) of the Noteholders. See "Conditions of the Notes – Condition 4."
Certain Covenants:	The Bank will agree to certain covenants, including covenants limiting transactions with affiliates. See "Conditions of the Notes – Condition 5."
Taxation; Payment of Additional Amounts:	All payments in respect of the Notes by or on behalf of the Bank will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature

(“*Taxes*”) imposed or levied by or on behalf of a Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Bank will (subject to certain exceptions) pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction will equal the respective amounts that would have been receivable in respect of the Notes in the absence of the withholding or deduction. Under current Turkish law, withholding tax at the rate of 0% applies on interest on the Notes. See “Taxation – Certain Turkish Tax Considerations.”

See “Conditions of the Notes – Condition 9.”

Redemption for Taxation Reasons: .... The Notes may be redeemed at the option of the Bank in whole, but not in part, at any time (subject to certain conditions), at their principal amount (together with interest accrued to the date fixed for redemption) if, as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after April 18, 2011, on an Interest Payment Date:

(a) the Bank would be required to pay additional amounts as provided or referred to in Condition 9,

(b) the Bank would be required to make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction beyond the applicable prevailing rates on the Issue Date, and

(c) the requirement cannot be avoided by the Bank taking reasonable measures available to it.

Events of Default: .... The Notes will be subject to certain Events of Default including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See “Conditions of the Notes – Condition 11.”

Form, Transfer and Denominations: .... Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Regulation S Certificate in registered form, without interest coupons attached, which will be deposited with the Custodian and registered in the name of Cede & Co. as nominee for DTC, and interests therein will be credited to the DTC accounts of the specialized depositaries of Euroclear and Clearstream, Luxembourg. Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Rule 144A Certificates, in registered form, without interest coupons attached, which will be deposited with the Custodian and registered in the name of Cede & Co. as nominee for DTC. Except in limited circumstances, certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificates. See “Conditions of the Notes.”

Interests in the Global Certificates will be subject to certain restrictions on transfer. See “Transfer Restrictions.” Interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants (including Euroclear and Clearstream, Luxembourg).

	Notes will be issued in denominations of US$200,000 and integral multiples of US$1,000 thereafter.
ERISA:	Subject to certain conditions, the Notes may be invested in by an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), a "plan" as defined in and subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "*Code*"), or any entity whose underlying assets include "plan assets" of any of the foregoing. See "Certain Considerations and other US Employee Benefit Plans."
Governing Law:	The Notes and the Agency Agreement will be governed by, and construed in accordance with, English law.
Listing:	Application has been made to the UK Listing Authority for the Notes to be admitted to listing on the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Market; *however*, no assurance can be given that such application will be accepted.
Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, any US person (as defined in Regulation S under the Securities Act) except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes is also subject to restrictions in Turkey and the United Kingdom. See "Selling Restrictions."
Risk Factors:	For a discussion of certain risk factors relating to Turkey, the Bank and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "Risk Factors."
Issue Price:	100.00% of the principal amount
Regulation S Notes Security Codes:	ISIN: USM8931TAB54 CUSIP: M8931T AB5 Common Code: 062002581
Rule 144A Notes Security Codes:	ISIN: US900148AB35 CUSIP: 900148 AB3 Common Code: 062002611
Representation of Noteholders:	There will be no trustee.
Expected Rating(s):	"BBB-" by Fitch and "Ba1" by Moody's.
Fiscal Agent, Paying Agent, and Transfer Agent and Registrar:	Deutsche Bank Trust Company Americas

SUMMARY FINANCIAL AND OTHER INFORMATION

The following summary financial and operating data as of and for each of the years ended December 31, 2008, 2009 and 2010 have been extracted or derived (except as noted in the "Key Ratios" table) from the IFRS Financial Statements. This information should be read in conjunction with the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the IFRS Financial Statements (including the notes thereto) appearing elsewhere in this Offering Circular, which IFRS Financial Statements as of and for the years ended December 31, 2008 and 2009 have been audited by KPMG and which IFRS Financial Statements as of and for the year ended December 31, 2010 have been audited by Deloitte. Note that certain key ratios are calculated based upon numbers prepared in accordance with BRSA regulations.

	For the year ended December 31,			
	2008	**2009**	**2010**	**2010**
Income Statement Data:		*(TL thousands)*		*(US$ millions)*[1]
Net interest income	3,508,057	5,433,151	5,214,406	3,430
Net fee and commission income[2]	1,609,618	1,855,063	1,910,832	1,257
Other operating income	759,300	1,274,407	725,105	477
Total operating income	**5,876,975**	**8,562,621**	**7,850,343**	**5,164**
Impairment losses, net[3]	490,026	1,643,535	101,432	67
Other operating expenses[2]	3,028,157	2,989,393	3,429,860	2,256
Income before tax	**2,358,792**	**3,929,693**	**4,319,051**	**2,841**
Taxation charge	432,777	835,032	870,157	572
Net income for the period	**1,926,015**	**3,094,661**	**3,448,894**	**2,269**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.
(2) As of December 31, 2008 and 2009, certain credit card-related expenses were reclassified from Fee and commission expense to Other operating expenses for a comparative presentation to 2010.
(3) "Impairment losses, net" includes provisions for loan losses, net.

	As of December 31,			
	2008	**2009**	**2010**	**2010**
Balance Sheet Data:		*(TL thousands)*		*(US$ Millions)*[1]
Cash and balances with central banks	3,972,533	5,579,198	5,073,058	3,338
Loans and advances to banks	8,004,241	10,767,047	9,810,401	6,454
Loans and advances to customers	53,870,069	54,765,251	71,092,418	46,771
Securities	26,676,266	37,960,337	41,136,709	27,064
Other assets	5,665,229	6,535,804	8,679,420	5,710
Total assets	**98,188,338**	**115,607,637**	**135,792,006**	**89,337**
Deposits from customers	55,837,808	66,043,031	76,295,528	50,195
Deposits from banks	2,119,279	2,738,333	2,808,006	1,847
Other liabilities	30,327,746	32,989,992	39,772,808	26,166
Total liabilities	**88,284,833**	**101,771,356**	**118,876,342**	**78,208**
Total shareholders' equity and non-controlling interests	**9,903,505**	**13,836,281**	**16,915,664**	**11,129**
Total liabilities, shareholders' equity and non-controlling interests	**98,188,338**	**115,607,637**	**135,792,006**	**89,337**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

Key Ratios	As of or for the year ended December 31, 2008	2009	2010
Net interest margin(1)	4.1%	5.1%	4.3%
Adjusted net interest margin(2)	3.5%	3.9%	4.2%
Net yield(3)	4.6%	6.0%	5.0%
Adjusted net interest income as a percentage of average interest-earning assets(3)(4)	3.6%	4.7%	5.0%
Net fee and commission income to total operating income	27.4%	21.7%	24.3%
Cost-to-income ratio(5)	53.7%	42.0%	44.4%
Operating expenses as a percentage of total average assets(6)	3.1%	2.6%	2.6%
Deposits to total assets	59.0%	59.5%	58.3%
Total cash loans to total assets	54.9%	47.4%	52.4%
Total shareholders' equity to total assets	10.1%	12.0%	12.5%
Liquid assets as a percentage of total deposits(7)	18.3%	17.9%	12.4%
Non-performing loans to total gross cash loans	2.5%	4.4%	3.5%
Free capital ratio(8)	8.2%	10.0%	10.8%
Group's capital adequacy ratios(9)			
Tier I capital adequacy ratio(10)	13.50%	16.55%	15.71%
Total capital adequacy ratio(10)	14.85%	19.16%	18.07%
Allowance for possible loan losses to non-performing loans(11)	71.9%	76.9%	85.2%
Return on average total assets(12)	2.3%	2.9%	2.8%
Return on average shareholders' equity(13)	22.8%	26.2%	22.3%
TL/$ Exchange Rate			
Period-end	1.52	1.49	1.52
Daily average per period	1.29	1.53	1.49
Inflation rate			
Annual producer price index(14)	8.1%	5.9%	8.9%
Annual consumer price index(14)	10.1%	6.5%	6.4%
Gross Domestic Product (GDP) (real)(14)			
GDP (real) (% change)	0.7%	(4.7)%	8.9%

(1) Net interest income as a percentage of total average assets (calculated as the average of the opening, quarter-end and closing balances for the applicable year). The above is calculated on the basis of IFRS. For Bank-only net interest margin, please see "Management's Discussion and Analysis of Financial Condition and Result of Operations – Significant Factors Affecting the Group's Financial Condition and Result of Operations – Interest Rate Environment."

(2) Net interest income reduced by provision for loan losses, as a percentage of total average assets (calculated as the average of the opening, quarter-end and closing balances for the applicable year).

(3) Net interest income as a percentage of average interest-earning assets (calculated as the average of the opening, quarter-end and closing balances for the applicable year).

(4) Adjusted net interest income is net interest income *plus/minus* net foreign exchange gains/losses *minus* provision for possible loan losses.

(5) "Cost" includes total operating expenses excluding impairment losses, net, reserve for employee severance indemnities and foreign exchange and trading losses. "Income" includes operating income *minus* foreign exchange and trading losses and impairment losses, net, except for provisions made on a portfolio basis to cover any inherent risk of loss for cash loans and non-cash loans. If "income" were calculated without subtracting impairment losses, net, then the ratios would be 49.1%, 34.1% and 43.8% for 2008, 2009 and 2010, respectively.

(6) Operating expenses for purposes of this calculation is total operating expenses excluding impairment losses, net, depreciation and amortization expenses, reserve for employee severance indemnities and foreign exchange and trading losses. Total average assets are calculated as the average of the opening, quarter-end and closing balances for the applicable year.

(7) Liquid assets represent cash and balances with central banks, loans and advances to banks excluding blocked accounts and financial assets at fair value through profit or loss.

(8) Total shareholders' equity *minus* goodwill, tangible assets, assets held for resale, investments in equity participations and net non-performing loans excluding allowance made on a portfolio basis to cover any inherent risk of loss, as a percentage of total assets.

(9) Calculated in accordance with BRSA regulations for the Group. Each of the Bank and the Group is required to maintain a capital adequacy ratio over the legal minimum only on a total capital basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy" below.

(10) The total capital adequacy ratio is calculated by dividing: (a) the "Tier I" capital (*i.e.,* the "core capital," which comprises the share capital, reserves and retained earnings) *plus* the "Tier II" capital (*i.e.,* the "supplementary capital," which comprises general provisions, subordinated debt, unrealized gains/losses on available-for-sale assets and revaluation surplus (reduced by certain items such as leasehold improvements and prepaid expenses

starting in 2009)) and *minus* items to be deducted from capital (the "deductions from capital," which comprise unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years), by (b) the aggregate of the risk-weighted assets and off-balance sheet exposures (*i.e.,* value at credit risk), value at market risk and value at operational risk. The "Tier I" capital adequacy ratio is calculated by dividing the "Tier I" capital by the aggregate of the value at credit risk, value at market risk and value at operational risk.

(11) Excluding allowances made on a portfolio basis to cover any inherent risk of loss.

(12) Net income for the period as a percentage of average total assets (calculated as the average of the opening, quarter-end and closing balances for the applicable year).

(13) Net income for the period as a percentage of average shareholders' equity (calculated as the average of the opening, quarter-end and closing balances for the applicable year).

(14) As published by TurkStat.

RISK FACTORS

Potential investors should carefully consider the risks described below and all other information contained in this Offering Circular and reach their own view before making an investment decision. The Bank believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Bank to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons that may not be considered significant risks by the Bank based upon information currently available to it or that it may not currently be able to anticipate. If any of the following risks, as well as other risks and uncertainties that are not yet identified or that the Bank currently thinks are immaterial, actually occur, then the Group's business, financial condition and/or results of operations could be materially and adversely affected. In that event, the trading price of the Notes could decline, and investors may lose part or all of their investment. For additional information concerning the Turkish legal and regulatory environment, see "Turkish Regulatory Environment."

Political, Economic and Legal Risks relating to Turkey

Most of the Bank's and its Turkish subsidiaries' operations are conducted, and substantially all of their customers are located, in Turkey. In addition, much of the business of the Group's non-Turkish subsidiaries is related to Turkey. Accordingly, the Group's ability to recover on loans, and its general financial condition and results of operations, are substantially dependent upon the economic conditions prevailing in Turkey. The proportion of the Group's net income derived from its Turkish operations was 91.6%, 92.7% and 97.8% in 2008, 2009 and 2010, respectively.

Turkish Economy – The Turkish economy is undergoing continued transformation to a free market system, is subject to significant macroeconomic risks and has been dependent upon the support of the IMF in times of economic crisis

Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a free market system. Although the Turkish economy has responded well in general to this transformation, it has continued to experience severe macroeconomic imbalances and has frequently resorted to support from the International Monetary Fund (the "*IMF*"). While the economy has been significantly stabilized due, in part, to IMF requirements, Turkey may experience another significant economic crisis. If IMF or similar support is not provided or available in any future crisis, then this lack of assistance could have a material adverse effect on the Group's business, financial condition and/or results of operations. Investors should note that notwithstanding the Turkish economy's traditional resort to the IMF in times of macroeconomic imbalance, the government decided that IMF support was not required in conection with the current global financial crisis.

The Group's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to the Group. If the Turkish economy declines because of, among other factors, a reduction in the level of economic activity, devaluation of the TL, inflation or an increase in domestic interest rates, then a greater portion of the Group's customers may not be able to repay loans when due or meet their other debt service requirements to the Group, which would increase the Group's past due loan portfolio and could materially reduce its net income and capital levels. In addition, a decline in the Turkish economy would likely result in a decline in the demand for the Group's products. The occurrence of any or all of the above could have a material adverse effect on the Group's business, financial condition and results of operations.

Global Financial Crisis – The Group has been, and will likely continue to be, significantly negatively affected by the recent global financial crisis and concurrent economic slowdown

The recent global financial crisis and related economic slowdown that has impacted the Turkish economy and economies around the world, including the principal external markets for Turkish goods and services, has had, and may continue to have, a significant negative impact on the business, financial condition and results of operations of the Group. Factors such as levels of unemployment, inflation rates and the availability of credit have been significantly negatively affected by the crisis. The fiscal deterioration of Greece, Ireland and other European countries, and the development of broader concerns about the liquidity and even solvency of certain countries and their banking systems, may accentuate the impact of the global financial crisis.

The global financial crisis and related economic slowdown significantly impacted the Turkish economy and the principal external markets for Turkish goods and services. During the global financial crisis, Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment. Turkey's GDP contracted by 7.0% in the fourth quarter of 2008 and declined 4.7% in 2009. In response to the financial crisis, the Turkish government announced stimulus measures, including tax cuts in the housing and automotive sectors, financial support to small and medium enterprises and export credits. In addition, the Central Bank cut interest rates, reducing its overnight reference interest rate in a number of steps from 15.0% as at December 31, 2008 to 6.5% as at December 31, 2009. Following the implementation of fiscal and monetary measures during 2009, the Turkish economy began to recover in the fourth quarter of 2009. In 2010, Turkey's real GDP grew by 8.9%.

As a result of the global financial crisis and related economic volatility, the Group's ability to access the financial markets may be restricted at a time when it would need financing, which could have an impact on its flexibility to react to changing economic and business conditions. The continuing impact of the financial crisis and economic volatility could have a material adverse effect on the Group's customers as well as the Group and therefore could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In addition, the Group operates in countries outside of Turkey (such as Romania and Russia). Such jurisdictions have been adversely impacted by the global financial crisis. The Group's intention is to continue growing its operations in such jurisdictions (particularly in Romania), and in the event there are further financial crises affecting such jurisdictions, this may result in the Group's foreign operations not growing or performing at the same rate or levels as they had prior to the recent global crisis. Should the Group's non-Turkish operations fail to grow at past rates, perform at past levels or meet growth expectations, the Group's business, financial condition and/or results of operations could be materially adversely affected.

Although there have been indications that the global economy has begun to recover from the economic deterioration of recent years, the recovery may not continue and concerns about the liquidity, the extent of budgetary deficits and, in some cases, even the solvency of countries such as Greece, Ireland, Spain, Italy and Portugal could adversely affect the global economic recovery. Similarly, the recent earthquake and resulting impact in Japan could adversely affect global economic conditions and the financial markets. A relapse in the global economy or continued uncertainty around the potential for such a relapse could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Political Developments – International investors consider Turkey to be an emerging economy

While in recent years Turkey has undergone significant political and economic reform, which has increased domestic political and economic stability and contributed to economic growth, Turkey is nonetheless considered by international investors to be an emerging market. In general, investing in the securities of issuers with substantial operations in emerging markets, like Turkey, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the European Union or other similar jurisdictions.

Turkey has been a parliamentary democracy since 1923, although the military has in the past played a significant role in politics and the government, intervening in the political process through *coups d'état* in 1960, 1971 and 1980. Unstable coalition governments have been common and in the almost 90 years since its formation Turkey has had numerous, short-lived governments. National elections held on November 4, 2007 resulted in victory for the Justice and Development Party (*Adalet ve Kalkınma Partisi*) (the "*AKP*"), which is led by Prime Minister Recep Tayyip Erdoğan. The AKP, which has been in power since 2002, is the first party since 1987 to have a parliamentary majority and thus to be able to govern without reliance upon a coalition partner, and the party's continued strength was reflected in the 58% approval rate of the September 12, 2010 referendum on various amendments to Turkey's constitution. Turkey's next general election will be held on June 12, 2011.

While the 2010 referendum reflected the continuing strength of the AKP, the uncertainty regarding the upcoming general elections may create volatility in the Turkish financial markets. In addition, any unanticipated result of the general elections may create additional political risk, which (*inter alia*) may reduce investors' interest in Turkey.

The effects of perceptions of Turkey as an emerging economy and actual or perceived political instability could have a material adverse effect on the Group's business, financial condition and/or results of operations and on the value of the Notes. See also "Emerging Markets Risks."

Emerging Market Risks – International investors may view Turkey negatively based upon adverse events in other emerging markets

Emerging markets such as Turkey are subject to greater risk of being perceived negatively by investors based upon external events than are more-developed markets, and financial turmoil in any emerging market (or global markets generally) could disrupt the business environment in Turkey. Moreover, financial turmoil in one or more emerging markets tends to adversely affect stock prices and the prices for debt securities in all emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. As a result, investors' interest in the Notes (and thus their price) may be subject to fluctuations that may not necessarily be related to economic conditions in Turkey or the financial performance of the Group.

There can be no assurance that investors' interest in Turkey will not be negatively affected by events in other emerging markets or the global economy in general, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Inflation Risk – Turkey's economy has been subject to significant inflationary pressures

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year inflation rates as high as 68.6% in the early 2000s; *however*, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year Consumer Price Index to decrease to 6.5% at the end of 2009, the lowest level in many years. Consumer price inflation was comparable in 2010, reaching 6.4%; *however*, headline inflation surpassed 10% in 2010 principally as a result of the increase in food prices. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were again to fluctuate or increase significantly, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The recent significant global price increases in major commodities such as oil, cotton and wheat are likely to mount supply side inflation pressures throughout the world. These inflationary pressures may result in Turkish inflation exceeding the Central Bank's inflation target, which may cause the Central Bank to modify its monetary policy and result in the tightening of monetary policy.

Terrorism and Conflicts – Turkey is subject to external and internal unrest and the threat of terrorism

Political uncertainty within Turkey and in certain neighboring countries, such as Iran, Iraq, Georgia, Armenia and Syria, has historically been one of the potential risks associated with investment in Turkish companies. Political instability in the Middle East and elsewhere remains a concern. Turkey has also experienced problems with domestic terrorist and ethnic separatist groups. For example, Turkey has been in conflict for many years with the People's Congress of Kurdistan, formerly known as the PKK. The issue of civil rights for Kurdish citizens remains a potential source of political instability, which may be exacerbated by continuing instability in Iraq. Such circumstances and domestic terrorist attacks have had and could continue to have a material adverse effect on the Turkish economy and on the Group's business, financial condition and/or results of operations.

Regional Risks – Recent developments in the Middle East and North Africa may create regional volatility, including on the Turkish economy

Recent developments in the Middle East and North Africa may have significant impacts on the Turkish economy, including through both financial markets and the real economy. Such impacts could occur (*inter alia*) through a lower flow of foreign direct investment into Turkey, capital outflows and increased volatility in the Turkish financial markets. In addition, certain sectors of the Turkish economy (such as construction, iron and steel) have operations in (or are otherwise active in) the Middle East and North Africa and may experience material negative affects. It is unclear what impact these recent activities may have on Turkey and thus on the Group's business, financial condition and/or results of operations.

EU Accession – Turkey's accession to the EU is uncertain, which may lead to a loss of confidence in the Turkish economy

In 1963 Turkey signed an association agreement with the EU, and a supplementary agreement was signed in 1970 providing for a transitional second stage of Turkey's integration into the EU. The EU resolved in 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged on the same criteria applied to other candidates. These criteria require the implementation of a range of political, legislative and economic reforms. Negotiations for Turkey's accession to the EU commenced in 2005 but, although Turkey has implemented various reforms and continued harmonization efforts with the EU, progress has been limited and appears to have stalled during the on-going global financial crisis. While Turkey continues to attempt to implement economic and political reforms, including recently approved amendments to its constitution, it may not be successful in implementing the necessary reforms. Although Turkey continues to express a desire to become a member state of the EU, it may not attain membership for several more years, if at all.

In the event of a loss of market confidence as a result of deterioration in Turkey's EU accession discussions or any other international relations involving Turkey, the Turkish economy may be adversely affected, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Earthquakes – Turkey is subject to the risk of significant seismic events

A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone and Turkey has experienced a large number of earthquakes in recent years, some quite significant in magnitude. As recently as March 2010, the eastern part of the country was struck by an earthquake measuring 6.0 on the Richter scale, causing significant property damage and loss of life.

The Bank maintains earthquake insurance but does not have the wider business interruption insurance or insurance for loss of profits, as such insurance is not generally available in Turkey. In the event of future earthquakes, effects from the direct impact of such events on the Group and its employees, as well as measures that could be taken by the government (such as the imposition of taxes), could have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, an earthquake or other large-scale disaster may have an adverse impact on the Group's customers' ability to honor their obligations to the Group.

High Current Account Deficit – Turkey's high current account deficit may result in governmental efforts to decrease economic activity

In 2010, the Turkish current account deficit widened significantly to US$48.6 billion from US$14.0 billion in 2009. This rapid acceleration has raised concerns regarding financial stability in Turkey, and the Central Bank, BRSA and Ministry of Finance have initiated coordinated measures to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures has been to slow down the current account deficit by controlling the rate of loan growth. Unless there is a decline in credit growth, the Minister of Finance has stated that bank-specific actions might be implemented. These measures are likely to reduce economic growth and might adversely affect the Group's business, financial condition and/or results of operations.

Although Turkey's growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon trade with Europe. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the EU remains Turkey's largest export market. A decline in demand for imports from the EU could have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit.

In recent months the Turkish government declared its intention to take additional measures to decrease the current account deficit, and in this regard it identified the high growth rate of loans as one of the target areas. To date there has not been any regulation or measure controlling the banks' growing loan portfolios; *however*, the Central Bank has increased the provisioning requirements in this regard. See "Turkish Regulatory Environment". There can be no assurances that any regulations that might be introduced by the BRSA or the Central Bank with respect to loan growth ratios would not have a material adverse effect on the Group's business, financial condition and/or results of operations.

If the acceleration in the current account deficit continues, then financial stability in Turkey might not be sustained. Financing the high current account deficit might be difficult in the event of a global liquidity crisis and/or declining interest of foreign investors in Turkey.

Government Default – The Group has a significant portion of its assets invested in Turkish government securities, making it highly dependent upon the continued credit quality of, and payment by, the Turkish government of its debts

Turkish banks have traditionally invested a large portion of their assets in securities issued by the Turkish government (rated BB (positive outlook) by S&P, Ba2 (positive outlook) by Moody's and BB+ (positive outlook) by Fitch). As of December 31, 2010, 87.9% of the Group's total securities portfolio (26.6% of its total assets and equal to 213.8% of its shareholders' equity) was invested in securities issued by the Turkish government. In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by the Turkish government in making payments on its securities or the possible downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government securities held in the Group's securities portfolio and the Turkish banking system generally and may have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risks Relating to the Turkish Banking Industry

Competition in the Turkish Banking Sector – Increased competition in the Turkish banking sector could have a material adverse effect on the Group

The Group faces significant and increasing competition from other participants in the Turkish banking sector, including both public and private banks in Turkey as well as many subsidiaries and branches of foreign banks and joint ventures between Turkish and foreign shareholders. A small number of these banks dominate the banking industry in Turkey. According to the Turkish Banking Association, as of December 31, 2010, the top five banking groups in Turkey (including the Group), two of which were state-controlled, held in the aggregate approximately 61% of the Turkish banking sector's total loan portfolio, approximately 65% of total banking assets in Turkey and approximately 66% of total deposits in Turkey. State-controlled banks in Turkey have historically had access to very inexpensive funding in the form of very significant Turkish government deposits, which has provided a competitive advantage over private banks.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank plc, UniCredito Italiano, BNP Paribas, the National Bank of Greece, Dexia, Citigroup, ING and Bank Hapoalim are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices. The entry into the sector by foreign competitors, either directly or in collaboration with existing Turkish banks, has increased competition in the market, and further entry by foreign competitors is likely to increase competition, especially given that some of these foreign competitors have significantly greater resources and less expensive funding sources than Turkish banks. Competition has been particularly acute in certain sectors where state-controlled banks and foreign-owned banks have been active, such as general purpose loans, for which state-controlled banks have lent funds at rates below those considered commercially viable by the Group. Increased competition from such state-controlled or private foreign groups or otherwise could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Banking Regulatory Matters – The Group is subject to numerous banking and other laws and regulations that are subject to change and such changes may have a material adverse effect on the Group

The Group is subject to a number of banking, consumer protection, antitrust and other laws and regulations designed to maintain the safety and soundness of financial institutions, ensure their compliance with economic and other obligations, limit their exposure to risk and restrict their operations. These laws and regulations include Turkish laws and regulations (in particular those of the BRSA), as well as laws and regulations of other countries in which the Group operates. Additionally, the implementation process of the Directives of European Community numbered 2006/48/EC and 2006/49/EC ("*CRD*") and the Basel II Framework (as discussed below) is still ongoing. In order to monitor the implementation process of the banks on CRD/Basel II Framework, a progress survey on the adaptation of CRD/Basel II is requested from banks by the BRSA every six months. These laws and regulations increase the cost of doing business and limit the Group's activities. See "Turkish Regulatory Environment" for a description of the Turkish banking regulatory environment.

In addition, a breach of any of these laws and regulations could expose the Group to potential liabilities or sanctions and damage its reputation. As a result of the recent global financial crisis, policy makers in Turkey, the EU and other jurisdictions in which the Group operates have enacted or proposed various new laws and regulations, including those that limit the fees and commissions that banks may charge their customers, and there is great uncertainty as to what impact these changes may have. One example of such a change is the Central Bank's September 2010 announcement that, as with foreign currency reserves, it will not pay interest on reserve accounts kept in TL (which had until such time been interest-bearing), which change may cause Turkish banks to revisit the pricing of their products and services in order to minimize the impact of this change. In 2011, the Central Bank has continued to monitor reserve level requirements and may introduce further measures in coming months. Similarly, the BRSA might introduce certain limitations as to credit cards being issued by banks and the minimum monthly payments required to be paid by cardholders. Any failure by the Group to adopt adequate responses to these or other future changes in the regulatory framework could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In March 2011, the Central Bank announced a significant increase in reserve requirement ratios ("*RRR*") of approximately 400 basis points (4.00%) in order to slow down domestic demand. With this substantial increase, the Central Bank is decisively attempting to discourage loan growth. As a result of the increased cost of making loans, it seems likely that Turkish banks will show some restraint in credit supply. Another likely outcome of this policy change will be higher loan yields, which will likely be positive for margins in the long term for the Turkish banking sector; *however*, such increased margins might not compensate for declines in interest earned due to declining loan volumes.

Additionally, to curb loan growth, Turkish authorities reinstated a 15% tax on consumer loans and also limited mortgage loan-to-value ratios to 75%. Furthermore, recent decisions to impose a ceiling on mutual fund fees (the April 1, 2011 announcement of the CMB to set an annual cap of 2.73% on money market funds' management fees, which will cover approximately 70% of total mutual funds) and decrease ceiling rates on credit cards also will directly negatively affect bank revenues.

Turkish Banking System – The Turkish banking sector has experienced significant volatility in the past

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private (*i.e.*, non-governmental) banking sector and allow it to compete more effectively against the state-controlled banks Türkiye Halk Bankası ("*Halkbank*"), Türkiye Vakıflar Bankası T.A.O. ("*VakıfBank*") and T.C. Ziraat Bankası ("*Ziraat*") (which remain three of the top 10 banks in the Turkish market based upon total assets as of December 31, 2010 according to the Turkish Banking Association). Notwithstanding such changes, the Turkish banking sector remains subject to volatility.

If the general macro-economic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, there can be no assurance that this would not result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system.

Changes to Capital Adequacy Requirements – Changes in the Turkish banking regulatory framework may require the Group to increase the level of capital that it holds to meet revised capital adequacy standards, which it may not be able to do on acceptable terms or at all

In June 2004, the Basel Committee on Banking Supervision (the "*Basel Committee*") published a report entitled "International Convergence of Capital Measurement and Capital Standards: a Revised Framework," which set out a new capital adequacy framework (commonly referred to as the "*Basel II Framework*") to replace the Basel Capital Accord issued in 1988. The Basel II Framework has been adopted in many countries but has not yet been fully adopted in Turkey; *however*, the addition of operational risk into the capital adequacy calculation under the Basel II Framework has been in effect under BRSA regulation since June 2007. This new framework requires that 15% of the last three years' average gross income is to be added to the denominator in a bank's capital adequacy calculation. The BRSA has announced that the Basel II Framework will be implemented on a bank-only basis starting from July 1, 2011 and on a consolidated basis starting from January 1, 2012. Between July 2011 and July 2012, capital adequacy ratios will be reported in accordance with both the regulation that is currently in effect and Basel II draft regulations. The Basel Committee recently adopted further revisions (*i.e.*, Basel III), but (as the Basel II Framework is still not yet implemented) there is no certainty as to whether these most recent revisions will be implemented by the BRSA in Turkey and, if so, in what form. The Bank is therefore not able to predict whether the adoption of any revisions under Basel III will have any material impact on the Group. If these or any other capital adequacy-related revisions are adopted and the Bank or the Group is unable to maintain its capital adequacy ratios above the minimum levels required by the BRSA (whether due to its inability to obtain additional capital on acceptable economic terms, if at all, or for any other reason), then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Dependence upon Banking and Other Licenses – Group members may be unable to maintain or secure the necessary licenses for carrying on their business

All banks established in Turkey require licensing by the BRSA. Each of the Bank and, to the extent applicable, each of its subsidiaries has a current Turkish and/or other applicable license for all of its banking and other operations. The Bank believes that it and each of its subsidiaries is currently in compliance with its existing material license and reporting obligations; *nevertheless*, if it is incorrect, or if any member of the Group were to suffer a future loss of a license, breach the terms of a license or fail to obtain any further required licenses, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risks relating to the Group and its Business

Credit Risk – The Group is exposed to its counterparties' credit risk, which could have a material adverse effect on the Group

As a large and diverse financial organization, the Group is subject to a broad range of general credit risks, including with respect to its retail, corporate and commercial customers and other third parties with obligations to the Group. These parties include borrowers of loans from the Group, issuers whose securities are held by the Group, trading and hedging counterparties, customers of letters of credit provided by the Group and other financial counterparties of the Group, any of which might default in their obligations to the Group due to bankruptcy, lack of liquidity, economic downturns, operational failures or other reasons. See "Risk Management."

As of December 31, 2010, 11.0% and 8.2% of the Group's cash loans (excluding non-performing loans and income accruals) were credit card and general purpose consumer loans, respectively, which historically have had among the highest rate of payment default and for which there is no collateral. These products were primarily responsible for the increase in non-performing loans ("*NPLs*") in 2009 from 2.5% as of December 31, 2008 to 4.4% as of December 31, 2009. The percentage of NPLs decreased to 3.5% as of December 31, 2010 as a result of the deceleration in new NPLs and strong collection performance combined with the 29.8% growth during 2010 in the amount of cash loans; *however*, no assurance can be given that such a deceleration will continue or that the NPLs will not start rising again.

The Group might not correctly assess the creditworthiness of credit applicants or other counterparties (or their financial conditions may change) and, as a result, the Group could suffer material credit losses even though a significant portion of the Group's credits are at least partially secured by collateral. If the value of the collateral securing the Group's credit portfolio in insufficient (including through a decline in its value after the original taking of such collateral), then the Group will be exposed to greater credit risk and an increased risk of non-recovery if any credit exposure fails to perform. Estimates of non-cash collateral value are inherently uncertain and are subject to change as a result of market and other conditions, and may lead to increased risk if such values decline. In addition, determining the amount of provisions and other reserves for possible credit losses involves the use of estimates and assumptions and an assessment of other factors that involve a great deal of judgment. As a result, the level of provisions and other reserves that the Group has set aside (which take account of collateral where loans are secured) may not be sufficient and the Group may have to create significant additional provisions for possible credit losses in future periods.

The Group has a significant position in the still-developing mortgage market in Turkey and continues to seek to expand its lending activities, including in the expanding energy sector. The growth in these or other business lines, or in the Group's credit portfolio generally, could have a negative impact on the quality of the Group's assets. Failure to maintain the Group's asset quality could result in higher loan loss provisioning and higher levels of write-offs or defaults, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Interest Rate Risk – Changes in interest rates could lead to a deterioration of the Group's net interest margin and increase mark-to-market losses

The Group's interest spread, which is the difference between the interest rates that the Group earns on its interest-earning assets and the interest rates that it pays on its interest-bearing liabilities, as well as the Group's net interest margin (which is its net interest income *divided by* its total average assets) will be affected by changes in market interest rates. Moreover, the net interest margin has decreased in recent years, which increases this risk. Sudden changes in interest rates or significant volatility in interest rates could result in a decrease in the Group's net interest income and net interest margin. As a result of declining market interest rates, a globalization of markets after the recent globlal crisis and increased competition, the Bank's management anticipates that the Group's net interest margin will decline in 2011 and later years. This trend will require the Group to increase continuously its risk management systems.

The degree of the Group's exposure to interest rate risk is largely a function of the relative tenors of its interest-earning assets and interest-bearing liabilities, its ability to re-price (and the timing of any such re-pricing of) its interest-earning assets and interest-bearing liabilities (*e.g.*, whether their interest rates are determined on a fixed or floating basis) and its ability to hedge against interest rate risk. As of December 31, 2010, the weighted average life of certain of the Bank's fixed rate assets and liabilities in TL and foreign currency (respectively) were as follows: fixed rate cash loans, 1.3 years and 4.8 years; fixed rate securities holdings, 0.9 years and 6.9 years; and fixed rate borrowings, 3.7 years and 6.2 years. In addition, the weighted average maturities of the Bank's TL and foreign currency interest-earning assets and TL and foreign currency interest-bearing liabilities as of December 31, 2010 were 1.6 years, 3.7 years, 0.4 years and 1.5 years, respectively. See "Risk Management."

An increase in interest rates may reduce the demand for loans from the Group and may require the Group to mark-to-market certain of its securities holdings, which mark-to-market valuations may result in losses reducing net income or shareholders' equity. A decrease in the general level of interest rates may affect the Group through, among other things, increased pre-payments on its fixed rate loan portfolio and increased competition for deposits. As interest rates are highly sensitive to many factors beyond the Group's control, including national monetary policies and domestic and international economic and political conditions, the Group may be unable to mitigate effectively the adverse effect of such movements.

If the Group is unable for any reason to re-price its interest-earning assets and interest-bearing liabilities in a timely or effective manner, or if interest rates rise as a result of economic conditions or other reasons, and its interest-earning assets are not appropriately match-funded or hedged, then the Group's net interest margin will be affected, as well as potentially its cost of funds, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Exchange Rate Risk – The Group is exposed to volatile foreign currency exchange rate fluctuations, which could have a material adverse effect on the Group

The Group is exposed to the effects of fluctuation in foreign currency exchange rates, principally the US dollar and Euro, which can have an impact on its financial position and results of operations. These risks are both systemic (*i.e.*, the impact of exchange rate volatility on the markets broadly, including on the Group's borrowers) and unique to the Group (*i.e.*, due to the Group's own net currency positions). For example, from a systemic perspective, if the Turkish Lira were to depreciate materially against the US Dollar or the Euro (which represent a significant portion of the foreign currency borrowings of the Group's corporate and commercial customers), then it would be more difficult for the Group's customers with income primarily or entirely denominated in TL to repay their foreign currency-denominated loans. As of December 31, 2010, 50.8% of the Group's total loans and advances to customers and banks (of which share 62.8% were in US Dollars and 33.9% in Euro), as well as a significant portion of its off-balance sheet commitments such as letters of credit, were denominated in foreign currencies.

In addition, the Group is exposed to exchange rate risk to the extent that its assets and liabilities are mismatched. The Group seeks to manage the gap between its foreign currency-denominated assets and liabilities by (among other things) matching the volumes and maturities of its foreign currency-denominated loans against its foreign currency-denominated deposits or by entering into currency hedges. Although regulatory limits prohibit the Bank and the Group from having a net currency short or long position of greater than 20% of the total capital used in the calculation of its regulatory capital adequacy ratios, if the Bank or the Group is unable to manage the gap between its foreign currency-denominated assets and liabilities, then material volatility in exchange rates could lead to operating losses, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Liquidity Risk – The Group may have difficulty borrowing funds on acceptable terms, if at all

Liquidity risk is the risk that a company will be unable to meet its obligations, including funding commitments, as they fall due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (such as short-term funding), changes in credit ratings or market-wide dislocation. Credit markets worldwide experienced a severe reduction in liquidity during the recent global financial crisis and liquidity remains more difficult to obtain on favorable terms. Perceptions of counterparty risk between banks also increased significantly, which led to further reductions in banks' access to traditional sources of liquidity such as the debt markets and asset sales. The Group's access to these wholesale sources of liquidity has been, and may continue to be, restricted or available only at a high cost. In addition, the Group's significant reliance on deposits as a funding source makes it susceptible to changes in customer perception of the strength of the banking sector and the Bank would be materially and adversely impacted by substantial customer withdrawals of deposits.

The Group's primary source of funding is its customer deposits, although the Group also obtains funding through loans from other banks and through the sale of securities in the capital markets. A mismatch between the maturity of the Group's assets and liabilities may require the Group to incur additional costs to liquidate assets at prices below what the Group believes to be their values. In addition, the global demand for liquidity has increased following the global financial crisis, with increased competition for funds having reduced the Group's ability to raise longer-term funding via securitization, subordinated debt and other issuances. In some cases, the markets that the Group has traditionally used to obtain funding have either been closed or are available only in limited amounts. The result is that if any member of the Group were to seek to raise financing, funds that it might have raised through those channels might either be unobtainable at an acceptable price or would need to be raised in the short-term money market, thereby reducing the Group's ability to diversify funding sources and adversely affecting the length of the Group's funding profile.

A rising interest rate environment could compound the risk of the Group's not being able to access funds at favorable rates. These and other factors could lead creditors to form a negative view of the Group's liquidity, which could result in less favorable credit ratings, higher borrowing costs and less accessible funds. In addition, the Group's ability to raise or access funds may be impaired by factors that are not specific to its operations, such as general market conditions, severe disruption of the financial markets or negative views about the prospects of the sectors to which the Group provides its loans. While the Group aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise could adversely affect the Group's business, financial position, results of operations and prospects.

The need to rely upon shorter-term funds, or the inability to raise financing, may adversely impact the Group's liquidity profile and could have a material adverse effect on the Group's business, financial condition and/or results of operations. See "Risk Management."

The Group may expand its activities in commercial banking, which is constituted in considerable part by project financing and granting commercial loans. If deposit growth does not keep pace with high loan and asset growth (for example due to competition), then the Bank would be increasingly dependent upon wholesale financing.

Securities Portfolio Risk – Members of the Group invest in securities for long- and medium-term periods, which could lead to significant losses

In addition to trading activities, members of the Group invest in securities for long- or medium-term periods for their own account, including investments in Turkish government securities and securities issued by Turkish and foreign corporations. The Group's investment in securities has increased during the current global financial crisis as a result of a proportionately greater increase in its deposits than in its loan portfolio. The Group has made significant investments in high-yielding Turkish government securities, leading to a material and higher-than-normal percentage of the Group's net income in 2009 and 2010 being derived from these investments. As of December 31, 2010, 32.1% of the Group's interest-earning assets consisted of securities, a decrease from 34.5% as of December 31, 2009 largely as a result of the accelerating growth in cash loans during 2010. In addition to the credit risks of its investments in securities, the value of the portfolio is subject to market risks, including the risk that possible declines in interest rates may reduce interest income on any new investments whereas possible increases in interest rates may result in a decline in the market value of the securities held by the Group, whether or not the Group is required to record such losses in its financial statements, either of which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

While securities issued by the Turkish government represented 90.3% and 87.9% of the Group's securities portfolio as of December 31, 2009 and 2010, respectively, and the Group thus does not have significant direct exposure to the credit risk of foreign governments, the on-going disruptions to the capital markets caused by investors' concerns over the fiscal deficits in certain countries such as Greece, Ireland, Portugal and Spain have had and may continue to have a material negative impact on the valuation of securities and thus on the market value of the Group's securities portfolio.

Borrowing and Refinancing Risk – The Group relies to an extent on foreign currency-denominated borrowings, which may result in difficulty in refinancing or may increase its cost of funding

While the Group's principal source of funding comes from deposits, these funds are short-term by nature and thus do not enable the Group to match fund its long-term assets. As a result, the Group has raised longer-term funds from syndicated loans, securitizations and other transactions, almost all of which have been denominated in foreign currencies as such long-term financing is not widely available within Turkey. As of December 31, 2010, the Group's total foreign currency-denominated loans and advances from banks and subordinated liabilities constituted 12.0% of its consolidated liabilities and equaled 46.3% of its foreign currency-denominated assets with maturities of one year or more. Particularly in light of the historical volatility of emerging market financings, the Group: (a) may have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in maturity mismatches of assets and liabilities, and (b) is susceptible to devaluations of the TL (which would thus increase the amount of TL that it would need to make payments on its foreign currency-denominated obligations).

A downward change in the ratings published by rating agencies of either the sovereign or the Group may increase the costs of new indebtedness and/or the refinancing of the Group's existing indebtedness raised in the international financial markets, including to the extent that such a downgrade is perceived as a deterioration of the capacity of the Group to pay its debt and results in an increase in the cost of such financings provided by the Group's creditors.

These risks may increase as the Group seeks to increase long-term lending to its customers, including mortgages and project financings, the funding for which is likely to be made through borrowings in foreign currency.

As required by the rules of Basel II and in the new Basel capital accord (*i.e.*, Basel III), banks that are in jurisdictions that have adopted Basel II (and, in the future, Basel III) and that provide credit to a bank (such as the Bank) are or may be required to apply a risk-weighting higher than that currently applied. While it is impossible to predict the impact of the implementation of such requirements by the Group's creditors, it is possible that if banks subject to the Basel requirements are required to apply higher risk weightings to credits extended to the Group, then this may result in a reduction in funds available for borrowing by the Group and/or an increase in the costs of such borrowing. As of December 31, 2010, approximately 93% of the Group's foreign currency-denominated borrowing (including subordinated liabilities) was sourced from international banks. Should the Group be unable to continue to borrow funds on acceptable terms, if at all, this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Reduction in Earnings on Securities Portfolio – Recent years' significant earnings on the Group's securities portfolio may not be sustainable

The Group has historically generated a significant portion of interest income from its securities portfolio, with interest and similar income derived from the Group's securities portfolio in 2008, 2009 and 2010 accounting for 30.3%, 36.4% and 37.8%, respectively, of its total interest income (and 23.9%, 27.9% and 29.3%, respectively, of its gross operating income before deducting interest expense and fee and commission expense). The Group also has obtained large realized gains from the sale of securities in the available-for-sale portfolio.

While the contribution of income from the Group's securities portfolio has been significant over recent years, the Group expects that such income will not be as large in coming years. In particular, the robust trading gains earned during the global financial crisis as a result of the high level of volatility in financial markets is not expected to continue and opportunities for such gains have been declining during 2010 and 2011. As such, the recent high levels of earnings from the Group's securities portfolio may not be sustainable in future periods.

Trading Activities Risk – Members of the Group engage in market trading activities, including hedging, that could lead to significant losses

Members of the Group engage in various trading activities, as both agent and (to a limited extent) principal, and the Group derives a proportion of its income from dealing profits. The Group's proprietary trading involves a degree of risk and future results will in part depend upon market conditions. Trading risks include the risk of unfavorable market price movements relative to the Group's long or short positions, a decline in the market liquidity of such instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that the instruments with which the Group chooses to hedge certain positions do not track the market value of those positions. The Group could incur significant losses from its trading activities, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Access to Capital – The Group may have difficulty raising capital on acceptable terms, if at all

By law, the Group is required to maintain certain capital levels and capital ratios in connection with its banking business. Such capital ratios depend in part upon the level of the Group's risk-weighted assets, which grew slowly in 2009 due to weakened demand for credit during the global financial crisis and weak domestic economic conditions. The Group expects that (as evidenced by the growth in cash loans during 2010) improving economic conditions will result in increased lending (both in absolute terms as well as proportionately in comparison to the Group's zero risk-weighted investment in Turkish government securities). As a result, the Bank's management expects there to be an increase in the Group's risk-weighted assets, which may adversely affect the Group's capital ratios. Pending changes derived from Basel II implementation in Turkey and, if implemented by the BRSA in Turkey, potential changes relating to Basel III may also impact the manner in which the Group calculates its capital ratios and may even impose higher capital requirements. Additionally, it is possible that the Group's capital levels could decline due to, among other things, credit losses, increased credit reserves, currency fluctuations, dividend payments or repayments of the Group's quasi-capital (such as its US$500 million "Tier II" debt offering issued in 2007). In addition, the Group may need to raise additional capital in the future to ensure that it has sufficient capital to support future growth in its assets. Should the Group desire or be required to raise additional capital, that capital may not be available at all or at a price that the Group considers to be reasonable. If any or all of these risks come to fruition, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Correlation of Financial Risks – The occurrence of a risk borne by the Group could exacerbate other risks that the Group faces

The exposure of the Group's business to a market downturn in Turkey or the other markets in which it operates, or any other risks, could exacerbate or trigger other risks that the Group faces. For example, if the Group incurs substantial trading losses due to a market downturn in Turkey, then its need for liquidity could rise sharply while its access to liquidity and/or capital could be impaired. In addition, in conjunction with a market downturn, the Group's customers could incur substantial losses of their own, thereby weakening their financial condition and increasing the credit risk of the Group's exposure to such customers. If this particular combination of risks, or any others, occur, then this could have a material adverse effect on the Group's business, financial condition and results of operations.

Operational Risk – The Group may be unable to monitor and prevent losses arising from fraud and/or operational errors

The Group employs substantial resources to develop and operate its risk management processes and procedures; *however*, similar to other banking groups, the Group is susceptible to, among other things, fraud by employees or third parties, failure of internal processes and systems, unauthorized transactions by employees and operational errors (including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems). The Group's risk management and expanded control capabilities are also limited by the information tools and techniques available to the Group. The Group is also subject to service interruptions from time to time for third party services such as telecommunications, and service interruptions due to natural disasters, which are beyond the Group's control. Such interruptions may result in interruption to services to the Group's branches and/or impact customer service. Given the Group's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for the Group to detect quickly or at all. If the Group is unable to successfully monitor and prevent these or any other operational risks, or obtain sufficient insurance to cover these risks, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Bank or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

Measures to Prevent Money Laundering and/or Terrorist Financing – Third parties might use the Group as a conduit for illegal or terrorist activities without the Group's knowledge, which could have a material adverse effect on the Group

The Group is required to comply with applicable anti-money laundering and anti-terrorist financing laws and regulations and has adopted various policies and procedures, including internal control and "know-your-customer" procedures, aimed at preventing use of the Group for money laundering and terrorist financing. In addition, while the Group reviews its correspondent banks' internal policies and procedures with respect to such matters, the Group to a large degree relies upon its correspondent banks to maintain and properly apply their own appropriate anti-money laundering and anti-terrorist financing procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Group (and its correspondent banks) as a conduit for money laundering (including illegal cash operations) or terrorist financing without the Group's (and its correspondent banks') knowledge. If the Group is associated with, or even accused of being associated with, money laundering or terrorist financing, then its reputation could suffer and/or it could become subject to criminal or regulatory fines, sanctions and/or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Group), any one of which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Absence of Governmental Support – The Group's non-deposit obligations are not guaranteed by the Turkish or any other government and there may not be any governmental support in the event of illiquidity or insolvency

The non-deposit obligations of the Group are not guaranteed or otherwise supported by the Turkish or any other government. While rating agencies and others have occasionally included in their analysis of certain banks a view that systemically important banks would likely be supported by the banks' home governments in times of illiquidity and/or insolvency (examples of which sovereign support have been seen, and strained, in other countries during the recent global financial crisis), this may not be the case for Turkey in general or the Group in particular. Investors in the Notes should not place any reliance on the possibility of the Group being supported by any governmental entity at any time, including to provide liquidity or help to maintain the Group's operations during periods of material market volatility. See "Turkish Regulatory Environment – The SDIF" for information on the limited government support available for the Bank's deposit obligations.

Leverage Risk – The Group may become over-leveraged

One of the principal causes of the recent global financial crisis was the excessive levels of debt prevalent in various sectors of the global economy, including the financial sectors of many countries. While there were many reasons for the over-leverage, important factors included the low cost of funding, the over-reliance by creditors (particularly investors in structured transactions and emerging markets companies) on the analysis provided by rating agencies (which reliance was often encouraged by regulatory and other requirements that permitted capital to be applied based upon the debtor's rating) and the failure of risk management systems to identify adequately the correlation of risks and price risk accordingly. If the Group becomes over-leveraged as a result of these or any other reasons, then it may be unable to satisfy its obligations in times of financial stress, and such failure could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Personnel – The Group's continued success depends upon retaining key members of its senior management and its ability to recruit, train and motivate qualified staff

The Group is dependent upon its senior management to implement its strategy and operate its day-to-day business. In addition, corporate, retail and other relationships of members of senior management are important to the conduct of the Group's business. In a rapidly emerging and developing market such as Turkey, demand for highly trained and skilled staff, particularly in the Group's Istanbul headquarters, is very high and requires the Group to continually re-assess its compensation and employment policies. If members of the Group's senior management were to leave, then the relationships that those employees have that have benefited the Group may not continue with the Group. In addition, the Group's continuing success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. The Group's failure to recruit and retain necessary personnel or manage its personnel successfully could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Potential Unionization of Bank Employees – The Bank may become required to adhere to a collective bargaining agreement with the Turkish bank employees union, which could impact its operations and/or profitability

Although the Bank's employees are not unionized, Banka Sigorta İşçileri Sendikası ("*Basisen*"), a union active in certain other financial institutions such as Işbank, has requested from the Council of Ministers a decree imposing upon the Bank and eight other banks operating in Turkey the terms of its collective bargaining agreement signed with Işbank for its employees. In this regard, Basisen has requested the BRSA's input as to the manner of applying the terms of such collective bargaining agreement to the Bank and these eight other banks. Should the BRSA not object to Basisen's request and should the Council of Ministers issue a decree expanding the application of this agreement, the other banks involved (including the Bank) would be required to comply with the terms of such collective bargaining agreement. Although the terms of this agreement would not significantly alter the nature of the compensation and benefits offered by the Bank to its employees as the Bank views its staff as being compensated at appropriate market rates, it would increase the Bank's expenses for salaries and benefits by approximately 1.59%, particularly with respect to operational staff, as a result of standard terms in collective agreements. While the Bank would be entitled to challenge in administrative courts any such decree by the Council of Ministers, the outcome of this process is uncertain.

In addition, although Turkish Law No. 2822 makes illegal strikes and lockouts in the banking sector and the Bank has not experienced any work stoppages or labor disputes in recent years, there can be no assurance that the regulation in force will not change or that work stoppages or labor disputes will not occur in the future. If a material disagreement between the Bank and Basisen arises, or if employees engage in a prolonged work stoppage or strike, then the Bank's business, financial condition and/or results of operations could be negatively affected.

Dependence upon Information Technology Systems – The Group's operations are highly dependent upon its information technology systems

The Group's business, financial performance and ability to meet its strategic objectives (including rapid credit decisions, product rollout and growth) depend to a significant extent upon the functionality of its information technology systems and its ability to increase systems capacity. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centers, are critical to the Group's business and its ability to compete. For example, the Group's ability to process credit card and other electronic transactions for its customers is an essential element of its business. A disruption (even short-term) to the functionality of the Group's information technology systems, delays or other problems in increasing the capacity of the information technology systems or increased costs associated with such systems could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the Group's failure to update and develop its existing information systems as effectively as its competitors may result in a loss of the competitive advantages that the Group believes its information systems provide, which could also have a material adverse effect on the Group's business, financial condition and results of operations.

Risk Management Strategies – The Group's efforts to control and manage risk may be inadequate

In the course of its business activities, the Group is exposed to a variety of risks, including credit risk, market risk, liquidity risk and operational risk. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Management." Although the Group invests substantial time and effort in risk management strategies and techniques, it may nevertheless fail to adequately manage risk in some circumstances. If circumstances arise that the Group has not identified or anticipated adequately, or if the security of its risk management systems is compromised, then the Group's losses could be greater than expected, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Some of the Group's methods of managing risk are based upon its use of historical market behavior, which methods may not predict future risk exposures that could be significantly greater than historical measures indicate. If its measures to assess and mitigate risk prove insufficient, then the Group may experience material unexpected losses which could have a material adverse effect on the Group's business, financial condition and results of operations. For example, assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values that the Group calculates using mathematical models and the deterioration of assets like these could lead to losses that the Group has not anticipated.

International Operations – Adverse changes in the regulatory and economic environment in jurisdictions in which the Group operates could have a material adverse effect on the Group

While a substantial majority of the Group's operations are in Turkey, it also maintains operations in countries such as Romania, the Netherlands and Russia. The Group's operations outside of Turkey are subject to differing regulatory environments and domestic economic conditions and require the Group to engage in transactions in relevant local currencies such as the Russian Ruble. Adverse changes in the regulatory environments, economic conditions, relevant exchange rates and/or other circumstances in the jurisdictions in which the Group operates could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risks relating to the Group's Relationship with the Bank's Principal Shareholder – The Group intends to continue its dealings with the Doğuş Group although these may give rise to apparent or actual conflicts of interest

The Turkish Banking Law No. 5411 of 2005, as amended (the "*Banking Law*"), places limits on a Turkish bank's exposure to related parties. The Group is within the limits of the Banking Law in terms of its exposure to its related parties (including the Doğuş Group). As of December 31, 2010, the Group's total exposure to its related parties (if computed in accordance with the Banking Law and considered as one corporate group) was the Group's 15th largest exposure to any one corporate group. All credits with respect to and services provided to members of the Doğuş Group (such as Garanti Teknoloji's provision of IT services to the Doğuş Group) are made on an arm's-length basis and all credit decisions with respect to the members of the Doğuş Group are required to be approved by the affirmative vote of two-thirds of the Bank's Board of Directors. From time to time the Group has purchased and sold assets (including equity participations and real estate) to/from Doğuş Group companies and the Bank believes that the terms of such transactions have been at least as favorable as those the Group would have received from an unaffiliated party. The value estimations (to the extent that the market values were not available) were made by independent appraisers engaged by the Group's management. Although the Group intends to continue to enter into transactions with related parties on terms similar to those that would be offered to an unaffiliated third party, such transactions create the potential for, or could result in, conflicting interests. See "Related Party Transactions."

Corporate Governance – Corporate governance standards are not equivalent to those of more developed countries

The standards of corporate governance expected by Turkish law or regulation may not be as high (or cover the same areas) as those set out by the rules of other jurisdictions (such as the United States or the United Kingdom). For example, unlike in the United States and certain other markets, neither Turkish laws nor the rules of the CMB require that there be any independent directors on the board of directors of a Turkish company such as the Bank. The Bank does not currently have any independent directors. As a result, the opinions held by the Bank's directors may be the same as the views of the Bank's management and thus the Bank's board might not present an independent voice to balance against the views of the Bank's management. Prospective investors in the Notes should note that all of the members of the Bank's Board of Directors are associated with the Doğuş Group and BBVA. See "Management."

Turkish Disclosure Standards – Turkish disclosure standards differ in certain significant respects from those in more developed markets, leading to a relatively limited amount of information being available

The disclosure obligations applicable to Turkish companies differ in certain respects from those applicable to similar companies in the United States and the United Kingdom. There is also less publicly available information regarding listed Turkish companies than public companies in the United States, the United Kingdom and other more developed markets. As a result, investors might not have access to the same depth of disclosure relating to the Bank as they would for investments in banks in the United States, the EU and other more-developed markets.

Audit Qualification – The audit reports in relation to the Group's consolidated financial statements for the years ended December 31, 2009 and 2010 included a qualification and future financial statements may include similar qualifications

The Group's audit reports based upon the IFRS Financial Statements for the years ended December 31, 2009 and 2010 included a qualification about general provisions allocated by the Group. The provisions were taken in accordance with the conservatism principle applied by the Group in considering the circumstances that may arise from any changes in the economy or market conditions. The Group is considering taking further such provisions and may have similar qualifications in future financial statements.

As of December 31, 2010, these general provisions amounted to TL 360,000 thousand, of which TL 330,000 thousand and TL 30,000 thousand were charged to the 2009 and 2008 income statements, respectively, as expense. Although these provisions did not impact the Group's level of tax or capitalization ratios, if the Group had not established these provisions, then its net income might have been higher in such years. See the IFRS Financial Statements included herein. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting the Group's Financial Condition and Results of Operations – Provisions for Possible Loan Losses" for reasons for such qualification.

Risks Related to the Notes

Unsecured Obligations - The Notes will constitute unsecured obligations of the Bank

The Bank's obligations under the Notes will constitute unsecured obligations of the Bank. Accordingly, any claims against the Bank under the Notes would be unsecured claims. The ability of the Bank to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, which could be affected by (*inter alia*) the circumstances described in these "Risk Factors."

Potential Subordination - Claims of Noteholders under the Notes are effectively subordinated to those of certain other creditors

The Notes will be unsecured and unsubordinated obligations of the Bank. The Notes will rank equally with all of the Bank's other unsecured and unsubordinated indebtedness; *however*, the Notes will be effectively subordinated to the Bank's secured indebtedness and securitizations, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Turkish law (including, without limitation, liabilities that are preferred by reason of reserve and/or liquidity requirements required by law to be maintained by the Bank with the Central Bank, claims of individual depositors with the Bank to the extent of any excess that such depositors are not fully able to recover from the SDIF, claims that the SDIF may have against the Bank and claims that the Central Bank may have against the Bank with respect to certain loans made by it to the Bank).

No Public Market - There is no public trading market for the Notes and an active trading market may not develop or be sustained in the future

There is no active trading market for investments in the Notes. If investments in the Notes are traded after their initial issuance, then they might trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Bank's financial condition. Although application has been made for the Notes to be listed on the official list maintained by the UK Listing Authority and admitted to trading on the Market, there can be no assurance that such application will be accepted, that an active trading market will develop or, if developed, that it can be sustained. If an active trading market for investments in the Notes is not developed or maintained, then the market or trading price and liquidity of investments in the Notes may be adversely affected.

Volatile Price - The market price of the Notes is subject to a high degree of volatility

The market price of investments in the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Bank's operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale by the Group of other debt securities, as well as other factors, including the trading market for notes issued by the Republic of Turkey. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of investments in the Notes without regard to the Bank's financial condition or results of operations.

The market price of investments in the Notes is also influenced by economic and market conditions in Turkey and, to varying degrees, economic and market conditions in emerging markets generally. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Bank's, which could adversely affect the market price of investments in the Notes.

Suitable Investment - The Notes may not be suitable investments for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement,
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio,
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency,
- understand thoroughly the terms of the Notes and be familiar with the behavior of financial markets in which they participate, and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Credit Ratings - Credit ratings may not reflect all risks

In addition to the ratings on the Notes provided by Fitch and Moody's, one or more other independent credit rating agencies may assign credit ratings to the Notes. The ratings might not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Notes. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. Similar ratings on different types of notes do not necessarily mean the same thing. The initial ratings by Fitch and Moody's will not address the likelihood that the principal on the Notes will be prepaid or paid on the scheduled maturity date. Such ratings also will not address the marketability of investments in the Notes or any market price. Any change in the credit ratings of the Notes or the Bank could adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Notes. The significance of each rating should be analyzed independently from any other rating.

Amendments - The conditions of the Notes will contain certain provisions regarding modification, waivers and substitution

The conditions of the Notes will contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions will permit Noteholders holding defined percentages of Notes to bind all Noteholders, including Noteholders who did not vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Transfer Restrictions - Transfer of the Notes will be subject to certain restrictions

Although the Notes have been registered with the CMB pursuant to Article 15(b) of Decree 32 and Articles 6 and 25 of the Communiqué as debt securities to be offered outside of Turkey, the Notes have not been and are not expected to be registered: (a) under the Securities Act or any applicable state's or other jurisdiction's securities laws or (b) with the SEC or any other applicable state's or other jurisdiction's regulatory authorities. The offering of the Notes will be made pursuant to exemptions from the registration provisions of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments in the Notes will be subject to certain transfer restrictions. Each investor is advised to consult legal counsel in connection with any such reoffer, resale, pledge or other transfer. See "Transfer Restrictions."

Because transfers of interests in the Global Certificates can be effected only through book entries at DTC (and, through it, Clearstream and Luxembourg, Euroclear with respect to the Regulation S Certificates) for the accounts of their respective participants, the liquidity of any secondary market for investments in the Global Certificates may be reduced to the extent that some investors are unwilling to invest in notes held in book-entry form in the name of a participant in Clearstream, Luxembourg, Euroclear or DTC, as applicable. The ability to pledge interests in the Notes may be limited due to the lack of a physical certificate. In the event of the insolvency of Clearstream, Luxembourg, Euroclear, DTC or any of their respective participants in whose name interests in the Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes may be impaired.

Further Issues

The Bank may from time to time without the consent of the Noteholders create and issue further Notes, having terms and conditions that are the same as those of the Notes, or the same except for the amount of the first payment of interest, which new Notes may be consolidated and form a single series with the outstanding Notes even if doing so may adversely affect the value of the original Notes.

Enforcement of Judgments - It may not be possible for investors to enforce foreign judgments against the Bank or its management

The Bank is a public joint stock company organized under the laws of Turkey. Certain of the directors and officers of the Bank reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In addition, under the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country other than the Republic of Turkey may not be enforced in Turkish courts in certain circumstances. Although Turkish courts generally recognize enforceable judgments of English courts on the basis that there is *de facto* reciprocity between the United Kingdom and Turkey with respect to the enforcement of judgments of their respective courts, there is no treaty between the United Kingdom and Turkey providing for reciprocal enforcement of judgments. For further information, see "Enforcement of Judgments and Service of Process."

EU Savings Directive

Under EC Council Directive 2003/48/EC on the Taxation of Savings Income, member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other member state, except that Austria and Luxembourg are required to impose a withholding system in relation to such payments for a transitional period (unless during such period they elect otherwise) (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described herein.

If a payment were to be made or collected through a member state that has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, then neither the Bank nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Bank is required to maintain a Paying Agent in a member state that is not obliged to withhold or deduct tax pursuant to the directive.

OFAC Sanction Targets - US persons investing in the Notes might have indirect contact with countries sanctioned by the Office of Foreign Assets Control of the US Department of Treasury as a result of the Bank's investments in and business with countries on the sanctions list

The Office of Foreign Assets Control of the US Department of Treasury ("*OFAC*") administers regulations that restrict the ability of US persons to invest in, or otherwise engage in business with, certain countries, including Iran and Sudan, and specially designated nationals (together "*Sanction Targets*"). As the Bank is not a Sanction Target, OFAC regulations do not prohibit US persons from investing in, or otherwise engaging in business with, the Bank; *however*, to the extent that the Bank invests in, or otherwise engages in business with, Sanction Targets, US persons investing in the Bank may incur the risk of indirect contact with Sanction Targets. The Bank's current policy is not to engage in any business with Sanction Targets.

USE OF PROCEEDS

The Bank will incur various expenses in connection with the issuance of the Notes, including underwriting fees, legal counsel fees, rating agency expenses and listing expenses. After deducting underwriting fees, the net proceeds to the Bank from the issuance of the Notes will be US$299,070,000. In addition, the estimated total expenses related to the admission to trading of the Notes on the Market are US$10,000. The Bank will use the net proceeds from the issuance of the Notes for general corporate purposes, including paying the other expenses relating to the issuance of the Notes.

EXCHANGE RATES

The following table sets forth, for the years and months indicated, information concerning the annual average and year-end buying rates for US dollars for the years indicated and the monthly average and month-end buying rates for US dollars for the months indicated. The rates set forth below are provided solely for convenience and were not used by the Bank in the preparation of the IFRS Financial Statements included elsewhere in this Offering Circular. No representation is made that Turkish Lira could have been, or could be, converted into US dollars at that rate or at any other rate.

Period(1)	Average(1)	End(2)	High(2)	Low(2)
March 2011	1.5741	1.5483	1.6092	1.5433
February 2011	1.5838	1.5905	1.6008	1.5670
January 2011	1.5552	1.5833	1.5833	1.5263
2010	1.4989	1.5460	1.5978	1.3884
2009	1.5471	1.5057	1.7958	1.4365
2008	1.2929	1.5123	1.6956	1.1449
2007	1.3015	1.1647	1.4498	1.1626
2006	1.4311	1.4056	1.6934	1.2964
2005	1.3408	1.3418	1.4000	1.2541
2004	1.4223	1.3421	1.5507	1.3013

(1) For each of the years 2004 to 2010, this represents the yearly averages of the monthly averages of the TL/US$ exchange rates determined by the Central Bank for the relevant period, which monthly averages were computed by calculating the average of the daily TL/US$ exchange rates on the business days of each month during the relevant period. Amounts of pre-revaluation Turkish Lira with respect to 2004 have been translated into Turkish Lira at an exchange rate of old TL 1,000,000 = new TL 1.00. For the months of 2011, this represents the monthly averages of the TL/US$ exchange rates determined by the Central Bank for such month, which monthly averages were computed in the same manner described above.

(2) Represents the TL/US$ exchange rates for the purchase of US Dollars determined by the Central Bank on the previous working day. Amounts of pre-revaluation Turkish Lira with respect to 2004 have been translated into Turkish Lira at an exchange rate of old TL 1,000,000 = new TL 1.00.

As of April 15, 2011 at 6:00pm Turkish time, the Bloomberg FX page sourced by BGN NY was showing the exchange rate as TL 1.00 = US$1.5149. There can be no assurance that the Turkish Lira will depreciate or appreciate significantly in the future.

CAPITALIZATION OF THE GROUP

The following table sets forth the capitalization of the Group as of December 31, 2008, 2009 and 2010. This table should be read in conjunction with the IFRS Financial Statements (including the notes thereto) appearing elsewhere in this Offering Circular.

	As of December 31,			
	2008	**2009**	**2010**	**2010**
		(TL thousands)		*(US$ millions)*[1]
Share capital	5,146,371	5,146,371	5,146,371	3,386
Share premium	11,880	11,880	11,880	8
Non-controlling interests	35,201	49,098	97,461	64
Unrealized gains on available-for-sale assets	177,751	1,361,279	1,627,351	1,071
Hedging reserve	60,998	(2,167)	(1,482)	(1)
Translation reserve	35,987	34,118	1,222	1
Legal reserves	289,414	383,638	553,459	364
Retained earnings	4,145,903	6,852,064	9,479,402	6,236
Total shareholders' equity and non-controlling interests	**9,903,505**	**13,836,281**	**16,915,664**	**11,129**
Long-term debt[2]	10,350,042	12,207,849	13,693,752	9,009
Total Capitalization	**20,253,547**	**26,044,130**	**30,609,416**	**20,138**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

(2) Long-term debt is comprised of long-term debts classified under "loans and advances from banks" and "subordinated liabilities" (excluding expense accruals) in the IFRS Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Group's IFRS Financial Statements (including the notes thereto) included elsewhere in this Offering Circular.

Under IFRS, the Bank's financial statements are consolidated with the financial statements of its affiliates (except to the extent immaterial) that are companies controlled by the Bank (*i.e.*, the Bank has the power to govern the financial and operating policies of these enterprises so as to obtain benefits from their activities). The entities that were consolidated in the IFRS Financial Statements as of December 31, 2010 were Garanti Bank International NV ("*GBI*"), Garanti Finansal Kiralama AŞ ("*Garanti Leasing*"), Garanti Bank Moscow ("*GBM*"), Garanti Faktoring Hizmetleri AŞ ("*Garanti Factoring*"), Garanti Emeklilik ve Hayat AŞ ("*Garanti Pension and Life*"), D Netherlands Holding BV ("*D Netherlands*"), Leasemart Holding BV ("*Leasemart*"), Doğuş GE BV ("*Doğuş GE*"), Garanti Bank SA ("*Garanti Romania*"), Motoractive IFN SA ("*Motoractive*"), Ralfi IFN SA ("*Ralfi*"), Domenia Credit IFN SA ("*Domenia*"), Garanti Yatırım Menkul Kıymetler AŞ ("*Garanti Securities*"), Garanti Yatırım Ortaklığı AŞ ("*GYO*"), Garanti Portföy Yönetimi AŞ ("*Garanti Asset Management*"), Garanti Filo Yönetim Hizmetleri AŞ ("*Garanti Fleet*"), Garanti Bilişim Teknolojisi ve Ticaret TAŞ ("*Garanti Teknoloji*"), Garanti Diversified Payment Rights Finance Company and T2 Capital Finance Company (while not legal affiliates, the last two entities are special purpose entities established for the purpose of the Bank's "diversified payment rights" securitization program and a subordinated debt transaction, respectively, and are thus required to be consolidated). The IFRS Financial Statements as of December 31, 2008, 2009 and 2010 included these same consolidated entities (except that: (a) the Bank began consolidating D Netherlands, Doğuş GE, Garanti Romania, Motoractive, Ralfi and Domenia as of May 28, 2010 and Leasemart as of December 16, 2010 as a result of their acquisition as described in "The Group and its Business – Subsidiaries – D Netherlands and Romania businesses" below), and (b) the Bank discontinued consolidating Garanti Financial Services plc and Garanti Fund Management Co. starting from May 31, 2010 following the completion of their liquidations.

As used in this section, the term "Group" is used to denote the Group on a consolidated basis and the term "Bank" indicates that the context refers to the Bank on a stand-alone basis.

Significant Factors Affecting the Group's Financial Condition and Results of Operations

The Group's financial condition, results of operations and prospects depend significantly upon the macroeconomic conditions prevailing in Turkey as well as certain of the other factors described below. The impact of these and other potential factors may vary significantly in the future and many of these factors are outside the control of the Group. Prospective investors should (among other things) consider the factors set forth under "Forward-Looking Statements" and "Risk Factors." The following describes the most significant of such factors since 2008.

Turkish Economy

The Group's operations are primarily in Turkey (or related to Turkish activities) and almost all of its operating income and net income are derived from its Turkish operations (including Turkish-related business for the Group's operations abroad). Accordingly, its results of operations and financial condition are and will continue to be significantly affected by Turkish political, regulatory and macro-economic factors, including factors such as economic growth rates, currency fluctuations, CBT regulatory policy, inflation and fluctuations in interest rates in Turkey. The following table provides certain macro-economic indicators for Turkey, including GDP, annual inflation rates and the Central Bank's overnight TL rate for each of 2005, 2006, 2007, 2008, 2009 and 2010, as well as the average exchange rates announced by the Bank between the TL and each of the US Dollar and the Euro for such periods:

	2005	2006	2007	2008	2009	2010
GDP (real)[(1)]	8.4%	6.9%	4.7%	0.7%	(4.7)%	8.9%
Annual producer price index[(1)]	2.7%	11.6%	5.9%	8.1%	5.9%	8.9%
Annual consumer price index[(1)]	7.7%	9.7%	8.4%	10.1%	6.5%	6.4%
Year-end Central Bank overnight TL rate[(2)]	13.50%	17.50%	15.75%	15.00%	6.50%	1.50%
Daily average TL/$ exchange rate[(3)]	1.33	1.42	1.30	1.29	1.53	1.49
Daily average TL/€ exchange rate[(4)]	1.65	1.78	1.78	1.88	2.13	1.97

(1) As published by TurkStat.
(2) The overnight borrowing rate announced by the Central Bank. Starting from 2010, the Central Bank announces the weekly repo lending rate as the reference rate, which was 6.50% as of December 31, 2010.
(3) The Turkish Lira exchange rate for purchases of US Dollars announced by the Bank.
(4) The Turkish Lira exchange rate for purchases of Euro announced by the Bank.

The Group's growth during 2008 and 2009 was affected by the slow-down in the Turkish economy and an increase in the producer price index from 5.9% in 2007 to 8.1% in 2008. The growth in inflation was principally attributable to the increase in prices of oil and food products. Interest rates and exchange rates remained relatively stable during 2008 despite the severe volatility in global financial markets at the end of 2008 as a result of the global financial crisis.

In 2009, results were negatively affected by the decline in economic activity as Turkish GDP fell by 4.7% in real terms. The weak economy resulted in reduced credit demand, which was reflected in the minimal growth in the Group's loans and advances to customers during the year. As a result of the slow growth in the loan portfolio of 1.7% in 2009, the Group invested deposits (customer deposits grew by 18.3% in 2009 compared to 2008) and other funds that might otherwise have been used to fund cash loans in investment securities, primarily Turkish government bonds (which increased by 42.6% from TL 26,112,129 thousand on December 31, 2008 to TL 37,237,584 thousand on December 31, 2009). The producer price index in 2009 returned to 2007 levels in part due to the reduced demand both within Turkey and globally caused by the global financial crisis. In addition, there was significant volatility in interest rates, which had a material impact on the Group's results of operations in 2009 as discussed below.

In 2010, in line with the positive trends in growth, the Group's loan portfolio was back to an increasing trend. The producer price index increased significantly above the level in 2008, especially due to the increase in the prices of oil, gold, other commodities and agricultural products. The effect of commodity prices on the consumer price index is expected to be delayed. In 2010, interest rates maintained their decreasing trend.

Due to greater economic stability and increasing confidence in 2010, the Group's loan portfolio grew by 29.8% compared to 1.7% in 2009. This growth was principally in consumer loans (particularly in mortgage and general purpose loans) and loans to the service sector and certain industrial sectors such as energy, metal and metal products, and construction. The share of loans and advances to customers in total assets increased from 47.4% as of December 31, 2009 to 52.4% as of December 31, 2010. In 2010, there was upward pressure on inflation in the Turkish economy, as reflected by the annual producer price index as of December 31, 2010, and the Turkish Lira slightly appreciated against the US Dollar and the Euro.

Currency Exchange Rates

A significant portion of the Group's assets and liabilities are denominated in foreign currencies, particularly the US Dollar and the Euro (39.1% of total assets and 43.1% of total liabilities as of December 31, 2010). While the Group monitors its net open position in foreign currencies (which is the amount by which its foreign currency-denominated assets differ from its foreign currency-denominated liabilities) and each of the Bank and the Group is required to comply with foreign currency net open position limits promulgated by the BRSA, each of the Bank and the Group has maintained and likely will continue to maintain gaps between the balances of its foreign currency assets and liabilities. The limit imposed by the BRSA is defined as an amount plus/minus 20% of the total capital used in the calculation of regulatory capital adequacy ratios. The Group's and the Bank's foreign currency net open position ratios were (3.5)% and (1.3)%, respectively, as of December 31, 2010, 0.3% and 0.4%, respectively, as of December 31, 2009 and (2.1)% and (2.4)%, respectively, as of December 31, 2008.

The Group's short foreign currency position increased to an equivalent of US$430 million as of December 31, 2010 from an equivalent of US$5 million as of December 31, 2009, and of US$119 million as of December 31, 2008. The following table provides the Group's net open position in different currencies as of the indicated dates:

	As of December 31,		
	2008	2009	2010
		(millions)	
US Dollars	$(162)	$(244)	$(418)
Euro.	€(2)	€108	€(207)
Other currencies[1]	$46	$84	$265
Total net foreign exchange position[1][2]	**$(119)**	**$(5)**	**$(430)**

(1) For the convenience of the reader, the total amounts of other currencies have first been converted into TL by using the rates announced by the Bank as of December 31 for each year and then converted into US Dollars using the TL/$ Exchange Rate as of such dates.
(2) The positions indicated are net of the effects of hedging transactions and other off-balance sheet positions.

The Group translates its foreign currency assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains or losses realized upon the sale of such assets, to TL in preparing its financial statements. As a result, the Group's reported income is affected by changes in the value of the TL with respect to foreign currencies. The overall effect of exchange rate movements on the Group's results of operations depends upon the successful implementation of the Group's hedging strategies as well as upon the rate of depreciation or appreciation of the TL against its principal trading currencies. The Group generally seeks to be fully hedged in terms of foreign exchange exposures; *however*, depending upon market conditions, it may prefer to carry certain open positions through spot or derivative foreign exchange transactions. In such cases, exposures are managed with hedges subject to the limits set by the management of the Bank and its subsidiaries and applicable BRSA legal limits.

By maintaining a reasonably balanced foreign currency position throughout each of 2008, 2009 and 2010, the Group had modest net foreign exchange gains or losses (after giving effect to the Group's hedging strategy and other off-balance sheet positions) in each such year - a net foreign exchange gain of TL 81,971 thousand (US$54 million) and TL 167,095 thousand in 2010 and 2009, respectively, as compared to a net foreign exchange loss of TL 233,581 thousand in 2008. See also "Operating Income-Other Operating Income" and "Operating Expenses."

Exchange rate movements also affect the TL-equivalent value of the Group's foreign currency-denominated assets and capital, which can affect capital adequacy either positively (for example, if the TL appreciates, then assets in foreign currencies convert into fewer TL in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the TL depreciates, then assets in foreign currency convert into more TL in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios).

Interest Rate Environment

One of the primary factors influencing the Group's profitability is the level of interest rates in Turkey, which in turn influences the return on its securities portfolio and its loan and deposit rates. Interest earned and paid on the Group's assets and liabilities reflect, to a certain degree, inflation, expectations regarding inflation, shifts in short-term interest rates set by the Central Bank and movements in long-term real interest rates. The fluctuations in short-term and long-term interest rates impact the Group's net interest income differently based upon the repricing profile of the Group's interest-earning assets and interest-bearing liabilities. Due principally to historical inflation expectations in Turkey, as of December 31, 2010, 51% of the Bank's TL-denominated cash loan portfolio had a maturity of one year or less and 31% of such portfolio carried a floating rate of interest (54% and 46%, and 55% and 47% as of December 31, 2009 and 2008, respectively).

Because the Group's interest-bearing liabilities (principally deposits) generally reprice faster than its interest-earning assets, changes in the short-term interest rates in the economy generally are reflected in the rates of interest paid by the Group on its liabilities before such interest rates are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group is both positively affected (for example, the value of its fixed rate securities portfolio may increase, as occurred in 2009, and its interest margins can improve), but can also be negatively impacted (for example, through the decline in net interest margins on assets funded by 0% interest rate deposits). On the other hand, when short-term rates increase, the Group's interest margin is generally negatively affected as it generally will pay higher interest rates on its interest-bearing liabilities before it can modify the rates of its interest-earning assets. An increase in long-term rates generally has at least a short-term negative effect on the Group's net interest margin because its interest-earning assets generally have a longer re-pricing duration than its interest-bearing liabilities and because a portion of its interest-earning assets have fixed rates of interest (for example, 62.7%, 57.1% and 56.4% of the Bank's interest-earning assets were fixed-rate as of December 31, 2008, 2009 and 2010, respectively). While 26.6% of the Group's securities portfolio consisted of CPI-linked securities as of December 31, 2010 (16.9% and 0.6% as of December 31, 2009 and 2008, respectively), rising interest rates are expected to reduce the value of the Group's existing securities investment portfolio but ultimately are expected to result in increased interest income on additional assets included in this portfolio.

The following table provides the Bank's net interest margin and average spread for the indicated periods:

	2008	2009	2010
Net interest margin(1)	4.4%	5.5%	4.5%
Turkish Lira assets	6.2%	7.4%	6.0%
Foreign currency assets	1.5%	2.3%	1.9%
Average spread(2)			
Turkish Lira assets	3.6%	6.6%	5.2%
Foreign currency assets	1.6%	2.2%	2.0%

(1) The Bank's net interest income as a percentage of its total average assets. Total average assets are calculated as the average of the opening, quarter-end and closing balances for the applicable year.
(2) Difference between the weighted average interest rate of the Bank's average interest-earning assets and interest-bearing liabilities. Average interest-earning assets and interest-bearing liabilities are calculated as the average of the opening, quarter-end and closing balances for the applicable year.

In 2009, the increase in net interest margin principally resulted from the ability to reprice interest-bearing liabilities more quickly than interest-earning assets were re-priced as interest rates declined throughout the year. In 2010, net interest margins and spreads in Turkish Lira and foreign currencies decreased as compared to 2009. The overnight TL borrowing rate announced by the Central Bank declined from 15.0% as of December 31, 2008 to 6.5% in November 2009 and then to 1.5% in December 2010.

The following table provides the Group's net interest margin and average spread for the indicated periods:

	2008	2009	2010
Net interest margin(1)	4.1%	5.1%	4.3%
Average spread(2)	2.5%	4.7%	3.8%

(1) The Group's net interest income as a percentage of its total average assets. Total average assets are calculated as the average of the opening, quarter-end and closing balances for the applicable year.
(2) Difference between the weighted average interest rate of the Group's average interest-earning assets and interest-bearing liabilities. Average interest-earning assets and interest-bearing liabilities are calculated as the average of the opening, quarter-end and closing balances for the applicable year.

The relatively lower Group figures for net interest margin (when compared to the Bank's stand-alone results) is principally a result of the different balances of currencies in which the Bank and its non-Turkish subsidiaries operate (for example, interest rates and margins are generally lower in Dollar- and Euro-denominated transactions than TL-denominated transactions). Increased competition, particularly price competition in certain retail products (particularly general purpose loans) from state-controlled banks, negatively impacted the Group's net interest margin.

Significant Securities Portfolio

The Group has historically generated a significant portion of interest income from its securities portfolio, with interest and similar income derived from the Group's securities portfolio in 2008, 2009 and 2010 accounting for 30.3%, 36.4% and 37.8%, respectively, of its total interest income (and 24.4%, 30.7% and 31.2%, respectively, of its gross operating income before deducting interest expense and fee and commission expense when trading gains on sale of securities are also considered). The Group also has obtained large realized gains from the sale of securities, which gains represented 35.0% of the Group's other operating income in 2010 (largely attributed to the Bank's sale of appreciated available-for-sale securities to realize gains and, due to the expectation of increasing inflation, redeploy the funds principally in inflation-adjusted Turkish government bonds instead of loans due to its selective growth strategy in lending), 32.7% in 2009 and 8.1% in 2008.

While the contribution of income from the Group's securities portfolio (including interest earned, trading gains and other income) has been significant over the past three fiscal years, the Group expects that trading gains will not continue to be as large going forward and that the percentage of its assets invested in securities will decline as happened in 2010, if loan demand keeps accelerating as the global financial crisis subsides and the Turkish economy continues to grow.

The Group's securities portfolio principally contains Turkish government debt securities with more limited holdings of other securities such as corporate and foreign government debt securities. The Group's investment securities portfolio (which excludes its trading portfolio) represented 26.6%, 32.2% and 29.7%, respectively, of the Group's total assets as of December 31, 2008, 2009 and 2010. The share of investment securities in total assets increased in 2009 due to the declining demand for loans and the more conservative lending policies adopted by the Group during the global financial crisis. However, the share of the Group's investment securities portfolio decreased to 29.7% as of December 31, 2010 as the Group increased its cash loan lending during 2010, in part due to higher loan demand. As the Group's investment securities portfolio is comprised largely of high quality securities (principally Turkish government debt, most of which is held in the available-for-sale portfolio), the Group experienced insignificant credit losses on its investment securities portfolio and established immaterial provisions relating thereto during each of 2008, 2009 and 2010. However, its trading portfolio and available-for-sale investment securities portfolio are marked-to-market with the mark-to-market losses or gains being included in income (for the trading portfolio and where there is a permanent impairment of available-for-sale securities) or shareholders' equity (for the available-for-sale portfolio) as appropriate. In case of permanent impairments of held-to-maturity securities, such impairment losses are also recognized in income. See the IFRS Financial Statements included elsewhere in this Offering Circular and "Selected Statistical and Other Information – Securities Portfolio."

Provisions for Possible Loan Losses

The Group's financial results can be significantly affected by the amount of provisions for possible loan losses. Provisions for possible loan losses increased significantly in 2009 due to the increase in past due loans and non-performing loans, which was mainly attributable to the general deterioration in economic conditions in 2009. The net provision for possible losses on cash loans increased from TL 505,459 thousand in 2008 to TL 1,240,553 thousand in 2009 (a 145.4% increase) and then decreased to TL 77,073 thousand (US$51 million) in 2010 (a 93.8% decrease). Accordingly, the ratio of the Group's non-performing loans to total gross cash loans increased from 2.5% as of December 31, 2008 to 4.4% as of December 31, 2009 and then decreased to 3.5% as of December 31, 2010. The most significant components of the substantial increase in 2009 were credit cards and retail banking, which showed improvement in 2010 as the Turkish economy recovered. In 2010, as a result of deceleration in new non-performing loans and a strong collection performance combined with the 29.8% growth in the amount of cash loans, the ratio of the Group's non-performing loans to total gross cash loans declined to 3.5% as of December 31, 2010.

In addition to the provisions that the Group is required to take for non-performing loans according to BRSA requirements (see "Turkish Regulatory Environment – Loan Loss Reserves;" IFRS provisioning is described below in "Significant Accounting Policies – Allowance for Loan Losses"), the Group's management may take additional provisions should the management determine this to be prudent either in the form of specific provisions or general provisions. For example, in 2009 the Group's management elected to take a TL 330,000 thousand general provision (in addition to TL 30,000 thousand already taken in 2008) in order to act conservatively in the context of the uncertainty created by the global financial crisis. In addition to the negative impact on net income caused by the increase to total operating expenses resulting from such provisions, from a tax perspective the Group is unable to deduct these general provisions from its taxable income, thus increasing its effective tax rate. The Bank's management decided to maintain this general provision in 2010. KPMG and Deloitte have highlighted these provisions in their respective auditors' report (by way of qualification) for 2009 and 2010 since general provisions are not permitted under IFRS. See the 2010 and 2009 IFRS Financial Statements included elsewhere in this Offering Circular.

Significant Accounting Policies

The Group's accounting policies are integral to understanding its results of operations and financial condition presented in the IFRS Financial Statements (including the notes thereto). The Group's significant accounting policies are described in the notes to the IFRS Financial Statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. The Group's significant accounting policies are those that are most important to the portrayal of its financial condition and results of operations and that require the Group to make its most difficult and subjective judgments, often as a result of a need to make estimates of matters that are inherently unpredictable. On an ongoing basis, management evaluates its estimates and judgments, including those related to allowance for losses, investments, income taxes, financing operations and contingencies, litigation and arbitration. Management bases its estimates and judgment upon historical experience and various other factors that are believed to be reasonable under the circumstances. The Group's results may differ significantly from the estimates under different assumptions, judgments and conditions.

In "Significant accounting policies" in the Group's IFRS Financial Statements provided elsewhere in this Offering Circular, the Group lists many accounting policies that have a significant impact on the Group's results of operations and financial conditions. The Bank's management believes that, of all its significant accounting policies, the following require more critical judgments or estimates by management or involve a greater degree of complexity in application of accounting policies that affect its financial condition and results of operations.

Allowance for Loan Losses, Guarantees and Other Commitments

Based upon its evaluation of credits granted, the management team estimates the total credit risk provision that it believes is adequate to cover uncollectible amounts in its loans and advances portfolio (see, however, the discussion under "Significant Factors Affecting the Group's Financial Condition and Results of Operations – Provisions for Possible Loan Losses" above). In addition, the Group establishes provision liabilities for possible losses under guarantees and other commitments. The Group reviews its financial assets at each balance sheet date to determine whether there is objective evidence of impairment. If there is objective evidence that the Group will not be able to collect all amounts due (principal and interest) according to the original contractual terms of a loan, then the loan is considered impaired and classified as a "non-performing loan." The allowance for a loan is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate, including any probable foreclosure of collateral. Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

These allowances involve significant estimates and are regularly evaluated by the Group for adequacy. The allowances are based upon the Group's own loss experience and management's judgment of the level of losses that will most likely be recognized from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower. The allowances for loan losses in the IFRS Financial Statements have been determined on the basis of existing economic and political conditions, except for the general provisions discussed elsewhere herein. The Group is not able to predict with certainty what changes in conditions will take place in the markets in which it operates and what effect such changes might have on the adequacy of the allowances for loan losses in future periods. See "Turkish Regulatory Environment – Loan Loss Reserves" with respect to the Turkish regulatory requirements for provisions for loans.

Fair Value of Securities

The Group's securities are classified as either financial assets at fair value through profit or loss (*i.e.*, trading securities) or investment securities (which include both available-for-sale securities and held-to-maturity securities). While held-to-maturity securities are recorded at their acquisition cost and measured at amortized cost calculated as per the effective interest rate method, the Group's trading securities and available-for-sale investment securities (which collectively represented 85.7% of the Group's total securities portfolio as of December 31, 2010) are recorded at fair value, with changes in fair value being recorded in income (for the trading portfolio and where there is a permanent impairment or sale of available-for-sale securities) or shareholders' equity (for mark-to-market movements in available-for-sale securities). In the case of permanent impairment of held-to-maturity securities, such impairment losses are also recognized in income. As of December 31, 2008, 2009 and 2010, a total of TL 18,891,884 thousand, TL 30,492,512 thousand and TL 35,242,783 thousand (US$23,186 million), respectively, in such securities were recorded at fair value in the Group's balance sheet.

The following table sets out the distribution of the Group's securities recorded at fair value as of each of the indicated dates:

	December 31,			
	2008	2009	2010	2010
		(TL thousands)		*(US$ millions)*(1)
Financial assets at fair value through profit or loss...	564,137	722,753	774,843	510
Investment securities available-for-sale	18,327,747	29,769,759	34,467,940	22,676
Total..	**18,891,884**	**30,492,512**	**35,242,783**	**23,186**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

Fair value is defined as the value at which a position could be closed out or sold in a transaction with a willing and knowledgeable unrelated party, without any deduction for transaction costs. The Group estimates fair value using quoted market prices when available. When quoted market prices are not available, the Group uses a variety of models that include dealer quotes, pricing models and quoted prices from instruments with similar characteristics or discounted cash flows. The determination of fair value when quoted market prices are not available involves judgment by the Group's management. There is often limited market data to rely upon when estimating the impact of holding a large or aged position. Similarly, judgment must be applied in estimating prices when no external parameters exist. Other factors that can affect the estimates include incorrect model assumptions and unexpected correlations. The imprecision in estimating these factors may affect the amount of revenue or loss recorded for a specific asset or liability. As of December 31, 2010, the Group held trading securities and available-for-sale investment securities for which it could not use market prices or observable market inputs to determine fair value representing only 1.8% of its total assets.

Besides the trading securities and available-for-sale securities, the Group also monitors the fair value of its securities held-to-maturity to determine whether a decline in their fair value reflects that a write-down would be appropriate, which occurs if such a decline represents a loss event as described in the IFRS Financial Statements. Although the investment securities held-to-maturity are kept at their amortized costs on the balance sheet and the marked-to-market differences on the investment securities available-for-sale are recorded under equity instead of the income statement, if the Group's management determines such to be the case, then such securities would be written-down and be reflected as impairment losses, net, under operating expense in the income statement. Factors that are used by the Group's management in determining whether a decline is "other-than-temporary" and represents a loss event include the credit quality of the issuer, the conditions of the issuer's operations and business segments, the observed period of the loss, the degree of the loss and management's expectations.

Derivatives

The Group enters into transactions with derivative instruments, including forward contracts, swaps and options in the foreign exchange and capital markets. For example, the Group enters into interest rate swap transactions in order to hedge certain cash flow exposures primarily on floating rate assets and liabilities through converting its floating rate income/payments into fixed rate income/payments. These derivative transactions are considered as effective economic hedges under the Group's risk management policies but (other than transactions in which the hedge accounting relationship is evidenced), if they do not qualify for hedge accounting under the specific provisions of IAS 39, are treated as derivatives held-for-trading. Derivative financial instruments are recognized in the balance sheet at their fair value.

The fair value of financial instruments is based upon their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, then the fair value of an instrument is estimated using the available market information and the appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates made are not necessarily indicative of the amounts that could be realized in a current transaction.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to income for the period whereas gains and losses arising from changes in the fair value of derivates designated as cash flow hedges are reflected directly as a separate component of equity and reclassified to income when the hedged transaction is settled.

Defined Benefit Plan

The Bank has a defined benefit plan for its Turkish employees, which is called Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı (the "*Fund*"). The Fund is a separate legal entity and a foundation recognized by an official decree and provides pension and post-retirement medical benefits to all qualified Bank employees. This benefit plan is funded through contributions both by the Bank's employees and the Bank as required by Turkey's Social Security Law. Employees of other members of the Group do not participate in this benefit plan.

This benefit plan is composed of: (a) the contractual benefits provided under the articles of association of the Fund to the participating employees, which is subject to potential transfer to the Social Security Institution of the Republic of Turkey (*Türkiye Cumhuriyeti Sosyal Güvenlik Kurumu*) (the "*SSF*") as described below, and (b) other "excess" benefits and payments provided in the existing trust indenture but not transferable to the SSF (as and medical benefits provided by the Bank for its constructive obligation (as defined in IAS 19, an obligation that derives from an entity's actions whether by an established pattern of past practice, a published policy or a sufficient specific current statement) (the "excess benefits").

According to Turkish law, certain of the assets and liabilities of these funds must be transferred to the SSF by May 8, 2011. This period may be extended by the Council of Ministers for a period of two years. At the time of this transfer, an actuarial calculation will be conducted to establish if a bank's fund's assets are sufficient to meet its liabilities. The SSF is required to collect the unfunded portion (if any) from the employee benefit funds and the banks employing the relevant fund participants, which will be severally liable, in annual installments to be paid over a period of up to fifteen years. The payment would be in Turkish Lira and would be announced by the Treasury for each year. The provisions of this law have been challenged before the Constitutional Court and, while a previous version of this law was found to be unconstitutional by the Constitutional Court in 2007, as of the date of this Offering Circular, the Constitutional Court has not rendered any ruling thereon.

Although no official work has commenced to implement the transfer of the Bank's retirement fund to the SSF, the Bank engaged IDE Yönetim Danışmanlığı Eğitim ve Yazılım Hizmetleri Ltd. Şti. (an alliance member of Hewitt Associates) to conduct an actuarial study, which reported no deficit based upon the assumptions stated in the applicable law. These assumptions are sensitive to elements such as the number of employees in the current workforce, the workforce turnover rate, the aging rate of the workforce and the other parameters stipulated in the relevant legislation. Therefore, it is possible that the actuarial study may turn out to be incorrect if any of the assumptions on which it is based differ from the calculations made at the time of the actual transfer. If there is a shortfall at the time of the transfer of the fund (as determined by the SSF), then the Bank would be liable to make the supplemental payments described above for fifteen years.

The excess benefits, which are not subject to the transfer to the SSF, are accounted for in the Group's IFRS Financial Statements in accordance with IAS 19, "Employee Benefits." The obligation in respect of this retained portion of the benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; which benefit is discounted to determine its present value by using the projected unit credit method, and any unrecognized past service costs and the fair value of any plan assets are deducted.

The pension and medical benefits transferable to the SSF and the excess benefits are calculated annually by an independent actuary registered with the Undersecretariat of the Treasury. As per the latest independent actuary report dated January 18, 2011, the Bank had no excess obligation that needed to be provided for as of December 31, 2010.

Taxation

Income tax is calculated on the basis of taxable income as calculated by applicable tax laws and regulations, which differs in certain material respects from IFRS. The Group's effective tax rate was 18.35% in 2008, 21.25% in 2009 and 20.15% in 2010. In preparing its financial statements, the Group is required to estimate taxes on income, which involves an estimation of current tax expenses together with an assessment of temporary differences resulting from differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Group's carrying value of net deferred tax assets assumes that the Group will be able to generate sufficient future taxable income based upon estimates and assumptions. If these estimates and related assumptions change in the future, then the Group may be required to record valuation allowances against its deferred tax assets resulting in additional tax expense in its income. The Group evaluates the recoverability of the deferred tax assets on a daily basis.

Key Performance Indicators

The Group calculates certain ratios in order to measure its performance and compare it to the performance of its main competitors. The following table sets out certain key performance indicators for the Group for the indicated dates/periods, which indicators are (among others) those used by the Group's management to manage its business:

	As of (or for the year ended) December 31,		
Ratios	**2008**	**2009**	**2010**
Net interest margin(1)	4.1%	5.1%	4.3%
Adjusted net interest margin(2)	3.5%	3.9%	4.2%
Net yield(3)	4.6%	6.0%	5.0%
Adjusted net interest income as a percentage of average interest-earning assets(3)(4)	3.6%	4.7%	5.0%
Net fee and commission income to total operating income	27.4%	21.7%	24.3%
Cost-to-income ratio(5)	53.7%	42.0%	44.4%
Operating expenses as a percentage of total average assets(6)	3.1%	2.6%	2.6%
Non-performing loans to total gross cash loans	2.5%	4.4%	3.5%
Free capital ratio(7)	8.2%	10.0%	10.8%
Group's capital adequacy ratios(8)			
Tier I capital adequacy ratio(9)	13.50%	16.55%	15.71%
Total capital adequacy ratio(9)	14.85%	19.16%	18.07%
Allowance for possible loan losses to non-performing loans(10)	71.9%	76.9%	85.2%
Return on average total assets(11)	2.3%	2.9%	2.8%
Return on average shareholders' equity(12)	22.8%	26.2%	22.3%

(1) Net interest income as a percentage of total average assets (calculated as the average of the opening, quarter-end and closing balances for the applicable year). The above is calculated on the basis of IFRS. For Bank-only net interest margin, please see "Management's Discussion and Analysis of Financial Condition and Result of Operations – Significant Factors Affecting the Group's Financial Condition and Result of Operations – Interest Rate Environment."

(2) Net interest income reduced by provision for loan losses, as a percentage of total average assets (calculated as the average of the opening, quarter-end and closing balances for the applicable year).

(3) Net interest income as a percentage of average interest-earning assets (calculated as the average of the opening, quarter-end and closing balances for the applicable year).

(4) Adjusted net interest income is net interest income *plus/minus* net foreign exchange gains/losses *minus* provision for possible loan losses.

(5) "Cost" includes total operating expenses excluding impairment losses, net, reserve for employee severance indemnities and foreign exchange and trading losses. "Income" includes operating income *minus* foreign exchange and trading losses and impairment losses, net, except for provisions made on a portfolio basis to cover any inherent risk of loss for cash loans and non-cash loans. If "income" were calculated without subtracting impairment losses, net, then the ratios would be 49.1%, 34.1% and 43.8% for 2008, 2009 and 2010, respectively.

(6) Operating expenses for purposes of this calculation is total operating expenses excluding impairment losses, net, depreciation and amortization expenses, reserve for employee severance indemnities and foreign exchange and trading losses. Total average assets are calculated as the average of the opening, quarter-end and closing balances for the applicable year.

(7) Total shareholders' equity *minus* goodwill, tangible assets, assets held for resale, investments in equity participations and net non-performing loans excluding allowance made on a portfolio basis to cover any inherent risk of loss, as a percentage of total assets.

(8) Calculated in accordance with BRSA regulations for the Group. Each of the Bank and the Group is required to maintain a capital adequacy ratio over the legal minimum only on a total capital basis. See "Capital Adequacy" below.

(9) The total capital adequacy ratio is calculated by dividing: (a) the "Tier I" capital (*i.e.,* the "core capital" which comprises the share capital, reserves and retained earnings) plus the "Tier II" capital (*i.e.,* the "supplementary capital" which comprises general provisions, subordinated debt, unrealized gains/losses on available-for-sale assets and revaluation surplus (reduced by certain items such as leasehold improvements and prepaid expenses starting in 2009)) and minus items to be deducted from capital (the "deductions from capital", which comprises unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years), by (b) the aggregate of the risk-weighted assets and off-balance sheet exposures (*i.e.,* value at credit risk), value at market risk and value at operational risk. The "Tier I" capital adequacy ratio is calculated by dividing the "Tier I" capital by the aggregate of the value at credit risk, value at market risk and value at operational risk.

(10) Excluding allowances made on a portfolio basis to cover any inherent risk of loss.

(11) Net income for the period as a percentage of average total assets (calculated as the average of the opening, quarter-end and closing balances for the applicable year).

(12) Net income for the period as a percentage of average shareholders' equity (calculated as the average of the opening, quarter-end and closing balances for the applicable year).

Analysis of Results of Operations for the Years Ended December 31, 2008, 2009 and 2010

The following summary financial and operating data as of and for the years ended December 31, 2008, 2009 and 2010 have been extracted from the IFRS Financial Statements. This information should be read in conjunction with the IFRS Financial Statements (including the notes thereto) included elsewhere in this Offering Circular.

The table below summarizes the Group's income statement for the years ended December 31, 2008, 2009 and 2010, the components of which are described in greater detail in the following sections:

	For the years ended December 31,			
	2008	2009	2010	2010
		(TL thousands)		(US$ millions)(1)
Net interest income	3,508,057	5,433,151	5,214,406	3,430
Net fee and commission income(2)	1,609,618	1,855,063	1,910,832	1,257
Other operating income	759,300	1,274,407	725,105	477
Total operating income	**5,876,975**	**8,562,621**	**7,850,343**	**5,164**
Impairment losses, net(3)	(490,026)	(1,643,535)	(101,432)	(67)
Other operating expenses(2)	(3,028,157)	(2,989,393)	(3,429,860)	(2,256)
Total operating expenses	**(3,518,183)**	**(4,632,928)**	**(3,531,292)**	**(2,323)**
Income before tax	**2,358,792**	**3,929,693**	**4,319,051**	**2,841**
Taxation charge	(432,777)	(835,032)	(870,157)	(572)
Net income for the year	**1,926,015**	**3,094,661**	**3,448,894**	**2,269**
Attributable to equityholders of the Bank	1,914,215	3,080,719	3,428,019	2,255
Attribute to non-controlling interests	11,800	13,942	20,875	14

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

(2) As of December 31, 2009 and 2008, certain credit card related expenses were reclassified from Fee and Commission Expense to Other Operating Expenses for a comparative presentation to 2010.

(3) "Impairment losses, net" includes provision for loan losses, net.

The following table identifies the share that net interest income, net fee and commission income and other operating income have represented in the Group's total operating income for each of the indicated years:

	2008	2009	2010
Net interest income	59.7%	63.4%	66.4%
Net fee and commission income	27.4%	21.7%	24.3%
Other operating income	12.9%	14.9%	9.3%
Total operating income	**100.0%**	**100.0%**	**100.0%**

Net Income

The Group's net income for a period is calculated by reducing its operating income for such period by the amount of its operating expenses and taxation charge for such period. The Group's net income for 2010 was TL 3,448,894 thousand (US$2,269 million), an 11.4% increase from TL 3,094,661 thousand in 2009, which itself was a 60.7% increase from TL 1,926,015 thousand in 2008. The net income for 2009 and 2008 was affected by certain non-recurring and significant items, which are quantified in the table below:

	2008	2009	2010
		(TL thousands)	
Non-recurring Items			
Sale of non-performing loans	28,898	-	-
Provision for general banking risks[(1)]	(30,000)	(330,000)	-
Significant Items			
Provision for defined benefit plan[(2)]	61,997	102,601	-
Tax effects of the items listed above	20,520	(20,520)	-
Total impact on net income	**81,415**	**(247,919)**	**-**
Reported net income for the year	1,926,015	3,094,661	3,448,894
Net income adjusted for above events	**1,844,600**	**3,342,580**	**3,448,894**

(1) In each of 2008 and 2009, the Bank's management decided to take a conservative approach to provisioning due to the uncertainty in the economy and market conditions during the global financial crisis and made provisions for general banking risks that it believed were prudent. These provisions form a component of impairment losses, net and affect the balance sheet as an element of other liabilities and accrued expenses. As such general provisions are not permitted under IFRS, the Group's independent auditors noted this departure from IFRS in the Group's 2008, 2009 and 2010 IFRS Financial Statements. Should the Bank's management determine that market conditions have improved to such an extent that such additional reserves are not required, then they may elect to reverse such reserves in future periods, which would have the result of increasing income in such period.

(2) Pursuant to Social Security Law No. 506 as enacted on May 8, 2008, the Bank calculated its defined benefit obligations arising from the Fund as of December 31, 2007 and booked a provision for TL 164,598 thousand. Due to surpluses in the Fund's balance as of both of December 31, 2008 and 2009, provisions for the Bank's obligations arising from the Fund were reversed gradually.

After adjusting for these non-recurring events and significant items, the increase in net income was 3.2% for 2010 as compared to 2009 and 81.2% for 2009 as compared to 2008. The increase in net income in 2010 resulted mainly from improved asset quality and a strong collection performance, more than offsetting the decrease in margins. The significant increase in net income in 2009 was mainly due to the 54.9% increase in net interest income over 2008, only partially offset by the 235.4% increase in impairment losses, net in 2009 compared to 2008.

The following sections describe the components of the Group's net income (*i.e.*, operating income, operating expenses and taxation charges) in greater detail.

Operating Income

The Group's operating income is comprised of its net interest income, net fee and commission income and other operating income. Each of these is described in greater detail below.

Net Interest Income. The Group's net interest income is the difference between the interest income that it earns on its interest-earning assets and the interest expense that it pays on its interest-bearing liabilities. Net interest income is the principal area of income for the Group and thus the differential between the interest rates that it receives on interest-earning assets and the interest rates that it pays on interest-bearing liabilities (*i.e.*, its average spread), and the volume of such assets and liabilities tend to have the most significant impact on the Group's results of operations. Net interest income represented 59.7%, 63.4% and 66.4% of the Group's total operating income in 2008, 2009 and 2010, respectively.

Net interest income amounted to TL 5,214,406 thousand (US$3,430 million) in 2010, a 4.0% decrease from TL 5,433,151 thousand in 2009, which itself was a 54.9% increase from TL 3,508,057 thousand in 2008. The Group's net yield (*i.e.*, its net interest income as a percentage of its average interest-earning assets (which is calculated as the average of the opening, quarter-end and closing balances for the applicable year)), was 5.0% in 2010 compared to 6.0% for 2009 and 4.6% for 2008. The decline in net yield in 2010 compared to 2009 was mainly due to the general decline in margins in the Turkish market in 2010 as a result of increased competition across all sectors of the Group's business; *however*, the volumes, especially in lending activities, increased in 2010 as further described in "Loans and Advances to Customers" below.

Net interest margin was 4.5% in 2010 for the Bank (4.3% for the Group) compared with 5.5% in 2009 (5.1%) and 4.4% in 2008 (4.1%). The increase in net interest margin in 2009 for the Bank and the Group was mainly due to the decline in short-term interest rates, which benefitted the Group as it was able to reprice its liabilities more quickly than its assets repriced. In 2010, the margins decreased as assets were repriced with a time-lag compared to liabilities. The average spread for the Bank and the Group followed a similar pattern in 2010. See also "– Significant Factors Affecting the Group's Financial Condition and Results of Operations – Interest Rate Environment."

Interest income and interest expense are discussed in greater detail below.

Interest Income. Interest income is the interest (including the amortization of interest-earning assets purchased at a discount and the interest component of lease receivables) and certain loan-related fees (such as closing fees received on project finance loans) received by the Group on its interest-earning assets, principally loans and debt securities. Interest income is a function of both the volume of interest-earning assets and the yield that the Group earns on these holdings. The Group's interest income decreased by 8.5% to TL 10,227,083 thousand (US$6,728 million) in 2010 from TL 11,174,830 thousand in 2009, which itself was an increase of 10.2% from TL 10,143,430 thousand in 2008. The following table sets out the interest earnings on the Group's interest-earning assets during each of the indicated years:

	2008	**2009**	**2010**	**2010**
		(TL thousands)		*(US$ millions)*(1)
Interest on loans	6,076,736	6,321,909	5,663,963	3,726
Interest on securities	3,075,808	4,070,136	3,863,118	2,542
Interest on deposits at banks	654,012	465,845	403,528	265
Interest on lease business	235,025	231,841	203,804	134
Others	101,849	85,099	92,670	61
Total interest income	**10,143,430**	**11,174,830**	**10,227,083**	**6,728**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

As noted above, interest income is a function of both the volume of, and yield earned on, the Group's interest-earning assets. In 2010, the principal factor that caused the decrease in interest income was that the interest on loans decreased by 10.4% due to the decline in the average yield on the Group's loan portfolio. In 2009, the principal driver of the year-over-year increase in the Group's interest income was the 32.3% growth in the interest that it earned on its portfolio of securities. This increase resulted from the 42.6% increase in the volume of the Group's investment securities, which more than offset the decline in the average yield earned by the Group on such investments (which declined from 16.10% in 2008 to 14.35% in 2009). With respect to loans, interest earned by the Group increased by only 4.0% in 2009 compared to 2008 due to the 1.7% growth in the Group's cash loan portfolio and slight decline in the average yield on such portfolio. Interest on deposits at banks declined by 13.4% in 2010 compared to 2009 and 28.8% in 2009 compared to 2008 due principally to the decline in interest rates in 2009 and 2010 as a result of the global financial crisis.

The following table sets forth the average yield earned by the Bank (daily average) and the Group (quarterly average) on certain interest-earning assets for the indicated years. For additional information with respect to the Bank's interest income, including with respect to TL- and foreign currency-denominated assets, see "Selected Statistical and Other Information – Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential – Assets – Average Interest – Earning Assets" and "– Net Changes in Interest Income and Expense – Volume and Rate Analysis."

	2008	**2009**	**2010**
Total for Bank	**13.38%**	**11.86%**	**8.75%**
Deposits at banks	5.68%	2.97%	2.30%
Investment securities	16.10%	14.35%	11.06%
Loans and advances to customers	13.76%	12.76%	8.93%
Total for Group	**13.35%**	**12.28%**	**9.75%**

The decline in yield over the indicated years primarily resulted from the declining interest rate environment in global and Turkish markets as a result of the global financial crisis and governmental responses thereto, including increases in liquidity facilities by central banks and sharp reductions in central bank interest rates as well as increase in competition in the market.

The growth in the Group's interest income in the recent years before 2010 was primarily due to the increase in the size of its portfolio of debt securities, funding for which was obtained from the growth in the collection of deposits as part of the Group's expanding retail lending operations. During the global financial crisis, in particular due to the decreased demand and/or credit quality of Turkish exporters and other borrowers as the economy contracted, growth in corporate, commercial and SME lending slowed significantly. As a result, the Group utilized the excess funding capacity attributable to this deposit growth to invest in debt securities (principally Turkish government securities). During 2010, there were improvements in the loan market and thus the growth in cash loans has improved as global market conditions recover and the demand of the Group's customers for loans increases. As a result, interest income from securities has been declining and (as yields are not expected by Group management to increase in the near term) likely will not be offset by growth in the interest income on the loan portfolio. The Bank's management does not anticipate that interest rates will increase materially until a sustainable global recovery is attained. However, recent increases in reserve requirements are anticipated to put additional pressure on banks, which may result in increased interest rates for loans and thus reduce loan demand.

Interest Expense. Interest expense is the interest and certain loan-related fee (such as fees paid on syndicated loans) expenses of the Group on its interest-bearing liabilities, principally time deposits and borrowings. As with interest income, interest expense is a function of both the volume of interest-bearing liabilities and the interest rates that the Group pays on these liabilities. The Group's interest expense decreased by 12.7% to TL 5,012,677 thousand (US$3,298 million) in 2010 from TL 5,741,679 thousand in 2009, which itself reflected a decrease of 13.5% from TL 6,635,373 thousand in 2008. The following table sets out the interest expense on the Group's interest-bearing liabilities by category during each of the indicated years:

	2008	2009	2010	2010
		(TL thousands)		*(US$ millions)*[1]
Interest on saving, commercial and public deposits	4,360,305	4,054,888	3,661,582	2,409
Interest on borrowings and obligations under repurchase agreements	2,063,290	1,532,095	1,212,394	798
Interest on bank deposits	171,982	87,639	72,469	48
Interest on subordinated liabilities	35,327	64,799	59,943	39
Other	4,469	2,258	6,289	4
Total interest expense	**6,635,373**	**5,741,679**	**5,012,677**	**3,298**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

As noted above, changes in the interest rates that the Group pays on its interest-bearing liabilities significantly affect the Group's interest expense. Most significantly, the Group's interest-bearing deposits represent the largest portion of its liabilities, representing 53.3%, 53.4% and 53.5%, respectively, as of December 31, 2008, 2009 and 2010. As a result, the interest rates that the Group pays on its deposits typically have the largest impact on the Group's interest expense. The following table sets forth the average interest rates paid by the Bank (daily average) and the Group (quarterly average) on interest-bearing deposits and other interest-bearing liabilities for the indicated years:

	2008	2009	2010
Total for Bank	**10.74%**	**7.36%**	**5.41%**
Deposits from customers	10.81%	7.32%	5.37%
Short-term debt	12.61%	10.98%	7.22%
Long-term debt	6.98%	5.81%	5.40%
Repurchase agreements	15.12%	9.57%	5.71%
Total for Group	**10.81%**	**7.54%**	**5.94%**

The reduction in the Group's interest expense in 2010 and 2009 was principally a result of interest rate-easing by the Central Bank (which began in 2009 and resulted in significantly lower interest rates on TL deposits and TL-denominated repurchase agreements) and declining interest rates generally across global markets in response to the global financial crisis. The TL overnight rate declined from 15.8% on December 31, 2007 to 15.0%, 6.5% and 1.5% on December 31, 2008, 2009 and 2010, respectively. The benefits from the decrease in interest rates paid by the Group exceeded the additional interest expense resulting from the significant increase in the amount of the Group's interest-bearing liabilities in 2010. See "Financial Condition-Liabilities" below.

For additional information with respect to the Bank's interest expense, including with respect to the size of and yield paid on TL- and foreign currency-denominated liabilities, see "Selected Statistical and Other Information – Distribution of

Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential – Liabilities – Average Interest-Bearing Liabilities" and "– Net Changes in Interest Income and Expense – Volume and Rate Analysis." In addition, certain information on the interest rates paid by the Group on its interest-bearing liabilities can be found in "Selected Statistical and Other Information – Borrowings and Certain Other Liabilities" below.

Net Fee and Commission Income. The second largest component of the Group's operating income is its net fee and commission income. The Group earns fee and commission income on both capital-intensive products (such as origination fees on cash loans and fees for credit cards, letters of credit and guarantees) and capital-free products (such as investment advice and brokerage fees in respect of debt and equity trading). The principal drivers for fee and commission income are the credit card and retail banking businesses. The Bank's management expects the contribution of fee and commission income to the Group's overall operating income to increase, particularly with the expected growth in its retail lending businesses.

The Group's net fee and commission income for 2010 was TL 1,910,832 thousand (US$1,257 million) in 2010, an increase of 3.0% from TL 1,855,063 thousand in 2009, which itself was an increase of 15.2% from TL 1,609,618 thousand in 2008. The increase in 2009 was largely a result of an increase in loan origination fees. The slight increase in 2010 was primarily due to the growth in consumer and SME loans, which tend to have higher fees and commissions than are applied to corporate and commercial loans.

The following table sets out the categories of the Group's fee and commission income and expenses (identified by the principal business lines of the Group) and their respective amounts during each of the indicated years:

	2008	2009	2010	2010
		(TL thousands)		*(US$ millions)*[1]
Fee and Commission Income				
Credit card fees	1,058,992	1,037,325	991,941	652
Retail banking	327,344	441,379	558,904	368
SME banking	196,986	249,368	302,348	199
Commercial banking	137,871	184,241	198,068	130
Corporate banking	78,176	94,567	30,066	20
Other	166,055	157,541	145,711	96
Total fee and commission income	**1,965,424**	**2,164,421**	**2,227,038**	**1,465**
Fee and Commission Expense[2]				
Credit card fees	(322,414)	(283,636)	(258,257)	(170)
Retail banking	(12,203)	(3,400)	(5,681)	(4)
SME banking	(3,264)	(567)	(1,021)	(1)
Commercial banking	(815)	(50)	(589)	-
Other	(17,110)	(21,705)	(50,658)	(33)
Total fee and commission expense	**(355,806)**	**(309,358)**	**(316,206)**	**(208)**
Net fee and commission income	**1,609,618**	**1,855,063**	**1,910,832**	**1,257**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

(2) As of December 31, 2009 and 2008, certain credit card related expenses were reclassified from Fee and Commission Expense to Other Operating Expenses for a comparative presentation to 2010.

Other Operating Income. Other operating income includes net trading gains, net foreign exchange gains, premium income from the insurance business and other items. Total other operating income for 2010 amounted to TL 725,105 thousand (US$477 million), decreasing by 43.1% from TL 1,274,407 thousand in 2009 (mainly due to the decrease in trading and foreign exchange gains in 2010 compared to 2009), which itself increased by 67.8% from TL 759,300 thousand in 2008 (in part due to the incurrence of a net foreign exchange loss in 2008 (included in operating expenses) compared to a gain in 2009 and the increase in trading gains in 2009). The following table sets out the Group's other operating income by category during each of the indicated years:

	2008	2009	2010	2010
		(TL thousands)		*(US$ millions)*[1]
Trading gains, fixed/floating securities................	61,176	416,966	253,518	167
Trading gains, derivative transactions.................	426,926	309,591	63,104	41
Trading gains, net[2]	**488,102**	**726,557**	**316,622**	**208**
Premium income from insurance business...........	135,892	156,024	199,074	131
Foreign exchange gains, net................................	-	167,095	81,971	54
Other operating income.......................................	135,306	224,731	127,438	84
Total other operating income	**759,300**	**1,274,407**	**725,105**	**477**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.
(2) See note 27 to the 2010 IFRS Financial Statements included elsewhere in this Offering Circular.

The largest component of other operating income in 2010 (representing 43.7% of the total) was the net trading gains, which decreased by 56.4% compared to 2009, which itself was an increase by 48.9% in comparison to 2008. The large increase in 2009 was a result of significant gains in the trading of fixed and floating rate debt securities, principally due to profitable trading opportunities that arose due to the increased market volatility and wide bid/offer spreads caused by the global financial crisis. Most of the trading activity was customer driven. Such gains decreased in size when the market conditions were much more stable in 2010 than had been expected by the Bank's management. The increase in 2009 was partially offset by a decline in trading gains on derivative financial instruments (which to a large extent are used to hedge the Group's own positions) as a result of the decrease in volume and size of customer-driven transactions (particularly forward exchange contracts) due to increasing adverse effects of the global financial crisis on Turkish customers. This trend continued in 2010.

The second largest component of other operating income is the premium income from insurance business, which had a 27.4% share in total other operating income in 2010 (12.2% in 2009 and 17.9% in 2008). As the market share and transaction volume of the Group's life and pension business increase, its contribution to other operating income is expected to increase. See "The Group and its Business – Subsidiaries – Garanti Pension and Life" below.

The Group's foreign exchange gains/losses include both realized and unrealized gains/losses. The realized gains/losses result from the settlement of foreign exchange transactions and spot legs of derivative transactions, whereas unrealized gains/losses arise from the Group's foreign currency positions. The unrealized gains/losses consist of two parts - unrealized gains/losses on the balance sheet position and unrealized gains/losses on the off-balance sheet position. The foreign exchange gains/losses arising from the settlement of foreign exchange transactions and the unrealized gains/losses from the balance sheet foreign currency position are included under "foreign exchange gains/losses, net" whereas both the realized and unrealized gains/losses on off-balance sheet transactions and positions (which principally result from forward legs of derivative transactions) are recorded under "trading gains/losses." Therefore, although the Group did not hold any material foreign currency net open positions throughout the years 2008, 2009 and 2010 (considering both on-balance sheet and off-balance sheet positions), "foreign exchange gains/losses, net" varied among these years depending upon the balance sheet and off-balance sheet positions in gross terms. In 2010, the Group recorded foreign exchange gains, net of TL 81,971 thousand (US$54 million) compared to foreign exchange gains, net of TL 167,095 thousand in 2009 and a foreign exchange loss, net of TL 233,581 thousand in 2008. The Group's foreign exchange loss in 2008 was largely offset by the foreign exchange income on derivative transactions (*i.e.*, off-balance sheet positions) included in "trading gains, derivative transactions" as of December 31, 2008. With respect to foreign exchange gains, see "Currency Exchange Rates" above.

Operating Expenses

The Group's operating expenses include business expenses such as salaries/benefits and rent, but also include impairment losses (including provisions for non-performing loans) and foreign exchange and trading losses. Operating expenses in 2010 decreased by 23.8% to TL 3,531,292 thousand (US$2,323 million) from TL 4,632,928 thousand in 2009, itself an increase of 31.7% from TL 3,518,183 thousand in 2008. If the effect of impairment losses and foreign exchange losses are excluded, then the increase for 2010 and 2009 would have been 14.7% and 7.0%, respectively. These increases principally resulted from employee and expansion-related expenses as further explained in "Salaries and Wages" below.

As noted above, as a banking institution, the Group's management focuses closely on the Group's efficiency and (within the context of maintaining the quality of its services) seeks to decrease its cost/income ratio. The Group's costs (which includes total operating expenses excluding impairment losses, net, reserve for employee severance indemnities and foreign exchange and trading losses) to income (which includes operating income *minus* foreign exchange and trading losses and impairment losses, net, except for provisions made on a portfolio basis to cover any inherent risk of loss for cash loans and non-cash loans) ratio slightly increased to 44.4% from 42.0% in 2009 (53.7% in 2008). A similar ratio monitored by the Group is its ratio of operating expenses (calculated for this purpose as total operating expenses excluding impairment losses, net, depreciation and amortization expenses, reserve for employee severance indemnities and foreign exchange and trading losses) to total average assets, which ratio improved from 3.1% in 2008 to 2.6% in 2009 and remained at this level in 2010. The slight deterioration in the cost-to-income ratio was due to a smaller increase in the income side than in the cost side due to a decrease in margins, whereas the ratio of operating expenses as a percentage of total average assets improved since 2008 mainly due to close and effective control of costs.

The following table sets out the Group's total operating expenses by category during each of the indicated years:

	2008	2009	2010	2010
		(TL thousands)		*(US$ millions)*[1]
Salaries and wages	946,820	981,766	1,200,361	790
Credit card rewards and promotion expenses[2]	397,642	428,516	431,926	284
Employee benefits	239,939	255,571	292,519	192
Depreciation and amortization	183,273	196,018	207,312	136
Rent expenses	111,247	128,086	159,661	105
Communication expenses	144,378	140,232	156,203	103
Taxes and duties other than on income	77,863	125,689	118,047	78
Provision for loan losses, net	513,276	1,297,416	91,744	60
Impairment losses, net	(23,250)	346,119	9,688	7
Foreign exchange loss, net	233,581	-	-	-
Other operating expenses[3]	693,414	733,515	863,831	568
Total operating expenses[4]	**3,518,183**	**4,632,928**	**3,531,292**	**2,323**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

(2) As of December 31, 2009 and 2008, certain credit card related expenses were reclassified from Fee and Commission Expense to Credit Card Rewards and Promotion Expenses under Operating Expenses, for a comparative presentation to 2010.

(3) Other operating expenses include various normal course expenses such as advertising expenses, utility charges and repair and maintenance, none of which is individually material. See note 28 to the 2010 IFRS Financial Statements included elsewhere in this Offering Circular.

(4) In accordance with IFRS, the expenses associated with the Group's insurance business are, where appropriate, included within the various expense line items set out above.

The two items, salaries and wages and impairment losses, net (which was not a large item in 2010 but was in 2009 and 2008) are discussed in greater detail below. With respect to foreign exchange losses, net, see "Significant Factors Affecting the Group's Financial Condition and Results of Operations – Currency Exchange Rates" above.

Impairment Losses, Net. The Group's total operating expenses can be materially negatively affected by provisions that the Group takes for possible losses on its cash loans and other impairments. The provision for loan losses is comprised of amounts for specifically-identified impaired and non-performing cash loans plus a further portfolio-basis allowance amount that the Bank's management believes to be adequate to cover the inherent risk of loss present in the pool of performing cash loans. While such provisions were generally both low and relatively stable until 2009, in 2009 the global financial crisis resulted in increases due to the declining economic fortunes of some of the Group's customers. However, in 2010 there was a strong collection performance from non-performing loan customers and a deceleration in the amount of new non-performing loans.

The Group makes provision for possible loan losses for anticipated problem loans and non-performing loans already so classified on a daily basis. See "Selected Statistical and Other Information – Summary of Loan Loss Experience" below.

In addition to provisions for possible losses on cash loans and non-cash loans, the Group's impairment losses, net include provisions for tangible assets and goodwill, investment in equity participations, other receivables and (where applicable) reversal of prior year provisions.

The following table sets out the movements in the Group's allowance for possible loan losses on cash loans, including the portfolio-basis allowance, during each of the indicated years:

	2008	2009	2010	2010
		(TL thousands)		*(US$ millions)*[(1)]
Balance at the beginning of the year	785,855	1,180,632	2,288,659	1,506
Newly consolidated affiliates' opening balances	-	-	94,937	62
Write-offs	(131,900)	(137,320)	(68,032)	(45)
Recoveries and reversals	(36,873)	(592,619)	(645,293)	(424)
Provision for the year, specific	521,094	1,693,279	845,259	556
Provision for the year, portfolio-basis (net)	42,456	144,687	(57,577)	(38)
Balance at the end of the year[(2)]	**1,180,632**	**2,288,659**	**2,457,953**	**1,617**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

(2) See notes 7, 8, 9, 11, 12, 13 and 20 to the 2010 IFRS Financial Statements included elsewhere in this Offering Circular.

The Group's net provision for possible losses on cash loans and non-cash loans in 2010 was TL 91,744 thousand (US$60 million), a 92.9% decrease from TL 1,297,416 thousand in 2009, which itself was a 152.8% increase from TL 513,276 thousand in 2008. As a result of the adverse effects of the global financial crisis on the Group's customers, the Group's "non-performing loans to total gross cash loans" ratio increased from 2.5% in 2008 to 4.4% in 2009 and then decreased back to 3.5% in 2010. Accordingly, the provision charges for 2009 increased significantly as compared to prior years but decreased again significantly in 2010. In 2009, the Group's recoveries and reversals increased significantly to TL 592,619 thousand from TL 36,873 thousand in 2008. This increase was principally a result of effective collection efforts. In 2010, the collection performance increased a further 8.9% when compared to 2009. The collection process that was implemented in 2009 enabled the Bank to manage the increasing number of non-performing loans successfully and boost collections.

In 2009 a special program (ÖKP), based upon faster response to customers, interviews with customers by regional experts, new segmentation and technological infrastructure, was designed by the Bank to restructure debts of delinquent credit card customers. In 2010, skip trace resources were almost doubled to increase customer contact and new methodologies were introduced to reach customers in an automated way. New measures were directed towards preventing new non-performing loans, which measures include prediction, collection effectiveness analysis and feedback to the business line. In addition, a new incentive scheme was introduced to improve agent performance.

In addition to the specific and portfolio-basis provisions detailed above, the Group's management elected to take a TL 330,000 thousand general provision in 2009 (in addition to TL 30,000 thousand already taken in 2008) in order to act conservatively in the context of the uncertainty created by the global financial crisis. KPMG has highlighted these provisions in its auditor's report for 2009 since general provisions are not permitted to be taken under IFRS. Deloitte has also qualified its opinion for these provisions in its auditor's report for 2010. See the 2010 and 2009 IFRS Financial Statements included elsewhere in this Offering Circular. This general provision is not included in the allowance for possible loan losses on cash loans in the table above but does form a component of "impairment losses, net" and affects the balance sheet as an element of "other liabilities and accrued expenses."

Salaries and Wages. The Group's operating expenses include the salaries and wages that it pays to its employees. Salaries and wages increased by 22.3% to TL 1,200,361 thousand (US$790 million) in 2010 from TL 981,766 thousand in 2009, itself a 3.7% increase from TL 946,820 thousand in 2008. The large increase in 2010 over 2009 was due to increases in salaries, performance bonuses and number of employees (19,497 as of December 31, 2010 compared to 18,875 as of December 31, 2009, a 3.3% increase, and 18,391 as of December 31, 2008). The increase in the number of employees principally resulted from the Bank's branch expansion (growing from 726 as of December 31, 2008 to 788 as of December 31, 2009, and then growing a further 9.0% to 859 as of December 31, 2010) and the inclusion of the employees of the new Romanian subsidiaries. The small increase in 2009 over 2008 was principally a result of the lower number of branch openings (67 in 2009 compared to 141 in 2008) and effective cost reduction efforts in 2009.

Taxation Charge

The Group is subject to different forms of income taxation in each market in which it has operations, although the principal driver is Turkish taxation of the Group's income. Taxation and duties other than on income are included in operating expenses whereas taxation on income is applied to income before tax in order to determine the Group's net income. Income taxation charges for 2010 amounted to TL 870,157 thousand (US$572 million), which was a 4.2% increase from TL 835,032 thousand in 2009, itself a 92.9% increase from TL 432,777 thousand for 2008. The Group's taxation charges for 2010 included a reduction of deferred tax benefits amounting to TL 188,034 thousand (US$124 million) compared to a reduction of deferred tax benefits amounting to TL 49,188 thousand for 2009 (and again a reduction of deferred tax benefits amounting to TL 9,538 thousand for 2008).

The Group's effective tax rate (calculated based upon its reported taxation charge divided by its income before tax) for 2010, 2009 and 2008 was 20.15% (very close to the Turkish corporate income tax rate of 20%), 21.25% and 18.35%, respectively.

The deviation from the Turkish tax rate of 20% in 2009 and 2008 is principally due:

(a) in 2009, to:

- a tax exemption for the Group's leasing business that was granted that year, which was more than offset by
- disallowable expenses (such as the provision for general banking risks); and

(b) in 2008, to the provision for the Bank's defined benefit plan being tax deductible.

Taxes on income from the Group's non-Turkish operations have been immaterial. For more information on the Group's taxation, see note 19 to the Group's 2010 and 2009 IFRS Financial Statements provided elsewhere in this Offering Circular.

Financial Condition

The following summary balance sheet data for each of December 31, 2008, 2009 and 2010 have been extracted from the IFRS Financial Statements. This information should be read in conjunction with the IFRS Financial Statements (including the notes thereto) included elsewhere in this Offering Circular.

	As of December 31,						
	2008	% of Total	2009	% of Total	2010	% of Total	2010
	(TL thousands, except for percentages)						*(US$ millions)*[(1)]
Assets							
Cash and balances with central banks	3,972,533	4.0%	5,579,198	4.8%	5,073,058	3.7%	3,338
Financial assets at fair value through profit or loss	564,137	0.6%	722,753	0.6%	774,843	0.6%	510
Loans and advances to banks	8,004,241	8.1%	10,767,047	9.3%	9,810,401	7.2%	6,454
Loans and advances to customers	53,870,069	54.9%	54,765,251	47.4%	71,092,418	52.4%	46,771
Other assets	4,236,420	4.3%	4,859,875	4.2%	6,743,827	4.9%	4,437
Investment securities	26,112,129	26.6%	37,237,584	32.2%	40,361,866	29.7%	26,554
Investment in equity participations	70,437	0.1%	73,356	0.1%	82,793	0.1%	54
Tangible assets, net	1,238,627	1.3%	1,448,658	1.3%	1,584,660	1.2%	1,043
Deferred tax asset	119,745	0.1%	153,915	0.1%	268,140	0.2%	176
Total assets	**98,188,338**	**100.0%**	**115,607,637**	**100.0%**	**135,792,006**	**100.0%**	**89,337**
Liabilities							
Deposits from banks	2,119,279	2.1%	2,738,333	2.3%	2,808,006	2.1%	1,847
Deposits from customers	55,837,808	56.9%	66,043,031	57.1%	76,295,528	56.2%	50,195
Obligations under repurchase agreements	11,153,180	11.4%	10,764,729	9.3%	11,735,342	8.6%	7,721
Loans and advances from banks	13,443,583	13.7%	15,578,295	13.5%	19,964,404	14.7%	13,134
Subordinated liabilities	947,530	1.0%	990,443	0.9%	978,054	0.7%	643
Current tax liabilities	127,684	0.1%	225,228	0.2%	298,222	0.2%	196
Other liabilities and accrued expenses	4,655,769	4.7%	5,431,297	4.7%	6,796,786	5.0%	4,472
Total liabilities	**88,284,833**	**89.9%**	**101,771,356**	**88.0%**	**118,876,342**	**87.5%**	**78,208**
Total shareholders' equity and non-controlling interests	**9,903,505**	**10.1%**	**13,836,281**	**12.0%**	**16,915,664**	**12.5%**	**11,129**
Total liabilities, shareholders' equity and non-controlling interests	**98,188,338**	**100.0%**	**115,607,637**	**100.0%**	**135,792,006**	**100.0%**	**89,337**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

The following summarizes the Group's assets, liabilities and shareholders' equity as derived from its IFRS Financial Statements.

Assets

As of December 31, 2010, the Group's total assets amounted to TL 135,792,006 thousand (US$89,337 million), an increase of 17.5% from TL 115,607,637 thousand as of December 31, 2009, itself an increase of 17.7% from TL 98,188,338 thousand as of December 31, 2008. Cash and balances with central banks represented 3.7%, 4.8%, and 4.0% of the Group's total assets as of December 31, 2010, 2009 and 2008, respectively, as most of the Group's funds are invested in interest-earning assets. The following describes the Group's loans and advances to customers and investment securities, which jointly represented 82.1% of the Group's total assets as of December 31, 2010, 79.6% as of December 31, 2009 and 81.5% as of December 31, 2008.

Loans and Advances to Customers. Loans and advances to customers represented 52.4%, 47.4% and 54.9% of the Group's total assets as of each of December 31, 2010, 2009 and 2008, respectively. The Group's loans and advances to customers amounted to TL 71,092,418 thousand (US$46,771 million) as of December 31, 2010, an increase of 29.8% compared to TL 54,765,251 thousand as of December 31, 2009, itself an increase of 1.7% compared to TL 53,870,069 thousand as of December 31, 2008. The following table summarizes the Group's loans and advances to customers on the indicated dates:

	As of December 31,						
	2008	% of Total	2009	% of Total	2010	% of Total	2010
	(TL thousands, except for percentages)						*(US$ millions)*(1)
Consumer loans	16,232,977	30.1%	17,046,507	31.1%	22,327,021	31.4%	14,689
Mortgage loans	5,024,875		5,696,686		8,119,429		5,342
Credit card receivables	6,717,695		6,841,994		7,689,576		5,059
Auto loans	839,399		598,783		782,059		514
General purpose and other consumer loans	3,651,008		3,909,044		5,735,957		3,774
Service sector	4,581,154	8.5%	5,234,700	9.5%	7,171,457	10.1%	4,718
Energy	3,593,525	6.7%	4,049,434	7.4%	5,490,907	7.7%	3,612
Construction	2,745,348	5.1%	2,567,201	4.7%	3,881,854	5.5%	2,554
Transportation and logistics	2,831,671	5.3%	2,788,779	5.1%	3,515,850	4.9%	2,313
Metals and metal products	1,742,065	3.2%	2,109,944	3.9%	3,507,717	4.9%	2,308
Food	1,881,166	3.5%	2,426,405	4.4%	3,391,408	4.8%	2,231
Textile	2,067,422	3.9%	1,915,975	3.5%	2,789,290	3.9%	1,835
Transportation vehicles and sub-industry	2,331,475	4.3%	2,137,002	3.9%	2,246,514	3.2%	1,478
Financial institutions	2,019,792	3.8%	1,213,505	2.2%	1,393,375	2.0%	917
Tourism	1,418,581	2.6%	1,547,999	2.8%	1,390,895	2.0%	915
Data processing	1,199,499	2.2%	1,253,193	2.3%	1,270,558	1.8%	836
Other	7,242,845	13.5%	7,215,957	13.2%	8,844,701	12.4%	5,819
Total performing loans	**49,887,520**	**92.7%**	**51,506,601**	**94.0%**	**67,221,547**	**94.6%**	**44,225**
Financial lease receivables, net of unearned income	1,997,066	3.7%	1,369,908	2.5%	1,512,243	2.1%	995
Factoring receivables	651,799	1.2%	848,028	1.5%	1,444,633	2.0%	950
Income accrual on loans and lease receivables	1,146,004	2.1%	795,555	1.5%	818,891	1.2%	539
Total	**53,682,389**	**99.7%**	**54,520,092**	**99.5%**	**70,997,314**	**99.9%**	**46,709**
Non-performing loans and factoring and lease receivables	1,368,312	2.5%	2,533,818	4.6%	2,553,057	3.6%	1,679
Allowance for possible losses from loans and factoring and lease receivables	(1,180,632)	(2.2)%	(2,288,659)	(4.1)%	(2,457,953)	(3.5)%	(1,617)
Loans and advances to customers	**53,870,069**	**100.0%**	**54,765,251**	**100.0%**	**71,092,418**	**100.0%**	**46,771**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

In 2010, the loan portfolio grew by 29.8% especially in consumer and SME loans (for Turkish Lira lending) and in corporate and commercial loans (for foreign currency lending), in response to improving market conditions and increasing demand. This growth was principally in consumer loans (particularly in mortgage and general purpose loans) and loans to the service sector and certain industrial sectors such as energy, metal and metal products, and construction. The asset quality improved following the Group's strategy of selectively growing its loan portfolio in response to the global financial crisis and its impact on the Group's existing and potential customers in 2009, during which the loan portfolio grew only by 1.7%. This increased conservatism was justified as the Group's non-performing loans as of December 31, 2009 increased by 85.2% to TL 2,533,818 thousand from TL 1,368,312 thousand on December 31, 2008. As of December 31, 2010, the Group's non-performing loans only grew by 0.8% to TL 2,553,057 thousand (US$1,679 million) as compared to December 31, 2009. As of December 31, 2010, provisions representing 85.2% (excluding allowance made on a portfolio basis to cover any inherent risk of loss) of the amount of these loans (after considering the realizable value of collateral received against these exposures) had been set aside, compared to 76.9% as of December 31, 2009 (71.9% as of December 31, 2008).

The proportion of the Group's non-performing loans to gross cash loans was 3.5% as of December 31, 2010, compared to 4.4% as of December 31, 2009 and 2.5% as of December 31, 2008. The decrease in 2010 was the result of effective collection efforts, strong deceleration in new non-performing loans and the growth in the cash loan portfolio. The ratio of the Group's non-performing loans to total gross cash loans and non-cash loans was 2.8% as of December 31, 2010, 3.5% as of December 31, 2009, 2.0% as of December 31, 2008.

For additional information on the Group's loan portfolio, including its non-performing loans and related provisions, see note 7 to the 2010 IFRS Financial Statements provided elsewhere in this Offering Circular and "Selected Statistical and Other Information – Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential – Average Balance Sheet and Interest Data" and "– Cash Loan Portfolio-Types of Loans," "– Cash Loan Portfolio – Risk Elements" and "– Summary of Loan Loss Experience."

Investment Securities. Investment securities, principally Turkish government securities, have historically represented a significant portion of the Group's assets. As of December 31, 2010, 2009 and 2008, investment securities represented 29.7%, 32.2% and 26.6%, respectively, of the Group's total assets. As noted previously, the increase in 2009 principally resulted from the declining demand for loans and the more conservative lending policies adopted by the Group during the global financial crisis and meant that the amount of cash loans to customers remained at almost the same level in 2009 as compared to 2008. As a result, the excess cash generated principally from the substantial growth in deposits was used to purchase securities. However, there was a decline in 2010 as a result of the growth of lending in response to increasing demand resulting from improving market conditions. The following table provides information as to the breakdown of the Group's investment securities portfolio as of the indicated dates:

	As of December 31						
	2008	**% of Total**	**2009**	**% of Total**	**2010**	**% of Total**	**2010**
	(TL thousands, except for percentages)						*(US$ millions)*[1]
Securities available-for-sale							
Turkish government bonds indexed to consumer price index	147,118	0.6%	6,420,939	17.2%	10,785,629	26.7%	7,096
Turkish government bonds at floating rate	7,269,810	27.8%	9,804,229	26.3%	9,334,262	23.1%	6,141
Turkish government bonds and treasury bills in TL	2,602,072	10.0%	4,509,545	12.1%	6,991,731	17.3%	4,600
Bonds issued by corporations	2,022,743	7.8%	2,154,349	5.8%	2,965,713	7.3%	1,951
Discounted Turkish government bonds in TL	4,683,672	17.9%	4,389,575	11.8%	1,685,871	4.2%	1,109
Bonds issued by financial institutions	422,811	1.6%	777,601	2.1%	1,085,860	2.7%	714
Eurobonds (Turkish government)	683,634	2.6%	993,710	2.7%	842,695	2.1%	554
Bonds issued by foreign governments	2,277	0.0%	328,904	0.9%	674,107	1.7%	444
Turkish government bonds in foreign currency	409,824	1.6%	280,855	0.7%	-	-	-
Other	83,786	0.3%	110,052	0.3%	102,072	0.3%	67
Total securities available-for-sale	**18,327,747**	**70.2%**	**29,769,759**	**79.9%**	**34,467,940**	**85.4%**	**22,676**
Securities held-to-maturity							
Turkish government bonds in TL	3,065,219	11.7%	3,056,155	8.2%	2,898,959	7.2%	1,907
Turkish government bonds at floating rate	2,732,620	10.5%	2,682,252	7.2%	1,397,271	3.4%	919
Eurobonds (Turkish government)	1,646,169	6.3%	1,417,196	3.8%	1,286,672	3.2%	847
Bonds issued by foreign governments	37,494	0.1%	36,308	0.1%	-	-	-
Other	2,266	0.0%	2,209	0.0%	-	-	-
Sub-total	**7,483,768**	**28.6%**	**7,194,120**	**19.3%**	**5,582,902**	**13.8%**	**3,673**
Income accrual on held-to-maturity	300,614	1.2%	273,705	0.8%	311,024	0.8%	205
Total securities held-to-maturity	**7,784,382**	**29.8%**	**7,467,825**	**20.1%**	**5,893,926**	**14.6%**	**3,878**
Total investment securities	**26,112,129**	**100.0%**	**37,237,584**	**100.0%**	**40,361,866**	**100.00%**	**26,554**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

Securities issued by the Turkish government represented 87.9%, 90.3% and 88.8% of the Group's total securities portfolio as of December 31, 2010, 2009 and 2008, respectively.

The most significant change in the Group's investment portfolio in 2009 and 2010 was the increase in holdings of Turkish government bonds indexed to the Turkish consumer price index, which increased from 0.6% of the Group's total investment securities portfolio as of December 31, 2008 to 17.2% as of December 31, 2009 to 26.7% as of December 31, 2010. This increase was a result of the Group's decision to increase its investments in such securities due to the more attractive yield available on such securities compared to fixed rate instruments. The held-to-maturity portfolio declined from 29.8% of the Group's total investment securities portfolio as of December 31, 2008 to 20.1% as of December 31, 2009, and then to 14.6% as of December 31, 2010 as a result of the Group's intention to hold fewer securities to maturity.

Pursuant to Turkish market practice, the Group pledges securities to acquire funding under security repurchase agreements. The securities so pledged amounted to TL 12,286,398 thousand (US$8,083 million) as of December 31, 2010, TL 11,039,298 thousand as of December 31, 2009 and TL 11,641,331 thousand as of December 31, 2008, comprising 29.9%, 29.1% and 43.6%, respectively, of the Group's total securities portfolio.

For additional information on the Group's investment securities portfolio, see note 10 to the 2010 IFRS Financial Statements provided elsewhere in this Offering Circular and "Selected Statistical and Other Information–Securities Portfolio."

Liabilities

As of December 31, 2010, the Group's total liabilities amounted to TL 118,876,342 thousand (US$78,208 million), an increase of 16.8% from TL 101,771,356 thousand as of December 31, 2009, which was an increase of 15.3% from TL 88,284,833 thousand as of December 31, 2008.

The Group's TL 84,320,848 thousand (US$55,474 million) in average interest-bearing liabilities during 2010 (calculated as the average of the opening, quarter-end and closing balances for 2010) resulted primarily from TL 33,638,617 thousand (US$22,131 million) and TL 23,710,522 thousand (US$15,599 million) in average TL-denominated and foreign currency-denominated time deposits of customers, respectively, TL 7,951,281 thousand (US$5,231 million) in average obligations under repurchase agreements and TL 16,824,827 thousand (US$11,069 million) in average loans and advances from banks.

The following summarizes the three principal categories of the Group's liabilities - deposits, obligations under repurchase agreements and loans and advances from banks.

Deposits. Deposits have been and are expected to continue to be the most important source of funding for the Group. The Group's total deposits from customers (including expense accruals) amounted to TL 76,295,528 thousand (US$50,195 million) as of December 31, 2010, an increase of 15.5% from TL 66,043,031 thousand as of December 31, 2009, which was an increase of 18.3% from TL 55,837,808 thousand as of December 31, 2008. The share of deposits from customers in total liabilities slightly decreased to 64.2% as of December 31, 2010 from 64.9% as of December 31, 2009 (63.2% as of December 31, 2008) while the share of loans and advances from banks increased. Foreign currency deposits (principally US Dollars and Euro) represented 44.3%, 47.3% and 49.8% of the Group's total deposits as of December 31, 2010, 2009 and 2008, respectively. For additional information on the Group's deposits, see notes 14 and 15 to the Group's 2010 IFRS Financial Statements provided elsewhere in this Offering Circular and "Selected Statistical and Other Information-Deposits."

Obligations under Repurchase Agreements. Obligations under repurchase agreements amounted to TL 11,735,342 thousand (US$7,721 million) as of December 31, 2010, comprising 9.9% of the Group's total liabilities, an increase of 9.0% compared to TL 10,764,729 thousand as of December 31, 2009, which comprised 10.6% of the Group's total liabilities (12.6% as of December 31, 2008). The share of the outstanding balances of such transactions in the Group's balance sheet changes depending upon the relative costs of funding in the market. For additional information on the Group's obligations under repurchase agreements, see note 16 to the 2010 IFRS Financial Statements provided elsewhere in this Offering Circular.

Loans and Advances from Banks. As deposits are generally of a short-term duration, the Group has obtained wholesale funding on a more limited basis principally to better match the maturity and currency of its longer-term assets. This funding has included (among others) syndicated bank loans and securitizations of certain of the wire transfers and other remittances received by the Bank from its correspondent banks and other senders of such transfers. Loans and advances from banks amounted to TL 19,964,404 thousand (US$13,134 million) as of December 31, 2010 (constituting 16.8% of the Group's total liabilities) as compared to TL 15,578,295 thousand as of December 31, 2009, constituting 15.3% of the Group's total liabilities (15.2% as of December 31, 2008). It is important to note that a portion of these liabilities (either when incurred or as a result of aging) are themselves short-term (as of December 31, 2010, 45.3% of loans and advances from banks had a remaining term-to-maturity of one year or less as compared to 37.7% as of December 31, 2009 and 50.3% as of December 31, 2008). For additional information on the Group's loans and advances from banks, see note 17 to the 2010 IFRS Financial Statements provided elsewhere in this Offering Circular and "Selected Statistical and Other Information-Borrowings and Certain Other Liabilities."

Shareholders' Equity

The Group's total shareholders' equity including non-controlling interests amounted to TL 16,915,664 thousand (US$11,129 million) as of December 31, 2010, an increase of 22.3% compared to TL 13,836,281 thousand as of December 31, 2009, which was an increase of 39.7% compared to December 31, 2008. Shareholders' equity principally changes as a result of the Group's net income and changes in the amount of unrealized gains on available-for-sale assets (which changes are not included in income). The following table summarizes the components of the Group's shareholders' equity and non-controlling interests as of the indicated dates:

	As of December 31,			
	2008	2009	2010	2010
		(TL thousands)		*(US$ millions)*(1)
Share capital	5,146,371	5,146,371	5,146,371	3,386
Share premium	11,880	11,880	11,880	8
Unrealized gains on available-for-sale assets	177,751	1,361,279	1,627,351	1,071
Hedging reserve	60,998	(2,167)	(1,482)	(1)
Translation reserve	35,987	34,118	1,222	1
Legal reserves	289,414	383,638	553,459	364
Non-controlling interests	35,201	49,098	97,461	64
Retained earnings	4,145,903	6,852,064	9,479,402	6,236
Total shareholders' equity and non-controlling interests	**9,903,505**	**13,836,281**	**16,915,664**	**11,129**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

In 2009, the size of the unrealized gains on available-for-sale assets increased significantly as a result of the improved market price of securities (including as a result of both declining market interest rates and improved perceptions of the stabilization of the global economy) as the global financial crisis stabilized. The balance of such unrealized gains also increased by 19.5% as of December 31, 2010 despite the booking of TL 189,822 thousand (US$125 million) of such gains to the statement of income for the available-for-sale securities sold during the year. For additional information on the Group's shareholders' equity and non-controlling interests, see notes 10 and 21 in the 2010 IFRS Financial Statements provided elsewhere in this Offering Circular. In addition, see "Capital Adequacy" below.

Off-Balance Sheet Arrangements

In the normal course of business in order to meet the needs of its customers and to hedge the Group's own positions (and generally not for speculative purposes), the Group enters into certain off-balance sheet transactions. These transactions expose the Group to credit risk that is not reflected on the Group's balance sheet. The Group applies the same credit policies in making commitments and assuming conditional obligations as it does for on-balance sheet transactions, including the requirement to obtain collateral when it is considered necessary.

The most significant category of such transactions includes letters of guarantee, letters of credit and other support that the Group provides to its import and export customers, as well as off-balance sheet exposure for the Group's commitments to make loans to its borrowers, derivative and other transactions. For detailed information on the Group's off-balance sheet commitments and contingencies, see note 23 to the 2010 IFRS Financial Statements provided elsewhere in this Offering Circular.

The following summarizes the three principal categories of the Group's off-balance sheet exposures – letters of credit and similar transactions, derivatives and commitments to customers under credit facilities.

Letter of credit and similar transactions. As of December 31, 2010, the Group had issued (or confirmed) letters of credit amounting to TL 3,934,455 thousand (US$2,589 million) and issued guarantee letters and other guarantees amounting to TL 12,366,844 thousand (US$8,136 million) and acceptance credits amounting to TL 164,105 thousand (US$108 million), compared to letters of credit amounting to TL 2,827,018 thousand, guarantee letters and other guarantees amounting to TL 12,160,346 thousand and acceptance credits amounting to TL 125,841 thousand as of December 31, 2009. Most of such letters of credit and guarantees were issued (or confirmed) in connection with the export and trade finance-related activities of the Group's customers. The following table summarizes the Group's exposure under such transactions as of the indicated dates:

	As of December 31,			
	2008	**2009**	**2010**	**2010**
		(TL thousands)		*(US$ millions)*[(1)]
Letters of guarantee	11,012,449	12,160,346	12,310,098	8,099
Letters of credit	3,320,801	2,827,018	3,934,455	2,589
Acceptance credits	123,807	125,841	164,105	108
Others	110,000	-	56,746	37
Total commitments and contingencies	**14,567,057**	**15,113,205**	**16,465,404**	**10,833**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

The Group generates significant amounts of fees from these transactions while incurring a very small amount of credit losses thereon as almost all of these transactions expire without any need for payment by the Group (for example, a letter of credit expiring when the related buyer of goods makes its payment to the seller).

Derivatives. The Group's exposure to derivative transactions arises principally in connection with customer-dealing and funding activities. The Group also enters into certain derivatives transactions in order to hedge its currency, interest rate and other risks. The Group enters into derivative transactions with domestic and foreign counterparties that it considers to be credit-worthy (mostly with an investment grade rating) or, in most cases, that are fully-secured. As of December 31, 2010, the Group's commitments arising from various derivatives amounted to TL 30,847,663 thousand (US$20,295 million), a 30.4% increase from TL 23,663,196 thousand as of December 31, 2009, which was a 1.5% decline from TL 24,023,479 thousand as of December 31, 2008. The increase in 2008 was a result of the Bank's and its customers' decision to hedge themselves against the increased volatility in interest and exchange rates in the markets. The increase in 2010 resulted from currency swap transactions entered into for the Group and the options entered into for customers mainly in order to hedge the positions against the volatility in exchange rates in the markets. See note 23 to the 2010 IFRS Financial Statements provided elsewhere in this Offering Circular and, for a breakdown of the Group's commitments arising from derivatives as of December 31, 2008, 2009 and 2010, "Selected Statistical and Other Information – Derivative Transactions."

Governments in the United States, Europe and elsewhere have made or are expected to make changes relating to derivatives transactions, including how they settle. The Bank's management does not anticipate that such changes will have a material adverse effect on its ability to obtain reasonably-priced hedges for its currency, interest rate and other risks; *however*, the volatility in markets in 2009 and 2010 has made certain derivatives more expensive than in previous years and such increased costs may make the Group's hedging operations less cost-effective.

Commitments to Customers. The Group's commitments to customers include unused credit limits for credit cards, overdrafts, checks and loans to customers and credit-linked-notes, which amounted to approximately TL 23,496,957 thousand (US$15,459 million) as of December 31, 2010, an increase of 27.9% from TL 18,373,576 thousand as of December 31, 2009, itself an increase of 4.9% from TL 17,520,902 thousand as of December 31, 2008. The increase in 2010 is consistent with the general growth of the Group's lending business, including its credit card business.

Capital Adequacy

The Group is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures. The total capital ratio for each of the Bank and the Group is calculated by dividing: (a) its "Tier I" capital (*i.e.*, its "core capital," which comprises its share capital, reserves and retained earnings) plus its "Tier II" capital (*i.e.*, its "supplementary capital," which comprises general provisions, subordinated debt, unrealized gains/losses on available-for-sale assets and revaluation surplus (reduced by certain items such as leasehold improvements and prepaid expenses starting in 2009)) and minus items to be deducted from capital (its "deductions from capital", which comprises unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years), by (b) the aggregate of its risk-weighted assets and off-balance sheet exposures (value at credit risk), value at market risk and value at operational risk. In accordance with these guidelines, the Bank is required under BRSA requirements to maintain a total capital ratio in excess of 8%. The BRSA does not have a separate requirement with respect to "Tier I" capital. For additional information on the rules governing the Group's capital adequacy ratios, see "Turkish Regulatory Environment – Capital Adequacy."

The Group maintains regulatory capital adequacy ratios on both a Bank-only and consolidated basis in excess of the regulatory minimums required. The Bank's total capital adequacy ratios (calculated pursuant to the BRSA Financial Statements) were 19.62% as of December 31, 2010, compared to 21.20% as of December 31, 2009 and 16.14% as of December 31, 2008. While neither the Bank nor the Group is required to maintain a minimum "Tier I" capital ratio, the Bank's "Tier I" capital adequacy ratios (calculated pursuant to the BRSA Financial Statements) were 16.94% as of December 31, 2010, compared to 18.19% as of December 31, 2009 and 14.61% as of December 31, 2008. The following table sets forth the calculation of the Group's capital adequacy ratios as of each of December 31, 2008, 2009 and 2010 based upon its BRSA Financial Statements:

	As of December 31,			
	2008	**2009**	**2010**	**2010**
	(TL thousands, except percentages)			*(US$ millions)*[(1)]
Core capital (Tier 1)	9,506,293	12,202,610	14,980,508	9,855
Supplementary capital (Tier 2)	1,415,587	2,023,609	2,354,165	1,549
	10,921,880	**14,226,219**	**17,334,673**	**11,404**
Deductions from capital	(461,243)	(100,665)	(106,274)	(70)
Total capital	**10,460,637**	**14,125,554**	**17,228,399**	**11,334**
Value at credit risk	59,687,917	61,062,215	78,722,539	51,791
Value at market risk	4,120,450	4,447,563	5,605,375	3,688
Value at operational risk	6,621,287	8,212,044	11,028,669	7,256
Total	**70,429,654**	**73,721,822**	**95,356,583**	**62,735**
Tier I capital adequacy ratio	13.50%	16.55%	15.71%	
Total capital adequacy ratio	14.85%	19.16%	18.07%	

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

The significant increases in the Group's capital in 2010 and 2009 represented the growth in the Group's retained earnings and the significant increase in unrealized gains on available-for-sale assets described above. The increase in the Group's capital adequacy ratios in 2009 reflect this increase in capital as well as a fairly stable value at credit risk, which increased by only 2.3% due to the small increase in cash loans paired with the large increase in the Group's holdings of zero-risk-weighted Turkish government securities. The Group's capital adequacy ratios decreased by 1.09% in 2010 as a result of an increase in credit risk due to the growth in lending and the adverse effect of continuing growth in earnings in the calculation of value at operational risk (which is based upon the prior three fiscal years' earnings).

Liquidity and Funding

The Group manages its assets and liabilities to ensure that it has sufficient liquidity to meet its present and future financial obligations and that it is able to take advantage of appropriate business opportunities as they arise. Liquidity risk represents the potential for loss as a result of limitations on the Group's ability to adjust future cash flows to meet the needs of depositors and borrowers and to fund operations on a timely and cost-effective basis. Financial obligations arise from withdrawals of deposits, repurchase transactions, extensions of loans or other forms of credit and the Group's own working capital needs.

The ability to replace interest-bearing deposits at their maturity is a key factor in determining liquidity requirements, as well as the exposure to interest and exchange rate risks. The Group's principal source of funding is deposits and the Group has developed a diversified and stable deposit base in each of its retail, commercial, corporate and SME business lines. The Bank's management believes that funds from the Group's deposit-taking operations generally will continue to meet its liquidity needs for the foreseeable future. As of December 31, 2008, 2009 and 2010, the Group's cash loan to deposit ratio was 92.9%, 79.6% and 89.9%, respectively. For additional information on deposits, see "Selected Statistical and Other Information – Deposits." The decline in 2009 was, as noted above, largely the result of the declining demand for loans and the more conservative lending policies adopted by the Group during the global financial crisis. The increase in 2010 was a result of customers' increasing demand for loans.

To a lesser extent, the Group also funds its operations through short-term and long-term borrowings, securitizations and other transactions. The Bank uses the relationships that it develops with its correspondent banks in connection with international payment and trade-related finance activities to raise funds from the syndicated loan markets. The Bank has also capitalized on its ability to generate foreign currency-denominated payments from abroad (such as international credit card receivables, diversified payment rights, check payments and trade-related transactions) by tapping international capital markets through securitizations; *however*, the availability of this funding market has declined during the global financial crisis in 2008 and 2009. See "Selected Statistical and Other Information—Borrowings and Certain Other Liabilities."

The Bank is subject to the BRSA's regulations on the measurement of the liquidity adequacy of a bank, which currently is required to be calculated on a Bank-only basis. In November 2006, the BRSA issued a communiqué on the measurement of the liquidity adequacy of banks, which regulation requires the banks to meet a minimum 80% liquidity ratio of foreign currency assets/liabilities and a minimum 100% liquidity ratio of total assets/liabilities on a weekly and monthly basis. The Bank's average weekly and monthly ratios during 2008, 2009 and 2010 are as follows:

	2008	**2009**	**2010**
Average weekly foreign currency liquidity ratio	168.14%	140.51%	123.99%
Average monthly foreign currency liquidity ratio	110.42%	99.52%	89.16%
Average weekly total liquidity ratio	149.56%	175.51%	203.09%
Average monthly total liquidity ratio	108.99%	117.84%	129.40%

The following tables set out the calculation of the Bank's weekly average liquidity ratios for 2008, 2009 and 2010, including the "liquidity conversion ratios" that are applied to the applicable asset and liability category in determining (with respect to assets) how much liquidity the Bank maintains and (with respect to liabilities) how much liquidity the Bank is required to maintain:

	Liquidity Conversion Ratios	2008		2009		2010		2010	
		Foreign Currency	FC + TL	Foreign Currency	FC + TL	Foreign Currency	FC + TL	Foreign Currency	FC + TL
Assets		*(TL thousands, except liquidity ratios)*						*(US$ millions, except liquidity ratios)*[1]	
Cash and Balances with Central Bank (excluding restricted balances)	100%	955,697	2,973,855	1,165,772	3,708,896	1,197,143	4,041,040	788	2,659
Financial Assets at Fair Value through Profit/Loss and Available-for-Sale	45-95%	1,950,231	11,602,604	613,069	17,538,328	906,026	24,206,839	596	15,925
Banks (excluding restricted balances)	100%	1,549,172	1,675,051	2,430,884	2,515,898	1,543,628	1,621,246	1,015	1,067
Interbank Money Markets, Reserve Deposits and Other Receivables	30-100%	617,265	620,244	563,628	657,011	655,960	735,385	431	484
Loans (excluding non-performing loans)	45-100%	994,946	7,075,570	1,283,129	8,301,486	1,165,480	8,936,362	767	5,879
Investments Held-to-Maturity	45-95%	367,793	1,709,795	1,097,948	3,792,813	771,871	2,883,218	508	1,897
Receivables from Leases	90%	-	-	-	-	-	-	-	-
Derivatives	100%	5,070,636	6,325,255	6,671,127	9,058,463	8,164,903	10,827,719	5,372	7,123
Total Liquid Assets		**11,505,740**	**31,982,373**	**13,825,556**	**45,572,896**	**14,405,101**	**53,251,809**	**9,477**	**35,034**
Liabilities									
Deposits	20-100%	5,371,528	12,912,196	8,258,272	19,122,470	8,429,421	20,735,049	5,546	13,641
Central Bank, Interbank Money Markets, Banks	100%	-	-	-	-	-	-	-	-
Other Borrowings (including subordinated debts)	30-100%	141,062	187,550	271,240	309,655	210,272	259,549	138	171
Other Sources (including repurchase agreements, payables for lease and factoring transactions, securities issued and payables to government institutions)	100%	215,214	7,813,831	32,595	7,847,117	33,791	6,818,780	22	4,486
Commitments and Contingencies (including unused credit limits, underwriting commitments)	2-15%	379,888	2,061,141	407,380	2,314,856	473,591	2,514,134	312	1,654
Derivatives	100%	4,312,586	6,369,569	4,922,693	9,079,530	7,009,545	10,824,147	4,611	7,121
Total Liquid Liabilities		**10,420,278**	**29,344,286**	**13,892,179**	**38,673,629**	**16,156,620**	**41,151,659**	**10,629**	**27,073**
Liquidity Ratios		**110.42%**	**108.99%**	**99.52%**	**117.84%**	**89.16%**	**129.40%**	**89.16%**	**129.40%**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

In addition to the liquidity ratios described above, the Bank is also required to maintain deposits with the Central Bank against a minimum reserve requirement. These reserve deposits are calculated on the basis of TL and foreign currency liabilities taken at the rates determined by the Central Bank. As of December 31, 2010, the reserve deposit rates for TL and foreign currency liabilities were 6% and 11%, respectively. Subsequently, the reserve deposit rate for TL liabilities were changed to vary from 5% to 15% depending upon maturities of liabilities as per the revisions made to the legislation. In the liquidity ratios mentioned above, such reserve deposits are taken into account at a liquidity conversion rate of 30%.

The Group's banks in the Netherlands, Russia and Romania are also subject to similar reserve deposit requirements. For detailed information on the Group's reserve deposits requirements see note 9 to the 2010 IFRS Financial Statements provided elsewhere in this Offering Circular.

Concurrent with the issuance of the Notes, the Issuer will issue a series of US$500,000,000 6.25% Notes due April 20, 2021.

Capital Expenditures

As a financial group, capital expenditures are not a material part of the Group's expenses and principally relate to expenses for branch expansion. For example, in 2010 the Group's capital expenditures were TL 430,951 thousand (US$284 million). The Bank is continuing to expand its branch network in Turkey with plans to open approximately 50 branches in 2011. The following table summarizes the Group's capital expenditures for the indicated years:

	2008	2009	2010	2010
		(TL thousands)		*(US$ millions)*[1]
Land and buildings	55,561	70,687	94,033	62
Furniture, fixture, equipment and motor vehicles	219,709	190,378	226,637	149
Leasehold improvements and software	102,412	55,521	99,850	66
Construction in progress	10,084	53,267	10,431	7
Total capital expenditures	**387,766**	**369,853**	**430,951**	**284**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical information and ratios for the Group (or, when information about the Group is not readily-available or relevant, the Bank) as of the indicated dates and for the periods indicated. The selected statistical information should be read in conjunction with the IFRS Financial Statements (including the notes thereto) and the information included in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

I. Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential

A. Average Balance Sheet and Interest Data

The following tables set out the average balances of assets and liabilities, and the interest earned or expensed on such amounts, of the Bank for the years ended December 31, 2008, 2009 and 2010. For purposes of the following tables, except as otherwise indicated, the average is calculated on a daily basis for each respective period and is based upon management estimates. For purpose of the following tables: (a) non-accruing credits have been treated as non-interest earning assets and (b) loan fees have been included in interest income.

	For the years ended December 31,								
	2008			2009			2010		
	Average Balance	Average Yield	Interest Income	Average Balance	Average Yield	Interest Income	Average Balance	Average Yield	Interest Income
				(TL thousands, except percentages)					
ASSETS									
Average Interest-Earning Assets									
Deposits with banks[1]	8,567,482	5.68%	486,935	12,494,667	2.97%	371,637	13,726,844	2.30%	315,148
TL	2,754,879	13.56%	373,563	4,076,629	7.64%	311,646	5,098,599	5.43%	276,663
Foreign Currency	5,812,604	1.95%	113,372	8,418,038	0.71%	59,991	8,628,245	0.45%	38,485
Investments in securities	18,360,611	16.10%	2,955,527	27,298,270	14.35%	3,917,937	33,825,491	11.06%	3,742,070
TL	14,829,768	18.27%	2,709,028	23,268,964	15.73%	3,659,877	30,283,041	11.57%	3,503,852
Foreign currency	3,530,843	6.98%	246,499	4,029,306	6.40%	258,060	3,542,450	6.72%	238,218
Loans and advances to customers, and other interest-earning assets	43,151,072	13.76%	5,935,930	48,216,835	12.76%	6,151,794	60,959,299	8.93%	5,442,658
TL	23,292,342	19.72%	4,593,181	24,802,628	18.79%	4,660,394	33,462,312	12.57%	4,207,739
Foreign currency	19,858,731	6.76%	1,342,749	23,414,208	6.37%	1,491,400	27,496,987	4.49%	1,234,919
Total for Average Interest-Earning Assets	**70,079,166**	**13.38%**	**9,378,392**	**88,009,773**	**11.86%**	**10,441,368**	**108,511,634**	**8.75%**	**9,499,876**
TL	**40,876,988**	**18.78%**	**7,675,772**	**52,148,221**	**16.55%**	**8,631,917**	**68,843,952**	**11.60%**	**7,988,254**
Foreign currency	**29,202,178**	**5.83%**	**1,702,620**	**35,861,552**	**5.05%**	**1,809,451**	**39,667,682**	**3.81%**	**1,511,622**
Average Non-Interest-Earning Assets									
Cash and cash equivalents	694,337			1,039,477			1,360,467		
Tangibles	1,125,508			1,195,722			1,281,076		
Equity participations	720,472			891,848			1,534,941		
Other assets and accrued income	3,023,328			4,712,317			6,022,100		
Total Average Non-Interest -Earning Assets	**5,563,645**			**7,839,364**			**10,198,584**		
Total Average Assets	**75,642,811**			**95,849,138**			**118,710,218**		

(1) Comprises balances with banks, interbank funds sold and reserve deposits at the Central Bank.

	Year ended December 31,								
	2008			2009			2010		
	Average Balance	Avg. Rate	Interest Expense	Average Balance	Avg. Rate	Interest Expense	Average Balance	Avg. Rate	Interest Expense
	(TL thousands, except percentages)								
LIABILITIES									
Average Interest-Bearing Liabilities									
Deposits from customers	39,945,319	10.81%	4,318,410	53,742,291	7.32%	3,936,377	66,958,193	5.37%	3,598,786
TL	22,331,306	16.04%	3,582,898	30,970,691	10.72%	3,318,517	41,428,543	7.41%	3,070,566
Foreign currency	17,614,013	4.18%	735,512	22,771,601	2.71%	617,860	25,529,650	2.07%	528,220
Short-term debt and other interest bearing liabilities	314,621	12.61%	39,674	348,487	10.98%	38,270	265,397	7.22%	19,165
TL	227,247	15.35%	34,875	221,987	14.18%	31,483	177,273	8.08%	14,329
Foreign currency	87,373	5.49%	4,799	126,500	5.36%	6,787	88,124	5.49%	4,836
Long-term debt and other interest bearing liabilities	9,793,136	6.98%	683,233	10,916,774	5.81%	634,079	13,249,419	5.40%	715,966
TL	1,473,068	13.85%	203,996	2,348,607	13.24%	310,924	4,432,747	11.08%	491,065
Foreign currency	8,320,068	5.76%	479,237	8,568,166	3.77%	323,155	8,816,672	2.55%	224,901
Repurchase agreements	7,664,039	15.12%	1,159,115	7,867,966	9.57%	752,660	7,199,643	5.71%	411,219
TL	7,115,407	16.01%	1,139,046	7,705,800	9.67%	745,330	6,838,854	5.97%	408,201
Foreign currency	548,632	3.66%	20,069	162,166	4.52%	7,330	360,789	0.84%	3,018
Total for Average Interest-Bearing Liabilities	**57,717,115**	**10.74%**	**6,200,432**	**72,875,518**	**7.36%**	**5,361,386**	**87,672,652**	**5.41%**	**4,745,136**
TL	**31,147,029**	**15.93%**	**4,960,815**	**41,247,085**	**10.68%**	**4,406,254**	**52,877,417**	**7.53%**	**3,984,161**
Foreign currency	**26,570,087**	**4.67%**	**1,239,617**	**31,628,433**	**3.02%**	**955,132**	**34,795,235**	**2.19%**	**760,975**
Average Non-Interest-Bearing Liabilities									
Deposits-demand	7,433,573			8,628,371			11,445,367		
Accrued expenses and other liabilities	2,555,504			2,940,029			3,618,272		
Current and deferred tax liabilities	119,191			198,353			204,102		
Shareholders' equity and net profit	7,817,428			11,206,866			15,769,825		
Total Average Non-Interest-Bearing Liabilities and Equity	**17,925,695**			**22,973,619**			**31,037,566**		
Total Average Liabilities and Equity	**75,642,811**			**95,849,138**			**118,710,218**		

The following tables set out the average balances of assets and liabilities, and the interest earned or expensed on such amounts, of the Group for the years ended December 31, 2008, 2009 and 2010. For purposes of the following tables, the average is calculated as the average of the opening, quarter-end and closing balances for the applicable year. For the purpose of the following tables: (a) non-accruing credits have been treated as non-interest earning assets and (b) loan fees have been included in interest income.

	For the years ended December 31,								
	2008			2009			2010		
	Average Balance	Average Yield	Interest Income	Average Balance	Average Yield	Interest Income	Average Balance	Average Yield	Interest Income
	(TL thousands, except percentages)								
ASSETS									
Average Interest-Earning Assets									
Loans and advances to banks[1]	8,323,215	7.86%	654,012	9,119,971	5.11%	465,845	8,394,141	4.81%	403,528
Investments in securities	20,186,729	15.24%	3,075,808	28,718,889	14.17%	4,070,136	34,999,836	11.04%	3,863,118
Loans and advances to customers	47,454,968	13.52%	6,413,610	53,124,755	12.50%	6,638,849	61,466,309	9.70%	5,960,437
Total for Average Interest-Earning Assets	**75,964,912**	**13.35%**	**10,143,430**	**90,963,614**	**12.28%**	**11,174,830**	**104,860,285**	**9.75%**	**10,227,083**
Average Non-Interest-Earning Assets	9,256,704			15,530,500			16,664,414		
Total Average Assets	**85,221,616**			**106,494,114**			**121,524,699**		

	Year ended December 31,								
	2008			2009			2010		
	Average Balance	Avg. Rate	Interest Expense	Average Balance	Avg. Rate	Interest Expense	Average Balance	Avg. Rate	Interest Expense
	(TL thousands, except percentages)								
LIABILITIES									
Average Interest-Bearing Liabilities									
Deposits from banks....	1,835,703	9.37%	171,982	1,181,494	7.42%	87,639	1,254,841	5.78%	72,469
Deposits from customers	37,883,823	11.51%	4,360,305	49,707,870	8.16%	4,054,888	57,349,139	6.38%	3,661,582
Loans and advances from banks and obligations under repurchase agreements ...	21,433,964	9.65%	2,067,759	24,266,072	6.32%	1,534,353	24,776,108	4.92%	1,218,683
Subordinated liabilities...	229,520	15.39%	35,327	1,007,450	6.43%	64,799	940,762	6.37%	59,943
Total for Average Interest-Bearing Liabilities........................	**61,383,011**	**10.81%**	**6,635,373**	**76,162,887**	**7.54%**	**5,741,679**	**84,320,849**	**5.94%**	**5,012,677**
Average Non-Interest-Bearing Liabilities and Equity	23,838,605			30,331,227			37,203,850		
Total Average Liabilities and Equity...	**85,221,616**			**106,494,114**			**121,524,699**		

The following table shows the net interest income and net yield for the Bank for each of the periods indicated.

	As of December 31,		
	2008	2009	2010
	(TL thousands, except percentages)		
Net Interest Income(1)			
TL..	2,714,957	4,225,663	4,004,093
Foreign currency	463,003	854,319	750,647
Total..	**3,177,960**	**5,079,982**	**4,754,740**
Net Yield(2)			
TL..	6.64%	8.10%	5.82%
Foreign currency	1.59%	2.38%	1.89%
Total..	**4.53%**	**5.77%**	**4.38%**

(1) Net Interest Income represents the difference between total interest earned and total interest expensed.
(2) Net Yield represents the net interest income as a percentage of total average interest-earning assets.

The following table shows the net interest income and net yield for the Group for each of the periods indicated.

	As of December 31,		
	2008	2009	2010
	(TL thousands, except percentages)		
Net Interest Income(1)..	3,508,057	5,433,151	5,214,406
Net Yield(2)...	4.62%	5.97%	4.97%

(1) Net Interest Income represents the difference between total interest earned and total interest expensed.
(2) Net Yield represents the net interest income as a percentage of total average interest-earning assets.

B. Net Changes in Interest Income and Expense – Volume and Rate Analysis

The following table provides a comparative analysis of net changes in interest earned and interest expensed by reference to changes in average volume and rates for the periods indicated for the Bank. Net changes in net interest income are attributed either to changes in average balances (volume change) or changes in average rates (rate change) for interest-earning assets and sources of funds on which interest is earned or expensed. Volume change is calculated as the change in volume multiplied by the current rate, while the rate change is calculated as the change in rate multiplied by the previous volume. Average balances represent the average of the opening and closing balances for each of the years 2008, 2009 and 2010. For purpose of the following tables, non-performing loans have been treated as non-interest earning assets.

	For the year ended December 31, 2010/2009 Increase (decrease) due to changes in		
	Volume	Rate	Net Change
		(TL thousands)	
Interest Income			
Deposits with banks	56,393	(112,882)	(56,489)
TL	55,455	(90,438)	(34,983)
Foreign currency	938	(22,444)	(21,506)
Investments in securities	778,813	(954,680)	(175,867)
TL	811,553	(967,578)	(156,025)
Foreign currency	(32,740)	12,898	(19,842)
Loans and advances to customers, and other interest-earning assets	1,272,279	(1,981,415)	(709,136)
TL	1,088,917	(1,541,572)	(452,655)
Foreign currency	183,362	(439,843)	(256,481)
Total interest income	**2,107,485**	**(3,048,977)**	**(941,492)**
Interest Expense			
Deposits from customers	832,172	(1,169,763)	(337,591)
TL	775,106	(1,023,057)	(247,951)
Foreign currency	57,066	(146,706)	(89,640)
Short-term debt and other interest-bearing liabilities	(5,721)	(13,384)	(19,105)
TL	(3,615)	(13,539)	(17,154)
Foreign currency	(2,106)	155	(1,951)
Long-term debt and other interest-bearing liabilities	237,222	(155,335)	81,887
TL	230,883	(50,742)	180,141
Foreign currency	6,339	(104,593)	(98,254)
Repurchase Agreements	(50,085)	(291,356)	(341,441)
TL	(51,747)	(285,382)	(337,129)
Foreign currency	1,662	(5,974)	(4,312)
Total interest expense	**1,013,588**	**(1,629,838)**	**(616,250)**
Net change in net interest income	**1,093,897**	**(1,419,139)**	**(325,242)**

	For the year ended December 31, 2009/2008 Increase (decrease) due to changes in		
	Volume	Rate	Net Change
		(TL thousands)	
Interest Income			
Deposits with banks	119,612	(234,910)	(115,298)
TL	101,044	(162,961)	(61,917)
Foreign currency	18,568	(71,949)	(53,381)
Investments in securities	1,359,290	(396,880)	962,410
TL	1,327,365	(376,516)	950,849
Foreign currency	31,925	(20,364)	11,561
Loans and advances to customers and other interest-earning assets	510,253	(294,389)	215,864
TL	283,782	(216,569)	67,213
Foreign currency	226,471	(77,820)	148,651
Total interest income	**1,989,155**	**(926,179)**	**1,062,976**
Interest Expense			
Deposits from customers	1,065,653	(1,447,686)	(382,033)
TL	925,712	(1,190,093)	(264,381)
Foreign currency	139,941	(257,593)	(117,652)
Short-term debt and other interest-bearing liabilities	1,353	(2,757)	(1,404)
TL	(746)	(2,646)	(3,392)
Foreign currency	2,099	(111)	1,988
Long-term debt and other interest-bearing liabilities	125,275	(174,429)	(49,154)
TL	115,918	(8,990)	106,928
Foreign currency	9,357	(165,439)	(156,082)
Repurchase Agreements	39,635	(446,090)	(406,455)
TL	57,103	(450,819)	(393,716)
Foreign currency	(17,468)	4,729	(12,739)
Total interest expense	**1,231,916**	**(2,070,962)**	**(839,046)**
Net change in net interest income	**757,239**	**1,144,783**	**1,902,022**

II. Securities Portfolio

The Group's securities portfolio comprises trading securities (financial assets at fair value through profit or loss) and investment securities (both held-to-maturity securities and available-for-sale securities). The Group also enters into purchases (sales) of securities under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Securities sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for the related security portfolio as appropriate.

As of December 31, 2010, the size of the Group's aggregate securities portfolio increased by 8.4% to TL 41,136,709 thousand (US$27,064 million) from TL 37,960,337 thousand as of December 31, 2009, which in turn increased 42.3% from TL 26,676,266 thousand as of December 31, 2008. These significant increases resulted primarily from the Group's strategy of seeking selective growth in lending (that is, excess deposits were invested in securities as loan growth was constrained by the global financial crisis).

A. Book Value of Securities

The following table sets out a breakdown of securities (on a book-value basis) held by the Group as of the dates indicated:

	As of December 31,		
	2008	2009	2010
		(TL thousands)	
Trading Securities	**564,137**	**722,753**	**774,843**
TL-denominated	155,264	443,430	678,061
Foreign currency-denominated and indexed	408,873	279,323	96,782
Investment Securities			
Available-for-sale	**18,327,747**	**29,769,759**	**34,467,940**
TL-denominated	15,031,156	25,422,603	29,938,400
Foreign currency-denominated and indexed	3,296,591	4,347,156	4,529,540
Held-to-maturity	**7,784,382**	**7,467,825**	**5,893,926**
TL-denominated	6,086,567	5,991,656	4,580,741
Foreign currency-denominated and indexed	1,697,815	1,476,169	1,313,185
Total	**26,676,266**	**37,960,337**	**41,136,709**

Trading Securities (Financial Assets at Fair Value through Profit or Loss)

The Group's trading securities portfolio is composed of debt and equity securities and forfeiting receivables that the Group principally holds for the purpose of short-term profit taking. These include investments and derivative contracts that are designated as trading instruments. All trading derivatives in a net receivable position (positive fair value) are reported as trading assets. All trading derivatives in a net payable position (negative fair value) are reported as trading liabilities.

After initial recognition, securities that are classified as held-for-trading are measured at estimated fair value. When market prices are not available or if liquidating the Group's position would reasonably be expected to affect market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized.

The following table sets out a breakdown of the Group's trading portfolio as of the dates indicated:

	As of December 31,		
	2008	2009	2010
		(TL thousands)	
Turkish government bonds and treasury bills[(1)]	127,701	414,771	621,556
Gold	24,967	109,827	80,853
Forfeiting receivables	355,589	154,910	-
Others	55,880	43,245	72,434
Total trading portfolio	**564,137**	**722,753**	**774,843**

(1) Turkish currency-denominated securities.

As of December 31, 2010, the size of the Group's trading portfolio increased by 7.2% to TL 774,843 thousand (US$510 million) from TL 722,753 thousand as of December 31, 2009 (TL 564,137 thousand as of December 31, 2008). The Group's portfolio of trading securities comprises TL-denominated bonds, eurobonds, bonds issued by corporations (including financial institutions) and foreign governments, gold held for trading and forfeiting receivables held for trading. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Accounting Policies – Fair Value of Securities."

Investment Securities Portfolio

Investment securities comprise held-to-maturity and available-for-sale securities. Held-to-maturity securities are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. The Group cannot classify any financial asset as held-to-maturity if the Group has, during the current fiscal year or during the two preceding fiscal years, sold or transferred any held-to-maturity securities before their maturities as per IAS 39. Available-for-sale securities are financial assets that are not held for trading purposes or held-to-maturity. Available-for-sale instruments include certain debt and equity investments. The Group classifies investment securities depending upon the intention of management at the time of the purchase thereof.

Held-to-Maturity Portfolio

The Group's portfolio of held-to-maturity securities consists of TL-denominated government bonds and treasury bills, eurobonds and bonds issued by corporations (including financial institutions) and foreign governments.

The following table sets out certain information relating to the Group's portfolio of held-to-maturity securities as of the dates indicated including income accruals:

	As of December 31,		
	2008	**2009**	**2010**
		(TL thousands)	
Turkish government bonds and treasury bills[1]	6,086,566	5,991,656	4,580,741
Turkish government eurobonds[2]	1,658,021	1,438,946	1,313,185
Foreign government bonds	37,537	36,350	-
Others	2,258	873	-
Total held-to-maturity securities	**7,784,382**	**7,467,825**	**5,893,926**

(1) Turkish currency-denominated securities.
(2) Foreign currency-denominated securities.

Due to changing market conditions, in 2009 and 2010 the Bank decided not to classify new purchases into this category, and accordingly as of December 31, 2010 the size of the held-to-maturity portfolio (excluding income accruals) decreased by 22.4% to TL 5,582,902 thousand (US$3,673 million) (which decrease was principally due to securities that matured during the year) from TL7,194,120 thousand as of December 31, 2009 (and a decrease by 3.9% as of December 31, 2009 since December 31, 2008). The decrease in this portfolio during 2010 is consistent with the Group's growth strategies and its intention regarding the portfolio size of securities to be held as "held-to-maturity."

Available-for-Sale Portfolio

The Group's portfolio of available-for-sale securities consists of government bonds and treasury bills, eurobonds and bonds issued by corporations (including financial institutions) and foreign governments.

The following table sets out certain information relating to the portfolio of available-for-sale securities as of the dates indicated:

	As of December 31,		
	2008	**2009**	**2010**
		(TL thousands)	
Turkish government bonds and treasury bills[1]	14,702,672	25,124,288	28,797,493
Bonds issued by corporations and financial institutions	2,445,554	2,931,950	4,051,573
Turkish government eurobonds[2]	683,634	993,710	842,695
Foreign government bonds	2,277	328,904	674,107
Turkish government bonds in foreign currency	409,824	280,855	-
Others	83,786	110,052	102,072
Total available-for-sale portfolio	**18,327,747**	**29,769,759**	**34,467,940**

(1) Turkish currency-denominated securities.
(2) Foreign currency-denominated securities.

As of December 31, 2010, the size of the Group's available-for-sale securities portfolio increased by 15.8% to TL 34,467,940 thousand (US$22,676 million) from TL 29,769,759 thousand as of December 31, 2009, itself an increase of

62.4% as compared to the TL 18,327,747 thousand as of December 31, 2008. These increases are consistent with the Group's growth strategies.

As of December 31, 2010, 2009 and 2008, the Group's IFRS Financial Statements included unrealized gains (net of tax) on its available-for-sale portfolio amounting to TL 1,627,351 thousand (US$1,071 million), TL 1,361,279 thousand and TL 177,751 thousand, respectively, in other comprehensive income under shareholders' equity. In 2010, 2009 and 2008, net gain transferred to income on disposal from other comprehensive income amounted to TL 189,822 thousand (US$125 million), TL 118,755 thousand and TL 61,271 thousand, respectively.

B. Maturities of Securities

The following tables set out the maturities of the foreign currency-denominated securities in the Bank's securities portfolio (excluding equity shares and income accruals) as of year-end 2010 and their respective weighted average yields for 2010:

	As of December 31, 2010				
	1 year or less	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**	**Total**
			(*TL thousands*)		
Turkish government Eurobonds.............	38,809	189,377	739,446	954,489	1,922,121
Bonds issued by corporations	3,402	348,058	197,707	18,160	567,327
Foreign government bonds	-	-	-	-	-
Others..	456,000	-	646,000	-	1,102,000
Total..	**498,211**	**537,435**	**1,583,153**	**972,649**	**3,591,448**

	As of December 31, 2010				
	1 year or less	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**	**Total**
Turkish government Eurobonds................	5.92%	6.27%	6.76%	7.31%	6.97%
Bonds issued by corporations	3.52%	4.62%	7.43%	8.67%	5.72%
Foreign government bonds	-	-	-	-	-
Others...	3.96%	-	4.76%	-	4.43%
Total...	**4.11%**	**5.21%**	**6.03%**	**7.34%**	**5.99%**

The following tables set out the maturities of the TL-denominated securities in the Bank's investment portfolio (excluding equity shares and income accruals) as of and for the year ended December 31, 2010 and their respective weighted average yields for 2010:

	As of December 31, 2010				
	1 year or less	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**	**Total**
			(*TL thousands*)		
Turkish government bonds and treasury bills..	9,116,531	16,680,109	4,585,856	-	30,382,497
Bonds issued by corporations	130,664	911,258	-	-	1,041,922
Total...	**9,247,195**	**17,591,367**	**4,585,856**	**-**	**31,424,419**

	As of December 31, 2010				
	1 year or less	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**	**Total**
Turkish government bonds and treasury bills	8.76%	12.51%	8.12%	-	10.72%
Bonds issued by corporations	10.61%	9.63%	-	-	9.76%
Total	**8.79%**	**12.36%**	**8.12%**	**-**	**10.69%**

The following table sets out the remaining maturities of the Group's consolidated securities portfolio in Turkish currency as of the dates indicated:

	As of December 31,		
	2008	**2009**	**2010**
		(TL thousands)	
Financial assets at fair value through profit or loss	**155,264**	**443,430**	**678,061**
3 months or less	24,403	58,253	233,193
Over 3 months through 12 months	40,665	291,207	94,771
Over 1 year through 5 years	87,929	93,871	216,680
Over 5 years	2,267	99	133,417
Investment securities	**21,117,722**	**31,414,260**	**34,519,141**
3 months or less	1,171,772	1,593,366	4,235,887
Over 3 months through 12 months	2,103,031	7,433,171	5,227,696
Over 1 year through 5 year	17,051,920	20,638,536	20,498,191
Over 5 years	790,999	1,749,187	4,557,367
Total Turkish Lira-denominated securities	**21,272,986**	**31,857,690**	**35,197,202**

The following table sets out the remaining maturities of the Group's consolidated securities portfolio in foreign currencies as of the dates indicated:

	As of December 31,		
	2008	**2009**	**2010**
		(TL thousands)	
Financial assets at fair value through profit or loss	**408,873**	**279,323**	**96,782**
3 months or less	88,982	156,893	79,744
Over 3 months through 12 months	125,437	113,551	7,616
Over 1 year through 5 years	187,228	4,144	1,731
Over 5 years	7,226	4,735	7,691
Investment securities	**4,994,407**	**5,823,324**	**5,842,725**
3 months or less	93,654	420,541	84,841
Over 3 months through 12 months	412,004	659,963	827,024
Over 1 year through 5 year	1,874,347	2,087,407	1,747,471
Over 5 years	2,614,402	2,655,413	3,183,389
Total foreign currency and foreign currency indexed securities	**5,403,280**	**6,102,647**	**5,939,507**

The following table sets out the Group's total securities portfolio in Turkish currency and in foreign currencies as of the dates indicated:

	As of December 31,		
	2008	**2009**	**2010**
		(TL thousands)	
Turkish Lira-denominated securities	21,272,986	31,857,690	35,197,202
Foreign currency and foreign currency-indexed securities	5,403,280	6,102,647	5,939,507
Total Securities	**26,676,266**	**37,960,337**	**41,136,709**

C. Securities Concentrations

As of December 31, 2010, the Group did not hold debt securities of any one issuer that (in the aggregate) had a book value in excess of 10% of the Group's shareholders' equity, other than securities issued by the Turkish government. As of December 31, 2010, the Group's TL 36,171,600 thousand (US$23,797 million) of Turkish government securities represented 213.8% of the Group's shareholders' equity.

The following table summarizes securities that were deposited as collateral with respect to various banking, insurance and asset management transactions as of the dates indicated:

	As of December 31,					
	2008		**2009**		**2010**	
	Face Value	**Carrying Value**	**Face Value**	**Carrying Value**	**Face Value**	**Carrying Value**
Deposited at Istanbul Stock Exchange	5,745,673	5,907,317	2,390,302	2,794,851	6,731,321	8,611,298
Collateralized to foreign banks	7,108,446	7,242,244	9,332,350	9,707,648	6,831,761	7,343,009
Deposited at central banks for repurchase transactions	1,541,280	1,606,177	1,374,103	1,473,013	1,628,955	1,653,529
Deposited at Central Bank for interbank transactions	598,920	629,992	570,773	598,305	578,234	604,493
Deposited at Central Bank for foreign currency money market transactions	581,980	584,095	1,007,203	1,082,479	511,000	531,437
Deposited at Clearing Bank (Takasbank)	10,000	10,087	53,651	56,370	66,100	67,609
Others		138,831		49,441		34,851
Total		**16,118,743**		**15,762,107**		**18,846,226**

Pursuant to market practice, the Group pledges securities to acquire funding under security repurchase agreements. The securities so pledged amounted to TL 12,286,398 thousand (US$8,083 million) as of December 31, 2010, TL 11,039,298 thousand as of December 31, 2009 and TL 11,641,331 thousand as of December 31, 2008, comprising 29.9%, 29.1% and 43.6% (respectively) of the Group's securities portfolio on such dates. Such securities are included in the above table.

III. Loans and Advances to Customers

The Group's loans and advances to customers (*i.e.*, cash loans) amounted to TL 71,092,418 thousand (US$46,771 million) as of December 31, 2010, increasing by 29.8% compared to year-end 2009. As discussed below, there are several important characteristics of the Group's loans and advances to customers portfolio, including diversification based upon sector and currency.

Loans and advances to customers represent the largest component of the Group's assets. As of December 31, 2010, the Group's total loans and advances to customers, less allowance for possible losses, amounted to TL 71,092,418 thousand (US$46,771 million) and comprised 52.4% of the Group's total assets. By comparison, as of December 31, 2009 this amount was TL 54,765,251 thousand (47.4% of the Group's total assets). The Group's cash loans portfolio increased by 29.8% as of December 31, 2010 compared to year-end 2009 after having increased only by 1.7% in 2009 due to the Group's strategy for selective growth in lending in 2009 due to the effect of the global financial crisis on the Group's existing and potential customers.

On an unconsolidated basis, as of December 31, 2010, on the basis of the total amount of cash loans advanced, 70.3% of the Bank's loans were fixed rate and 29.7% were variable rate. The average interest rate that the Bank charged to borrowers in 2010 was 12.6% for TL-denominated loans and advances and 4.5% for foreign currency-denominated loans and advances, calculated on the basis of daily averages of balances and interest rates and according to the Bank's management's estimates. The average interest rates on the TL-denominated loan portfolio and the foreign currency-denominated loan portfolio decreased to 12.6% in 2010 from 18.8% in 2009, and to 4.5% in 2010 from 6.4% in 2009, respectively, in line with the accompanying decline in market rates.

The Group provides financing for various purposes and although the majority of commercial and corporate loans have an average maturity of up to 18 months, for certain commercial and corporate loans (such as working capital and project finance loans) and for certain retail loans (such as mortgage loans) the maturities are up to 10 years (or occasionally over 10 years). As of December 31, 2010, the Group's loans with remaining maturities over 1 year and over 5 years composed 58.2% and 21.7%, respectively, of the Group's total loans and advances to customers.

A. Types of Loans

The following table sets out the composition of the Group's total performing loan portfolio (but excluding financial lease receivables, factoring receivables and income accruals) by industry sectors as of the dates indicated:

	As of December 31,					
	2008		**2009**		**2010**	
	(TL thousands, except percentages)					
Consumer loans	16,232,977	32.5%	17,046,507	33.1%	22,327,021	33.2%
Service sector	4,581,154	9.2%	5,234,700	10.2%	7,171,457	10.7%
Energy	3,593,525	7.2%	4,049,434	7.9%	5,490,907	8.2%
Construction	2,745,348	5.5%	2,567,201	5.0%	3,881,854	5.8%
Transportation and logistics	2,831,671	5.7%	2,788,779	5.4%	3,515,850	5.2%
Metal and metal products	1,742,065	3.5%	2,109,944	4.1%	3,507,717	5.2%
Food	1,881,166	3.8%	2,426,405	4.7%	3,391,408	5.0%
Textile	2,067,422	4.1%	1,915,975	3.7%	2,789,290	4.1%
Transportation vehicles and sub-industries	2,331,475	4.7%	2,137,002	4.1%	2,246,514	3.3%
Financial institutions	2,019,792	4.0%	1,213,505	2.4%	1,393,375	2.1%
Tourism	1,418,581	2.8%	1,547,999	3.0%	1,390,895	2.1%
Data processing	1,199,499	2.4%	1,253,193	2.4%	1,270,558	1.9%
Agriculture and stockbreeding	712,537	1.4%	755,343	1.5%	1,118,373	1.7%
Stone/rock and related products	645,265	1.3%	647,714	1.3%	929,303	1.4%
Chemistry and chemical products	785,910	1.6%	707,058	1.4%	905,464	1.3%
Durable consumption	958,250	1.9%	776,561	1.5%	807,841	1.2%
Mining	397,882	0.8%	397,421	0.8%	746,609	1.1%
Machinery and equipment	632,454	1.3%	688,978	1.3%	715,966	1.1%
Electronic/optical/medical equipments	545,395	1.1%	564,172	1.1%	602,029	0.9%
Plastic products	326,161	0.7%	291,375	0.6%	412,273	0.6%
Paper and paper products	288,016	0.6%	264,700	0.5%	325,628	0.5%
Others	1,950,975	3.8%	2,122,635	4.0%	2,281,215	3.4%
Total	**49,887,520**	**100.0%**	**51,506,601**	**100.0%**	**67,221,547**	**100.0%**

B. Maturities and Sensitivities of Loans to Changes in Interest Rates

The following tables set out certain information relating to the maturity profile of the Bank's loan portfolio (based upon scheduled repayments but excluding income accruals) as of the dates indicated:

	As of December 31, 2010			
	1 year or less[(1)]	**After 1 year through 5 years**	**After 5 years**	**Total**
	(TL thousands)			
Commercial, financial and agricultural	15,650,067	8,874,593	9,181,019	33,705,679
Real estate-construction	1,640,796	4,332,930	1,681,400	7,655,126
Retail loans	14,890,288	5,828,231	120,480	20,838,999
Governments and official institutions	21,714	625,544	286,454	933,712
Banks and other financial institutions	409,304	152,500	-	561,804
Total	**32,612,169**	**19,813,798**	**11,269,353**	**63,695,320**

(1) Includes demand loans, loans having no stated schedule of repayment and no stated maturity and overdrafts.

With respect to the Bank's loans due after one year as of December 31, 2010, 71.2% of such loans had a fixed interest rate and the remaining 28.8% had a floating or adjustable interest rate.

Composition of Loan Portfolio by Currency

As of December 31, 2010, foreign currency-denominated loans comprised 48.7% of the Group's loan portfolio (of which US Dollar-denominated obligations were the most significant), compared to 49.8% as of December 31, 2009 and 51.6% as of December 31, 2008.

The following table sets out an analysis of the exposure of the Group's cash loans portfolio as of the dates indicated:

	As of December 31,					
	2008		**2009**		**2010**	
	(TL thousands, except percentages)					
Turkish Lira	26,070,041	48.4%	27,484,602	50.2%	36,486,203	51.3%
US Dollar	17,506,022	32.5%	16,595,822	30.3%	22,000,522	31.0%
Euro and others	10,294,006	19.1%	10,684,827	19.5%	12,605,693	17.7%
Total	**53,870,069**	**100.0%**	**54,765,251**	**100.0%**	**71,092,418**	**100.0%**

Lower inflation and reduced fluctuation in interest rates, together with a gradual decline in interest rates have led to greater confidence in the banking system and an increase in TL-denominated loans. Retail loans, which are a growing portion of the Group's total loans are generally denominated in Turkish Lira. However, longer term loans are likely to remain denominated in foreign currencies as uncertainty still surrounds the future inflation rates and the stability of the Turkish Lira.

C. Risk Elements

1. Non-performing Loans, Past Due but not Impaired Loans and Loans with Renegotiated Terms

The following table sets out the composition of the Group's total non-performing loans, past due but not impaired loans and loans with renegotiated terms as of the dates indicated:

	As of December 31,		
	2008	2009	2010
		(TL thousands)	
Non-performing	1,368,312	2,533,818	2,553,057
Past due but not impaired	607,054	590,128	1,219,358
Loans with renegotiated terms	55,567	199,745	734,012
Total	**2,030,933**	**3,323,691**	**4,506,427**

A loan is categorized as non-performing when interest, fees or principal remain unpaid 90 days after the due date.

2. Potential Problem Loans

As of December 31, 2010, there were no material amount of loans that are not included in the preceding table but for which information known to the Group about possible credit problems causes the Bank's management to have serious doubts as to the ability of the applicable borrower(s) to comply with the present loan repayment terms and that may result in disclosure of such loans in the above table. See "Summary of Loan Loss Experience" below.

3. Loan Concentrations

As of December 31, 2010, the Group's portfolio of cash loans did not contain any concentration of credits that exceeded 10% of its total credits that are not otherwise already disclosed as a category of credits pursuant to "Types of Loans" above. For the purposes of this paragraph, loan concentrations are considered to exist when there are credits to a multiple number of borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions.

From an individual borrower perspective, as of December 31, 2010, the gross cash loans to the Bank's 10 largest customers (on a Bank-only basis) represented 9% of its gross loan portfolio, compared to 10% as of December 31, 2009 and 2008. In recent years, as a result of improvements in the Turkish economy, the percentage of smaller loans in the loan portfolio has been on an increasing trend. Although the Group's selective growth strategy prevented further significant increases in small loans like retail and SME loans during 2009, the percentage of such loans slightly increased in 2010 as the economy improves and customer demand increases, and the Bank's management expects it to keep increasing in the future.

D. Other Interest-Bearing Assets

As of December 31, 2010, the Group's other interest-bearing assets did not include any assets that would be included in III.C.1. ("Non-performing, Past Due but not Impaired and Loans with Renegotiated Terms") or III.C.2. ("Potential Problem Loans") above if such assets were loans.

IV. Summary of Loan Loss Experience

The Bank's head office risk committee: (a) is responsible for monitoring the Bank's loan portfolio and establishing allowances and provisions in relation thereto based upon reports provided by the branch or other applicable risk committees and (b) provides monthly reports directly to the Bank's Board of Directors detailing all aspects of the Bank's loan activity, including the number of new problem loans, the status of existing non-performing loans and the level of collections. The head office risk committee also conducts evaluations of other assets and off-balance sheet contingent liabilities.

The determination of whether a repayment problem has arisen is based upon a number of objective and subjective criteria, including changes to the borrower's revenue in accounts held by the Bank, changes to the borrower's economic and financial activity giving rise to the suspicion that a loan is not being used for its original purpose, applications to change credit terms, failure of the borrower to fulfill the terms and conditions of its loan agreement and refusal of a borrower to cooperate in supplying current information.

The Bank classifies its loan portfolio in accordance with current Turkish banking regulations in its BRSA Financial Statements. See "Turkish Regulatory Environment." In accordance with the applicable regulations, the Bank makes specific allowances for possible loan losses. These specific allowances must be increased gradually so that the reserves reach a ceiling level of 100% of the non-performing loan, depending upon the type of collateral securing such loan. As noted above, a loan is categorized as non-performing when interest, fees or principal remain unpaid 90 days after the due date. The Group maintains a stricter provisioning policy than required by applicable regulations and seeks to maintain credit loss reserves of equal or greater amounts than non-performing loans after consideration of the fair value of collateral received.

As of December 31, 2010, the Turkish banking regulations required Turkish banks to provide a general reserve, excluding loans in arrears, calculated as 1.0% of the performing cash loans portfolio plus 0.2% of the performing non-cash loans portfolio, plus 2.0% of the portfolio of cash loans performing but under close watch plus 0.4% of the portfolio of non-cash loans performing but under close watch.

The Group's non-performing loans amounted to TL 2,553,057 thousand (US$1,680 million), TL 2,533,818 thousand and TL 1,368,312 thousand as of December 31, 2010, 2009 and 2008, respectively. The Group's ratios of non-performing loans to total cash loans and to total cash loans and non-cash loans were 3.5% and 2.8%, 4.4% and 3.5%, and 2.5% and 2.0%, respectively, as of December 31, 2010, 2009 and 2008. The Group's ratio of allowances for possible loan losses as a percentage of non-performing loans (excluding allowances made on a portfolio basis to cover any inherent risk of loss) was 85.2%, 76.9% and 71.9% as of December 31, 2010, 2009 and 2008, respectively.

Analysis of the Allowance for Loan Losses

The following table sets forth an analysis of the movements in the allowance for possible losses on loans and advances to customers for the Group for each period indicated below:

	As of December 31, 2010			
	Corporate/ Commercial Loans	**Consumer Loans**	**Credit Cards**	**Total**
		(TL thousands)		
Balances at beginning of period	**667,604**	**716,033**	**905,022**	**2,288,659**
Additions and recoveries, (net) (+)	205,563	81,637	(49,874)	237,326
Write-offs (-)	11,854	104	56,074	68,032
Balances at end of period	**861,313**	**797,566**	**799,074**	**2,457,953**

	As of December 31, 2009			
	Corporate/ Commercial Loans	**Consumer Loans**	**Credit Cards**	**Total**
		(TL thousands)		
Balances at beginning of period	**274,595**	**308,849**	**597,188**	**1,180,632**
Additions and recoveries, (net) (+)	411,576	410,301	423,470	1,245,347
Write-offs (-)	18,567	3,117	115,636	137,320
Balances at end of period	**667,604**	**716,033**	**905,022**	**2,288,659**

	As of December 31, 2008			
	Corporate/ Commercial Loans	**Consumer Loans**	**Credit Cards**	**Total**
		(TL thousands)		
Balances at beginning of period	**196,029**	**159,013**	**430,813**	**785,855**
Additions and recoveries, (net) (+)	92,747	165,452	268,478	526,677
Write-offs (-)	14,181	15,616	102,103	131,900
Balances at end of period	**274,595**	**308,849**	**597,188**	**1,180,632**

The amount of the net additions to the allowance charged to operating expenses were TL 77,073 thousand in 2010 (US$51 million), TL 1,240,553 thousand in 2009 and TL 505,459 thousand in 2008.

V. Deposits

As of December 31, 2010, the Group's major sources of funds for its lending and investment activities were deposits from non-bank customers, which accounted for approximately 64.2% of the Group's total liabilities (slightly down from 64.9% on December 31, 2009 and up from 63.2% on December 31, 2008). Loans and advances from banks excluding subordinated liabilities accounted for 16.8% of total liabilities as of December 31, 2010, compared to 15.3% as of December 31, 2009 and 15.2% as of December 31, 2008. Other sources of funding include (inter alia) deposits from banks, obligations under repurchase agreements and subordinated liabilities.

The following table sets out the Group's sources of funding as of the dates indicated:

	As of December 31,					
	2008		2009		2010	
	(TL thousands, except percentages)					
Deposits from banks	2,119,279	2.5%	2,738,333	2.9%	2,808,006	2.5%
Deposits from customers	55,837,808	66.9%	66,043,031	68.7%	76,295,528	68.2%
Obligations under repurchase agreements	11,153,180	13.4%	10,764,729	11.2%	11,735,342	10.5%
Loans and advances from banks	13,443,583	16.1%	15,578,295	16.2%	19,964,404	17.9%
Subordinated liabilities	947,530	1.1%	990,443	1.0%	978,054	0.9%
Total	**83,501,380**	**100.0%**	**96,114,831**	**100.0%**	**111,781,334**	**100.0%**

Deposits from Customers

The Group's deposits consist of demand and time deposits. Current accounts generally bear no interest and can be withdrawn upon demand. For time deposits, different interest rates are paid on the various types of account offered by the Group. The Group's deposits from customers mainly comprise foreign currency-denominated deposits and TL-denominated saving and commercial deposits.

The following table sets out a breakdown of the Group's time deposits from customers by composition as of the dates indicated, excluding expense accruals:

	As of December 31,		
	2008	2009	2010
		(TL thousands)	
Foreign currency	21,067,004	22,615,292	25,343,052
Saving	16,937,005	19,010,958	24,290,429
Commercial	6,870,353	11,394,405	11,577,159
Public and other	946,050	199,709	459,907
Total	**45,820,412**	**53,220,364**	**61,670,547**

The following table sets out a breakdown of the Bank's deposits by composition as a daily average during the periods indicated (excluding expense accruals) and the average interest rate paid thereon:

	As of December 31,					
	2008		2009		2010	
	Average Deposits	**Average Interest Rate**	**Average Deposits**	**Average Interest Rate**	**Average Deposits**	**Average Interest Rate**
	(TL thousands, except percentages)					
Demand deposits[(1)]	**7,433,573**	**0.58%**	**8,628,371**	**0.17%**	**11,445,367**	**0.07%**
Foreign currency	4,122,797	0.39%	4,752,387	0.08%	5,953,130	0.04%
From banks	-	-	-	-	-	-
From governments and official institutions	-	-	-	-	-	-
From other customers	4,122,797		4,752,387	-	5,953,130	-
Turkish Lira	3,310,777	0.82%	3,875,984	0.29%	5,492,237	0.10%
From banks	134,185	-	110,928	-	72,621	-
From governments and official institutions	661,788	-	615,599	-	773,610	-
From other customers	2,514,804	-	3,149,456	-	4,646,006	-
Savings deposits	**13,544,780**	**16.35%**	**17,612,020**	**10.82%**	**21,435,172**	**7.81%**
Foreign currency	-	-	-	-	-	-
From banks	-	-	-	-	-	-
From governments and official institutions	-	-	-	-	-	-
From other customers	-	-	-	-	-	-
Turkish Lira	13,544,780	16.35%	17,612,020	10.82%	21,435,172	7.81%
From banks	-	-	-	-	-	-
From governments and official institutions	-	-	-	-	-	-
From other customers	13,544,780	-	17,612,020	-	21,435,172	-
Time Deposits	**26,400,540**	**7.97%**	**36,130,271**	**5.62%**	**45,523,020**	**4.23%**
Foreign currency	17,614,013	4.18%	22,771,601	2.71%	25,529,650	2.07%
From banks	606,114	-	502,105	-	399,418	-
From governments and official institutions	-	-	-	-	-	-
From other customers	17,007,899	-	22,269,496	-	25,130,232	-
Turkish Lira	8,786,526	15.58%	13,358,670	10.58%	19,993,370	6.98%
From banks	488,427	-	409,003	-	549,757	-
From governments and official institutions	376,787	-	338,146	-	99,088	-
From other customers	7,921,313	-	12,611,522	-	19,344,524	-
Total	**47,378,893**	**9.21%**	**62,370,663**	**6.34%**	**78,403,559**	**4.60%**

(1) Demand deposits generally do not bear interest, *however*, there are occasional exceptions negotiated with customers such as corporations with large deposits.

The following table sets out by maturity the amount outstanding of the Bank's time deposits of US$100,000 or more (or its equivalent) as of December 31, 2010:

	As of December 31, 2010			
	3 months or less	Over 3 months through 6 months	Over 6 months through 12 months	Over 12 months
Deposits over US$100,000		*(TL thousands)*		
Foreign currency	10,346,364	615,199	650,346	359,562
Turkish Lira	20,139,469	148,926	200,583	5,589

Deposits from Banks

The Group's deposits from banks are comprised of demand and time deposits. The Group's deposits from banks increased slightly by 2.5% to TL 2,808,006 thousand (US$1,847 million) as of December 31, 2010 from TL 2,738,333 thousand as of December 31, 2009 and TL 2,119,279 thousand as of December 31, 2008.

The following table sets out certain information relating to deposits from banks as of the dates indicated, excluding expense accruals:

	As of December 31,		
	2008	2009	2010
		(TL thousands)	
Demand deposits	942,099	1,589,110	933,800
Time deposits	1,168,062	1,146,073	1,869,825
Total	**2,110,161**	**2,735,183**	**2,803,625**

The following table sets out certain information relating to the deposits from customers and banks in Turkish currency and foreign currency as of the dates indicated:

	As of December 31,					
	2008		2009		2010	
			(TL thousands, except percentages)			
Turkish Lira deposits	29,118,588	50.2%	36,270,452	52.7%	44,088,894	55.7%
Foreign currency deposits	28,838,499	49.8%	32,510,912	47.3%	35,014,640	44.3%
Total	**57,957,087**	**100.0%**	**68,781,364**	**100.0%**	**79,103,534**	**100.0%**

In recent years, the foreign currency distribution of deposits changed in favor of Turkish Lira as a result of lower inflation, reduced fluctuation and significant decline in interest rates.

The following table sets out the maturity of deposits made with the Group by amount as of the dates indicated:

	As of December 31,		
	2008	2009	2010
		(TL thousands)	
3 months or less	54,314,265	65,253,955	74,228,784
Over 3 months through 12 months	2,362,204	2,446,116	3,599,528
Over 1 year through 5 years	1,176,357	972,860	1,104,125
Over 5 years	104,261	108,433	171,097
Total	**57,957,087**	**68,781,364**	**79,103,534**

VI. Return on Equity and Assets

The following table sets out certain of the Group's selected financial ratios and other data for the periods indicated:

	For the years ended December 31,		
	2008	2009	2010
	(TL thousands, except percentages)		
Average total assets(1)	85,221,616	106,494,115	121,524,699
Average shareholders' equity(1)	8,441,924	11,829,860	15,438,393
Average shareholders' equity as a percentage of average total assets	9.9%	11.1%	12.7%
Return on average total assets(2)	2.3%	2.9%	2.8%
Return on average shareholders' equity(3)	22.8%	26.2%	22.3%

(1) Averages are calculated as the average of the opening, quarter-end and closing balances for the applicable year.
(2) Net income as a percentage of average total assets.
(3) Net income as a percentage of average shareholders' equity.

VII. Borrowings and Certain Other Liabilities

Borrowings

The following table sets out a breakdown of loans and advances to the Group from banks outstanding (excluding expense accruals) as of the dates indicated by source and maturity profile:

	As of December 31,		
	2008	2009	2010
		(TL thousands)	
Short-term borrowings from domestic banks and institutions	948,325	1,166,712	1,553,692
Short-term borrowings from foreign banks and institutions	2,780,061	2,926,344	5,420,485
Long-term debts (short-term portion)	2,884,807	1,688,654	2,043,580
Long-term debts (medium and long-term portion)	6,541,686	9,553,373	10,696,096
Total	**13,154,879**	**15,335,083**	**19,713,853**

The Bank's management believes that the increase in the short- and long-term debts described in the table above are consistent with the Group's growth strategy.

The following table sets out certain information as to the currency of the Group's loans and advances from banks outstanding (including expense accruals) as of the dates indicated:

	As of December 31,					
	2008		2009		2010	
	(TL thousands, except percentages)					
Turkish currency	2,736,956	20.4%	4,134,161	26.5%	6,636,043	33.2%
Foreign currency	10,706,627	79.6%	11,444,134	73.5%	13,328,361	66.8%
Total	**13,443,583**	**100.0%**	**15,578,295**	**100.0%**	**19,964,404**	**100.0%**

The following table sets out a breakdown of the Bank's borrowings (for short-term borrowings, including the short-term portion of long-term borrowings) outstanding as of the dates indicated (excluding expense accruals) and the maximum amount in each category outstanding at any month-end during the indicated year (short-term being of one year or less):

	As of December 31,					
	2008		2009		2010	
	Amount	Maximum Month-end Amount	Amount	Maximum Month-end Amount	Amount	Maximum Month-end Amount
	(TL thousands)					
Short-term borrowings from banks and other institutions	367,401	367,401	308,284	308,284	273,942	273,942
Foreign currency	124,967	124,967	157,656	157,656	121,533	121,533
Turkish Lira	242,433	242,433	150,627	150,627	152,409	152,409
Long-term borrowings	10,975,074	10,975,074	13,330,579	13,330,579	16,982,052	16,982,052
Foreign currency	9,323,864	9,323,864	10,479,369	10,479,369	12,229,814	12,229,814
Turkish Lira	1,651,210	1,651,210	2,851,210	2,851,210	4,752,238	4,752,238
Total	**11,342,474**	**11,342,474**	**13,638,863**	**13,638,863**	**17,255,994**	**17,255,994**

The following table sets out a breakdown of the Bank's approximate average daily borrowings for the indicated years and the approximate weighted average interest rate thereon:

	2008		2009		2010	
	Average Amount	Interest Rate	Average Amount	Interest Rate	Average Amount	Interest Rate
	(TL thousands, except percentages)					
Short-term borrowings from governments/central banks	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-
Turkish Lira	-	-	-	-	-	-
Short-term borrowings from banks and other institutions	314,621	12.61%	348,487	10.98%	265,397	7.22%
Foreign currency	87,373	5.49%	126,500	5.36%	88,123	5.49%
Turkish Lira	227,247	15.35%	221,987	14.18%	177,273	8.08%
Other short-term borrowings	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-
Turkish Lira	-	-	-	-	-	-
Long-term borrowings	9,793,136	6.98%	10,916,774	5.81%	13,249,419	5.40%
Foreign currency	8,320,068	5.76%	8,568,166	3.77%	8,816,672	2.55%
Turkish Lira	1,473,068	13.85%	2,348,607	13.24%	4,432,747	11.08%
Total	**10,107,757**	**7.15%**	**11,265,261**	**5.97%**	**13,514,816**	**5.44%**

The following tables set out a description of the Group's material long-term borrowings (or fund-raisings through "future flow" securitizations) as of the dates indicated (with many of the indicated interest rates being based upon a floating rate, principally LIBOR, and thus re-set periodically):

	As of December 31, 2010				
	Interest rate	**Latest maturity**	**Amount in original currency**	**Short-term portion**	**Medium and long-term portion**
			(millions)	*(TL thousands)*	
Deutsche Bank AG	11-13%	2017	TL 701	-	701,210
DPR Securitization VII	1.2%	2016	US$352	30,360	504,530
DPR Securitization VIII	0.5%	2017	US$350	42,514	489,187
DPR Securitization IX	2%	2018	€188	32,600	349,847
EIB	1-4%	2021	US$208	-	315,750
DPR Securitization IV	0.5-1%	2013	US$318	194,055	289,815
DPR Securitization V	0.5-1%	2013	US$286	163,904	271,136
DPR Securitization VI	1%	2016	US$210	59,511	260,423
DPR Securitization VI	1%	2013	US$210	68,116	250,438
DPR Securitization XII	3%	2016	€100	-	203,750
DPR Securitization XII	3%	2022	€75	-	152,813
DPR Securitization XII	2%	2022	€75	-	152,813
OPIC	3%	2019	US$100	-	152,000
DPR Securitization VIII	0.5%	2017	US$100	12,147	139,768
DPR Securitization VIII	0.5%	2017	US$100	12,147	139,768
DPR Securitization III	0.5%	2013	US$137	83,232	124,932
EBRD-II	1-2%	2015	US$60	-	91,200
DPR Securitization VII	1%	2014	US$66	25,214	75,489
EBRD-I	4%	2014	€38	16,653	60,529
DPR Securitization VIII	1%	2015	US$37	12,660	44,297
EBRD-III	3%	2015	€20	-	40,750
DPR Securitization VI	1%	2011	€54	110,049	-
Others				1,180,418	5,885,651
Total				**2,043,580**	**10,696,096**

	As of December 31, 2009				
	Interest rate	**Latest maturity**	**Amount in original currency**	**Short-term portion**	**Medium and long-term portion**
			(millions)	*(TL thousands)*	
Deutsche Bank AG	11-13%	2017	TL 701	-	701,210
DPR Securitization IV	0.5-1%	2013	US$446	190,274	474,448
DPR Securitization V	0.5-1%	2013	US$395	161,137	427,761
DPR Securitization VII	1%	2016	US$376	35,678	524,172
DPR Securitization VIII	0.5%	2017	US$350	-	521,155
DPR Securitization IX	2%	2018	€200	25,658	401,982
DPR Securitization VI	1%	2011	€162	230,999	115,545
DPR Securitization VI	0.5%	2016	US$225	20,783	313,982
DPR Securitization VI	1%	2013	US$210	-	312,416
DPR Securitization III	0.5%	2013	US$192	81,759	204,441
DPR Securitization VIII	0.5%	2017	US$100	-	148,901
DPR Securitization VIII	0.5%	2017	US$100	-	148,901
DPR Securitization VII	1%	2014	US$83	24,818	99,251
DPR Securitization VIII	1%	2015	US$46	12,410	55,832
Others				905,138	5,103,376
Total				**1,688,654**	**9,553,373**

	As of December 31, 2008				
	Interest rate	**Latest maturity**	**Amount in original currency**	**Short-term portion**	**Medium and long-term portion**
			(millions)	*(TL thousands)*	
Deutsche Bank AG	11.3-12.9%	2017	TL 701	-	701,210
DPR Securitization IV	4.7-5.3%	2013	US$574	194,138	678,194
DPR Securitization V	4.5-5.3%	2013	€503	164,401	600,808
DPR Securitization VII	4.5%	2016	US$400	36,464	571,420
DPR Securitization VI	5.5%	2011	€245.5	112,244	407,259
DPR Securitization VIII	4.5%	2017	US$350	-	531,609
DPR Securitization IX	5.9%	2018	€200	-	423,160
DPR Securitization III	4.6%	2013	US$247	83,413	291,989
DPR Securitization VI	5.1%	2013	US$210	-	318,583
DPR Securitization VI	4.5%	2016	US$225	-	341,450
DPR Securitization VII	5.2%	2014	US$100	25,257	126,302
DPR Securitization VIII	4.5%	2017	US$100	-	151,888
DPR Securitization VIII	4.5%	2017	US$100	-	151,888
DPR Securitization VIII	5.2%	2015	US$50	3,160	72,784
Others				2,265,730	1,173,142
Total				**2,884,807**	**6,541,686**

The Group's short-term borrowings included the following syndicated loan facilities as of December 31, 2010, 2009 and 2008:

- as of December 31, 2010: two one-year-syndicated-loan facilities to be utilized for general trade finance purposes including export and import contracts in two tranches of: (a) US$116,936,000 and €617,075,000, with the rates of Libor + 1.5% and Euribor + 1.5% *per annum*, respectively, and (b) US$316,400,000 and €513,500,000 with the rates of Libor + 1.2% and Euribor + 1.2% *per annum*, respectively.

- as of December 31, 2009: two one-year-syndicated-loan facilities to finance export contracts, which loans had two tranches each: (a) US$151,600,000 and €365,600,000 with the rates of Libor + 2.0% and Euribor + 2.0% per annum, respectively, and (b) US$109,974,375 and €517,312,500, with the rates of Libor + 2.5% and Euribor + 2.5% per annum, respectively. These were paid upon their maturity.

- as of December 31, 2008: one-year syndicated facility to finance pre-export contracts of the Bank's corporate customers with a total amount of €600 million with a rate of Euribor + 0.675% per annum, and a one-year syndicated loan facility to finance export contracts in two tranches of US$215 million and €282 million with the rates of Libor + 2% and Euribor + 2% per annum, respectively. These were paid upon their maturity.

Obligations under Repurchase Agreements

The Group's obligations arising from agreements for the repurchase/resale of securities amounted to TL 11,735,342 thousand (US$7,721 million) as of December 31, 2010, which increased by 9.0% from TL 10,764,729 thousand as of December 31, 2009 (TL 11,153,180 thousand as of December 31, 2008). These obligations represented 8.6% of the total assets of the Group as of December 31, 2010, 9.3% as of December 31, 2009 and 11.4% as of December 31, 2008. The securities sold by the Group under such repurchase agreements continue to be recognized in the IFRS Financial Statements as being owned by the Group, but subject to a pledge (see II.C. (Securities Portfolio-Securities Portfolio Concentrations) above).

Subordinated Liabilities

The following tables set out a description of the Group's subordinated liabilities excluding expense accruals as of the dates indicated.

	As of December 31, 2010		
	Latest Maturity	**Interest Rates**	**Carrying Value**
			(TL thousands)
Subordinated debt of US$ 500 million	2017	6.95%	759,469
Subordinated debt of €50 million	2021	Euribor + 3.50%	101,875
Subordinated bonds payable of €30 million	2016	Euribor + 1.57%	61,125
Subordinated deposit of €16 million	2016	4.42% - 7.00%	31,607
Total			**954,076**

	As of December 31, 2009		
	Latest Maturity	**Interest Rates**	**Carrying Value**
			(TL thousands)
Subordinated debt of US$ 500 million	2017	6.95%	743,986
Subordinated debt of €50 million	2021	Euribor + 3.50%	106,910
Subordinated bonds payable of €30 million	2016	Euribor + 1.57%	64,146
Subordinated deposit of €24 million	2016	4.42% - 6.06%	50,780
Total			**965,822**

	As of December 31, 2008		
	Latest Maturity	**Interest Rates**	**Carrying Value**
			(TL thousands)
Subordinated debt of US$ 500 million	2017	6.95%	758,502
Subordinated bonds payable of €30 million	2016	Euribor + 1.57%	63,474
Subordinated deposit of €48 million	2016	4.42% - 6.06%	101,573
Total			**923,549**

On February 5, 2007, the Bank obtained a subordinated debt of US$500 million in the international capital markets with an interest rate of 6.95% and a maturity of 10 years with a repayment option for the Bank at the end of the fifth year, after which the interest rate would step up if such repayment option is not exercised by the Bank.

On February 23, 2009, the Bank obtained a subordinated debt of €50 million from Proparco (*Société de Promotion et de Participation pour la Cooperation Economique SA*), a company of the French Development Agency Group, with an interest rate of Euribor + 3.5% and a maturity of 12 years with a repayment option at the end of the seventh year. This financing was obtained in order to finance clean energy projects.

As of December 31, 2010, the Group's subordinated debts also included a floating rate note of €30 million obtained in September 2006 and subordinated deposits of approximately €16 million held by GBI.

Non-Cash Loans and Other Contingent Liabilities

The Group enters into certain financial instruments with off-balance sheet risk in the normal course of business in order to meet the needs of its customers. These instruments, which include non-cash loans (letters of guarantee, acceptance credits, letters of credit and other guarantees and sureties) and other commitments and contingencies, involve varying degrees of credit risk and are not reflected in the Group's balance sheet. The Group's maximum exposure to credit losses for letters of guarantee and acceptance credits and letters of credit is represented by the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements.

The following table sets out certain details of the Group's non-cash loans as of the dates indicated:

	As of December 31,		
	2008	**2009**	**2010**
		(TL thousands)	
Letters of guarantee	11,012,449	12,160,346	12,310,098
Letters of credit and acceptance credits	3,444,608	2,952,859	4,098,560
Other guarantees and sureties	110,000	-	56,746
Total	**14,567,057**	**15,113,205**	**16,465,404**

As of December 31, 2010, non-cash loans of the Group increased by 8.9% to TL 16,465,404 thousand (US$10,833 million) compared to TL 15,113,205 thousand as of December 31, 2009 (TL 14,567,057 thousand as of December 31, 2008). The Group issues letters of guarantee, letters of credit, acceptance credits and other payment commitments arising in a wide variety of transactions.

As of December 31, 2010, the Group's commitments for unused credit limits for credit cards, overdrafts, checks and loans to customers, and commitments for "credit linked notes" amounted to TL 23,496,957 thousand (US$15,459 million), an increase of 27.9% compared to TL 18,373,576 thousand as of December 31, 2009 (TL 17,520,902 thousand as of December 31, 2008).

Derivative Transactions

Forward foreign exchange contracts are agreements to purchase or sell a specific quantity of a foreign currency or precious metals at an agreed-upon price with delivery and settlement on a specified future date. Such contracts include only deliverable contracts. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in currency exchange rates.

As of December 31, 2010, the Group's outstanding derivative transactions like spots, forwards, swaps, future rate agreements, options and forward agreements for gold trading amounted to TL 30,847,663 thousand (US$20,295 million) compared to TL 23,663,196 thousand as of December 31, 2009 and TL 24,023,479 thousand as of December 31, 2008.

The following table sets out the breakdown of notional amounts of outstanding derivative contracts by type of transaction as of the dates indicated:

	As of December 31,		
	2008	2009	2010
		(TL thousands)	
Currency/cross currency swaps	**14,987,826**	**10,422,477**	**14,423,718**
Purchases	7,414,646	7,271,056	5,800,064
Sales	7,573,180	3,151,421	8,623,654
Foreign currency options	**3,531,944**	**5,840,153**	**7,356,961**
Purchases	1,613,715	3,315,039	4,006,318
Sales	1,918,229	2,525,114	3,350,643
Securities, shares, interest rate and index options	**1,791,809**	**3,544,994**	**3,979,243**
Purchases	925,162	1,821,004	2,026,511
Sales	866,647	1,723,990	1,952,732
Forward exchange contracts	**2,400,776**	**2,277,570**	**2,931,665**
Purchases	1,301,505	1,349,612	1,813,279
Sales	1,099,271	927,958	1,118,386
Spot exchange contracts	**727,959**	**987,488**	**1,168,952**
Purchases	483,788	583,399	564,441
Sales	244,171	404,089	604,511
Interest rate swap	**414,755**	**128,826**	**223,624**
Purchases	71,108	25,595	62,407
Sales	343,647	103,231	161,217
Interest rate futures	**4,710**	**35,184**	**91,200**
Purchases	1	3,000	91,200
Sales	4,709	32,184	-
Foreign exchange futures	**10,842**	**4,703**	**16,097**
Purchases	2,272	4,703	12,467
Sales	8,570	-	3,630
Other forward contracts	**152,858**	**421,801**	**656,203**
Purchases	7,849	193,490	381,865
Sales	145,009	228,311	274,338
Total	**24,023,479**	**23,663,196**	**30,847,663**

THE GROUP AND ITS BUSINESS

Overview of the Group

The Group is a leading Turkish banking group with significant market shares in Turkey offering its customers a broad range of financial products and services. The Group's customers are comprised mainly of large, midsize and small Turkish corporations, foreign multinational corporations with operations in Turkey and customers from across the Turkish consumer market.

The Group serves approximately 10 million customers (as of February 28, 2011; 8.6 million retail customers and 1.3 million SME, 34.7 thousand commercial customers and 1.8 thousand corporate customers) by offering a broad range of products and services, many of which are tailored to identified customer segments, including deposits, corporate loans, project finance loans, leasing, factoring, foreign exchange transactions, investment and cash management products, consumer loans, mortgages, pension and life insurance, portfolio management, securities brokerage and trading, investment banking, payment systems (including credit cards), technology and data processing operations. The Group also acts as an agent for the sale of a number of financial products such as securities, insurance and pension contracts and leasing services. As of March 31, 2011, the Bank's services in Turkey were provided through a nationwide network of 880 domestic branches as well as through sophisticated ADCs such as ATMs, internet banking and mobile phone banking. The Bank also has six overseas branches (one in Malta, one in the Grand Duchy of Luxembourg and four in Northern Cyprus), a representative office in each of London, Düsseldorf, Shanghai and Moscow and bank subsidiaries in the Netherlands (Garanti Bank International N.V.), Russia (Garanti Bank Moscow) and Romania (GE Garanti Bank SA).

As of December 31, 2010 the Group was the largest private banking group in Turkey in terms of net income and the second largest in terms of total assets as per its consolidated BRSA Financial Statements. As of December 31, 2010, the Group had total assets of TL 135,792,006 thousand (US$89,337 million), total loans and advances to customers (which includes leasing and factoring receivables and income accruals, in each case for both performing and non-performing loans and advances to customers) (as used herein, "c*ash loans*") of TL 71,092,418 thousand (US$46,771 million) and shareholders' equity (including non-controlling interests) of TL16,915,664 thousand (US$11,129 million) (TL 115,607,637 thousand of total assets, TL 54,765,251 thousand of cash loans and TL 13,836,281 thousand of shareholders' equity (including non-controlling interests) as of December 31, 2009). The Group's return on average equity was 22.3% for 2010, compared to 26.2% for 2009 and 22.8% for 2008. The Bank's shares have been listed on the Istanbul Stock Exchange since 1990 and it listed global depository receipts on the London Stock Exchange in 1993.

History

The Bank was incorporated under the laws of Turkey on April 11, 1946 in Ankara as a partnership of 103 businessmen and for much of its history it operated primarily as a private sector bank engaged in commercial activities. In 1975, Koç Holding A.Ş. ("*Koç Holding*") and Hacı Ömer Sabancı Holding A.Ş. ("*Sabancı Holding*"), both large, private conglomerates in Turkey, acquired 56% and 33% (respectively) of the Bank's share capital. The Bank moved its headquarters to Istanbul in 1978. In 1983, Koç Holding and Sabancı Holding sold their respective interests in the Bank to the Doğuş Group, owned by the Şahenk family. In 1990 shares of the Bank were offered to the public and listed on the Istanbul Stock Exchange. On December 22, 2005, Doğuş Holding sold 25.5% of the Bank's issued share capital to GEAM, which thereby acquired joint control over the Bank. On December 27, 2007, GEAM sold 4.65% of the Bank's share capital back to Doğuş Holding.

Doğuş Holding entered into a share purchase agreement with BBVA on November 1, 2010 with respect to the acquisition of shares representing 6.29% of the Bank's issued share capital. BBVA concurrently entered into a share purchase agreement with (*inter alia*) GE Capital Corporation for the acquisition of shares representing 18.60% of the Bank's issued share capital. On March 1, 2011, the BRSA approved these share transfers, following the closing of which BBVA held a 24.89% stake in the Bank (which, through secondary market purchases, BBVA has since increased to a current 25.01% stake in the Bank without changing the joint control and management principles agreed to between Doğuş Holding and BBVA). Doğuş Holding and BBVA are parties to a shareholders' agreement pursuant to which they have agreed to act in concert, thereby enabling them to establish a significant voting block to jointly control and manage the Bank. The shareholders' agreement also provides BBVA a call option to purchase from the Doğuş Group a further 1% share of the Bank, which option is exercisable after five years following the share sale. The shareholders' agreement contains an agreement that enables BBVA to appoint four of the Bank's nine directors currently; *however*, if such call option is exercised, then six members of the Board of Directors out of nine will be appointed by BBVA. Neither GE Capital Corporation nor GEAM are parties to the shareholders' agreement between Doğuş Holding and BBVA.

The Doğuş Group is one of the leading conglomerates in Turkey, with its primary interests in the banking, financial services, technology, automotive, construction, transportation, tourism and food sectors. See "Ownership – The Doğuş Group."

Key Strengths

The Bank's management believes that the Group's success in the competitive Turkish banking sector is due to the following strengths:

- a robust balance sheet and high capital adequacy ratios,
- strong liquidity ratios and proven access to funding, particularly deposits,
- a strong brand and a reputation as a product and service innovator,
- a customer-centric approach that focuses on customer satisfaction and retention rates and allows for greater cross-selling through the use of sophisticated customer segmentation models and advanced technological capabilities,
- a high-quality and dynamic employee base with an experienced management team,
- a history of significant growth while maintaining sound asset quality due to its focus on risk management and a disciplined credit approval process,
- conservative loan loss provisions with a sophisticated and efficient collection procedure,
- a sophisticated proprietary IT platform that drives operating efficiency and is well-integrated with the Group's businesses, and
- broad geographic coverage through extensive branch network and leadership in ADCs.

Strategy

The Group's overall strategic goal is to maintain and build on its position as a leading Turkish banking group. It intends to achieve this goal by continuing to implement the following key strategies:

- *Identifying opportunities for growth in the Group's lending portfolio while maintaining strong credit quality*. The Group will continue to focus on the credit needs of its customers as the expected demand for credit increases with the improvement in macroeconomic conditions. While the Group has grown its loan portfolio significantly in recent years, an increasing share of the Group's funds were invested in Turkish government debt securities during 2009 due to a decline in demand for loans and a more conservative lending policy caused by the global financial crisis. The Group's strategy is to continue its history of strong loan origination with a view to growth in higher-yielding loan categories such as consumer loans, credit cards and SME lending, but with a continued focus on maintaining the strong credit quality of its loan portfolio. The Group operates a rigorous credit approval process to preserve its asset quality and it intends to maintain such process as it starts growing its loan portfolio, which it began to do during the first half of 2010 and has continued since.
- *Focusing on sustainable and diverse sources of non-interest revenue*. The Bank's management believes that focusing on sustainable and diverse non-interest revenue streams is a key to long-term profitability, particularly in a low interest rate environment. Some of the pillars of this strategy include: (a) the Group's focus on business segments that do not require significant capital (such as cash and asset management) and that generate non-interest income and (b) the development of innovative non-interest revenue generating products such as cardless

remittances, last-minute EFTs, mobile phone money transfer and shopping, iPhone e-trader and collection of invoices via credit cards.

- *Further refining its customer-centric approach*. The Group segments its customers and intends to continue to develop service models tailored to its identified segments. To meet the diverse needs of these segments efficiently, the Group intends to identify locations for the Bank's continuing branch expansion, continue to develop specialized distribution channels and expand its product and service range.

- *Maintaining disciplined control over expenses*. The Group intends to maintain its focus on ensuring favorable expense ratios, including by continuing to make its operations more efficient through the use of technology. The Group plans to continue to invest significantly in technology in order to further lower costs and will promote increased usage of ADCs, which are more cost efficient in the delivery of banking services, for increasing market penetration and minimizing workforce growth even as the Bank expands its branch network.

Business

The Bank is organized into six major business lines: retail (excluding payment systems such as credit cards), payment systems (which includes the Bank's credit card business and is operated together with its subsidiary Garanti Payment Systems), SME banking, commercial banking, corporate banking and treasury. Each of the Bank's business lines is managed by a separate department within the Bank, except for payment systems (which is managed by the Bank together with its subsidiary Garanti Payment Systems). The Bank also conducts certain international banking operations through its foreign branches and subsidiaries. All of the Group's business lines are supported by head office and other support functions. The Bank's subsidiaries (described in "Subsidiaries" below) provide various specialty products to clients of the Group.

Retail Banking

The Bank entered the retail banking sector in 1988 and has increasingly focused on growing its retail business. The Bank aims to become the bank of choice for its retail customers and to sustain its innovative leadership in retail banking, and focuses on relationship management and product innovation aligned to customer needs in order to achieve these goals. The Bank offers a broad range of products to its approximately 8.4 million retail banking customers as of December 31, 2010.

The Bank believes that the strengths of its Retail Banking Department include: (a) a customer-centric approach with an emphasis on customer satisfaction (including dedicated call centers and periodic measurement), (b) the strength of its branch network and ADCs, (c) innovative marketing approach, (d) a strong sales culture, including sales-oriented branch staff and centralized transaction processing and operations and (e) sophisticated information technology ("*IT*") systems and customer relationship management ("*CRM*") infrastructure to allow proactive sales processes and targeted direct marketing campaigns.

The Bank's Retail Banking Department aims to manage market share growth while controlling internal costs. The main pillars of the Bank's retail strategy are targeting and activating employer payroll customers, expanding the branch network to reach more customers and close follow-up of cross-selling opportunities.

Products and Services

Deposits. The Bank offers its customers a range of interest and non-interest bearing current and savings accounts, gold deposit accounts, structured deposits (*i.e.,* deposits linked to an index), flexible term deposits, and accumulated savings accounts.

Deposit collection is a principal focus of the Bank as deposits provide low cost funds to be invested in loans and other assets. The Bank has been increasing its branch network for many years (increasing from 478 at the end of 2006 to 880 as of March 31, 2011) with the goal of increasing the number of the Bank's retail customers and obtaining a stronger and more diversified deposit base. Retail banking is the largest funding source of the Bank, reaching TL 22.4 billion (US$14.9 billion) of TL deposits and US$6.7 billion of foreign currency deposits as of December 31, 2010.

Consumer Loans (including Overdraft Accounts). The Bank's retail loan portfolio, comprised of mortgage loans, auto loans, general purpose loans and overdrafts but excluding credit cards, grew by 44% in terms of Turkish Lira in 2010.

The Bank's primary consumer loan products are described below:

- *Mortgages*: The Bank's retail mortgage loan book (representing the total amount of mortgage loans granted by the Bank) grew by 35% in 2010, despite the global financial turmoil impacting the housing sector, as a result of the generally very low penetration of mortgages in Turkey. The Bank's retail mortgage offering is generally focused on both high and medium net worth individuals with strong credit history. Although the Bank's maximum loan-to-value ratio is 75%, which is in line with the maximum limit stated by legislation, the average loan-to-value ratio of the Bank's retail mortgage book at origination is slightly over 60% as of December 2010. The average original term of its mortgages is 7.5 years, with most loans having an original maturity of either 5 or 10 years. The Bank has been the market leader since mid-2007, with a current market share of 13.47% (with respect to outstanding balance) as of December 31, 2010 according to BRSA data. The Bank maintains strategic partnerships with leading residential construction companies and real estate agencies nationally, and also focuses on mortgage expertise in branches as well as a wide product range and distribution channels, focusing on service quality instead of price competition in order to maintain its profitability. While foreign currency-denominated mortgages were common in previous years, legislation enacted in 2009 requires that consumer mortgages to Turkish citizens can only be denominated in Turkish Lira.

- *Auto Loans*: The Bank offers secured loans to finance the purchase of both new and used vehicles. The duration of these loans is around three years and most have fixed rates. The auto loan market (which experienced a significant increase in 2010 following sharp declines in 2008 and 2009) is expected to be stable in upcoming years.

- *General Purpose Loans*: The Bank offers general purpose loans to finance various needs of its retail customers, such as home improvement, education, marriage and vacations. The average maturity of such loans is approximately three years. The Bank's general purpose loan book grew 67% in 2010 and the Bank's market share (by outstanding balance) increased by 0.33% in this period to 8.16% according to the BRSA. Garanti continuously seeks to capture market share through various central marketing approaches. Risk-based pricing (which allows the Bank to provide more attractive offers to higher-quality potential borrowers) and utilization of new loyalty-based approaches such as pre-approved loan limits are two examples of this approach. As general purpose loans are generally unsecured, the Bank's credit analysis for these loans focuses principally on the potential borrower's income and other assets.

- *Overdraft Accounts*: The Bank has registered strong growth in overdraft accounts. Special campaigns targeting investors and employer payroll customers have been conducted to increase overdraft penetration among customers. As a result, the number of overdraft accounts increased to over 1.5 million as of December 31, 2010.

Investment Products. The Bank's retail banking investment products include mutual funds, government bonds and equity securities. As of December 31, 2010, the Bank had TL 7.7 billion (US$5.1 billion) of assets under management. The Bank's principal strategies to increase its retail investment product sales and profitability include conducting cross-selling campaigns to deposit customers and utilization of capital-guaranteed mutual funds (*i.e.,* a fund that combines both fixed-income products and option contracts to provide investors with both capital protection and capital appreciation).

Cash Management Products. Being one of the principal banking needs of retail customers, cash management has been an important focus area for the Bank. The Bank offers a leading cash management tool, its Excess Liquidity Management Asset account ("*ELMA*"), and was the first bank to offer such a product in Turkey. The ELMA account automatically converts any excess money in the customer's current account into B-type money market funds (which are generally invested in Turkish government securities). The product has been very successful to date, achieving approximately 3 million customers as of December 31, 2010.

Another cash management facility offered by the Bank is the automatic payment of utility bills. Total utility payments reached 1.7 million in 2010. Moreover, the Bank extensively utilizes ADCs in providing cash management services – for example, more than 10 million cardless transactions in 2010 (*i.e.*, transactions in which the individual, whether an existing customer of the Bank or not, makes a payment transaction without having a bank card) were executed through the

Bank's ATMs (for example, an individual can deposit cash in an ATM and instruct the Bank to make a payment of a utility bill). In addition to providing convenience to customers, ADCs are both an increasing source of revenue (both fees generated directly as well as through improved cross-selling activities) and cost savings (through use of technology in lieu of adding additional employees).

Retail Banking Customer Segmentation

Retail banking customers are assigned to one of three segments based upon their average total loan, investment and deposit balances (affluent, upscale or mass market) and then to further micro-segments based upon their activity and product penetration levels. Micro-segments are used to understand different customer needs and to develop strategies for offering customers better-targeted services and thereby increasing product penetration.

Each segment and micro-segment has a tailored set of strategic objectives, customer propositions, service approach and branch service model. For high volume and well-penetrated customers, key products are deposit and investment products and, consequently, an investment advisory service model is used. For lower volume and less well-penetrated customers with greater borrowing needs, a sales-based service model is used with a particular focus on loan and transactional products.

The Bank's retail banking customer segments are described below:

- *Affluent*: The Bank has approximately 6,600 customers in its "affluent" category. The criterion for the "affluent" category is US$500,000 in investment and deposit balances. The Bank's primary focus in this segment is to shift customers to high-margin investment products and further advance customer relationships to enhance customer loyalty. There are 12 dedicated branches (7 in İstanbul) that are available only to "affluent" customers. Top performing investment sales staffs are assigned to "affluent" customers at the dedicated branches.

- *Upscale*: The Bank has approximately 370,000 customers in its "upscale" category (*i.e.*, average loan, investment and deposit balances with the Bank between TL 50,000 and US$500,000). The Bank's focus is to increase these customers' product penetration in order to "lock-in" the relationship. Investment and mortgage advisory services are the other areas of focus for this segment.

- *Mass Market*: In the Bank's "mass market" segment (*i.e.*, customers with average loan, investment and deposit balances with the Bank below TL 50,000), the Bank's focus is on increasing penetration of banking products and trying to migrate these customers to the "upscale" segment. As of December 31, 2010, the Bank had approximately 8.1 million "mass market" customers. The Bank's lobby-level sales approach for this segment requires sales representatives/managers and tellers to cross-sell to existing customers as well as to non-customers visiting the branch to use non-banking services (for example, bill payments).

New Customer Acquisition Strategies

The Bank uses a number of strategies to attract new retail banking customers, including brand and product marketing, expansion of its branch network, leveraging on its leading market position in cash management (particularly employer payroll and utility payments). As the total number of branches has grown to 880, accessibility of the Bank to bankable customers in the market has continued to expand. The Bank intends to expand its branch network to 925 branches by the end of 2011.

New customer acquisition strategies are in place for each customer micro-segment, demographic group and product. In general, however, the three most important entry products for new retail banking customers are loan products, credit cards and employer payroll services. An important source for new "upscale" customer acquisition is the Bank's SME and commercial company clientele, the owners and managers of which are directly targeted by retail relationship managers.

Payment Systems

The Bank, through its subsidiary Garanti Payments Systems, issues debit and credit cards (the loans under which are made by the Bank), acquires merchant vouchers and participates in related product development. In 2010, the Bank was the largest processor of international acquiring sales volume in Turkey according to the Interbank Card Center (*Bankalararası*

Kart Merkezi) ("*BKM*"). Acquiring, in this context, refers to the purchase from merchants of the card charges made by their customers, reimbursement for which charges is then sought from the relevant card issuer. As of December 31, 2010, the Group had approximately 405,000 point of sale ("*POS*") locations (including shared POSs and virtual POSs), with a cumulative market share of 21.4% in acquiring volume for the year according to the BKM (355,000 and 22.1%, respectively, as of December 31, 2009). On the issuance side, as of December 31, 2010, the total number of credit cards in issue was approximately 8.0 million (of which 4.8 million were active (*i.e.*, used at least once in the last three months)) with an issuing volume market share of 20.1% according to the BKM (7.9 million and 20.8%, respectively, as of December 31, 2009).

Set out below is a description of the Group's principal credit card programs.

- The "Bonus Card," which is the flagship credit card brand of the Group, had more than 5.1 million cards in issue and approximately 220,000 merchant partners as of December 31, 2010. The Group issues VISA and Mastercard brand credit and debit cards pursuant to customary licensing arrangements.

- The "Shop & Miles Card" is designed to serve frequent flyers in cooperation with Turkish Airlines. Shop & Miles is the only official credit card of Turkish Airlines and offers the cardholders the opportunity to earn flight miles from credit card purchases. As of December 31, 2010, there were over 615,000 Shop & Miles cards. Turkish Airlines tenders this program every few years and, while an expensive program to participate in, the Group's participation is profitable overall for the Group due to the acquisition of high-quality customers that it provides.

- In February 2006 the Group introduced the first flexible card in Turkey, which is named "Flexi." This program allows cardholders to customize a credit card with respect to the interest rate, reward system and card fee and even enables them to make a card design of their choice. As of December 31, 2010, there were approximately 505,000 Flexi cards in issue.

- A new product called "Money Card" was introduced in 2009 and provides the Group access to approximately 2,100 sales points of Migros (a large Turkish grocery store) and affiliated stores (outlets) and their 5 million customers. As of December 31, 2010, there were approximately 400,000 Money cards. Migros tenders this program every few years and the Group's participation is profitable for the Group due to the volume of customer acquisition that it provides.

- The Group launched American Express Credit Cards in January 2007 and provides a broad range of American Express products. Moreover, the Group has an active and strong presence in the market for cards for corporate employees and virtual cards.

- Garanti Payment Systems has also licensed the Bonus Card brand to other banks, which as of December 31, 2010 had 5.25 million "Bonus Card" – branded cards in issue. While the Bank does not carry the loans made under these cards, Garanti Payment Services receives fees in connection with this business and the greater volume of Bonus Cards in circulation adds to Garanti Payment Systems' ability to offer an attractive package to merchants hosting POS systems.

Small/Medium Enterprise (SME) Banking

The Bank's SME Banking Department serves clients below the commercial banking threshold (below TL 10,000,000 in annual sales or TL 600,000 transaction volume or TL 2,000,000 loan limit). SMEs differ from commercial and corporate customers in terms of their scale, employment and management structure. With knowledge of SMEs' particular set of needs, the Bank has developed a tailored service model for SMEs, including different offerings for specific industries.

As of December 31, 2010, the Bank served approximately 1.3 million SME customers through 1,480 customer relationship managers and approximately 800 branches.

The Bank believes that the strengths of its SME banking segment include: (a) a customer-centric approach that provides highly-tailored packages of products to SMEs, (b) the strong distribution of its branch network and ADCs and (c) sophisticated IT systems and CRM infrastructure to allow proactive sales processes.

Set out below is a description of the Bank's SME products and customer segmentation.

Products: As small commercial operations, SMEs require a broad range of services but not the degree of sophistication required by larger commercial and corporate clients. These services include deposits, payment services (particularly for credit cards), cash management, loans (principally working capital loans), trade-related products and advisory services. As the propensity of Turkish SMEs to use bank products and services has traditionally been low, the Bank undertook detailed research in order to identify a comprehensive solution package and service model that would appeal to this segment and has tailored its products in order to provide SMEs with the necessary services at an attractive cost.

The Bank's SME Banking Department intends not only to sell its products to customers but also to help its customers to improve their business and financial management quality. The Bank's goals for assisting its SME clients are not limited to financial solutions. The Bank's SME banking website was re-designed in 2010, permitting SMEs to access more extensive content (including recent data, financial recommendations and solutions for their businesses).

Customer Segmentation: In order to differentiate the service model according to the specific needs of clients, the Bank segments its SME clients into sub-segments based upon annual turnover, credit limit and banking volume. The Bank further segments its SME clients by industry as each industry has different needs that require tailored banking products. For example, SMEs that are in the agricultural business generally have highly seasonal cash flow (*e.g.*, post-harvest) and loan requirements (*e.g.*, at seeding) that require tailored loans, whereas manufacturing exporters require trade-finance support.

Commercial Banking

The Bank's Commercial Banking Department provides products and services to companies with annual sales greater than TL 10,000,000, banking volumes over TL 600,000 and/or loans over TL 2,000,000. The Bank's offerings for these customers include trade finance instruments, project finance, Turkish Lira- and foreign currency-denominated medium- and short-term loans, cash management, investment products, internet banking and telephone banking. According to market research conducted by independent marketing research agency Ipsos KMG, the Bank was the market leader in the Turkish commercial banking segment in 2009 in terms of the number of customers and volume (*i.e.,* deposits plus loans).

In order to best serve its commercial banking clients, which consisted of 34,978 customers as of December 31, 2010, the Bank's Commercial Banking Department has been structured with nine dedicated commercial banking branches, 492 customer service representatives staffed in 189 branches and 326 customer relationship managers. Their main responsibilities are to convert existing commercial banking customers into "house bank" customers, to acquire new customers and to increase the profitability of these customers while continuously monitoring the customers' credit quality.

The Bank's management believes that the competitive strengths of the Bank's commercial banking business are as follows: (a) focus on relationship-based banking, including providing tailor-made products and services, (b) pricing the "customer" on the basis of the entirety of its relationships with the Group instead of having a standard price of a product or service, (c) experience in the field of project financing, (d) effective adaptation of new technologies in the sales process and (e) dedicated commercial banking branches.

Products: The Bank offers a number of products and services to commercial clients. The most important commercial banking offerings are cash loan products (including structured loan products such as project financing), non-cash loan products (such as letters of credit and letters of guarantee), foreign trade financing and cash management services. In addition, a broad range of investment products (such as deposits, government securities and mutual funds) are offered to commercial clients. The most significant commercial banking products by volume and value are (with respect to foreign currency) working capital loans and export loans and (with respect to Turkish Lira) commercial overdraft and general purpose loans. Different types of loan products include spot loans, foreign currency-indexed loans, gold loans, Turkish Eximbank loans and export factoring (such as irrevocable/revocable factoring, collection-guaranteed factoring and collection factoring).

Corporate Banking

The Bank's Corporate Banking Department was formally separated from the Commercial Banking Department in 1995, although the Bank started servicing large corporations in the early 1990s. The Bank was the first Turkish bank to open exclusive corporate branches that provide tailor-made services and sophisticated products to its corporate customers. Corporate banking clients are commercial entities that are local blue-chips and multinational corporations in Turkey. There is no material threshold between commercial and corporate customers - corporate customers are selected subjectively by the Bank according to their total assets, sales turnover, shareholder and professional management structures and other criteria.

The Bank believes that it has become the principal banking partner in Turkey of many major multinational and domestic corporations through a strategic approach that has emphasized long-term reliable commitment to its customers during both stable and volatile market conditions. The Bank's corporate banking mission is to become the "house bank" of its domestic clients and the first choice for multinationals in Turkey.

The Bank had approximately 1,660 corporate clients as of December 31, 2010. These clients belonged to 324 corporate groups, of which 147 were multinationals. These corporate customers operate in several industries, including the automotive, food and beverage, chemical, telecommunications, household appliances, oil, iron and steel industries as well as international construction and retail businesses.

The pillars of the Bank's corporate banking strengths are: (a) longstanding relationships, enhanced by commitment through difficult market conditions, (b) ability to cross-sell, leveraging on cash management and strength of relationship, (c) advanced technology, including dedicated IT support and developing tailor-made solutions for clients, and (d) high-quality staff.

Products: The Group offers corporate customers a wide range of lending and banking services, including commercial banking products, treasury and derivative products, cash management services, corporate finance advice, trade finance, project finance and other financial services such as insurance and leasing.

The main lending products offered by the Bank's Corporate Banking Department are working capital loans, project finance loans, foreign currency-based loans, revolving loans, short term loans and overdraft loans. Cash management is another field in which corporate banking has significant expertise. Various products are offered in terms of cash management services: direct debiting services, discounting, utility payment systems, supplier finance services, inventory finance services and check collection. In addition, the Bank offers to its corporate customers treasury and derivative products (*e.g.,* options, forwards, swaps, mutual funds, bonds and stocks) as well as a variety of other financial services including (through its subsidiaries) insurance, leasing and factoring.

Treasury

The Group's operations and results rely to a large extent on the Bank's Treasury Department, in which the Group centralizes its asset and liability management operations, trading (both customer driven and proprietary) and certain other important functions.

The Treasury Department principally consists of the Asset and Liability Management department (which continuously monitors the Group's asset and liability positions), the Trading department (which coordinates the Group's trading functions and manages the risks inherent therein), the Treasury Marketing and Financial Solutions department (which allows the Bank's customers easier access to the financial markets) and the Derivatives (Risk Control & Compliance) department (which develops and utilizes structured products with the aim of more efficiently managing the Group's balance sheet). Each of these departments is described in greater detail below.

Asset and Liability Management Department

The Bank believes that a prudent approach with respect to risk management is vital to its success. The Bank's Asset and Liability Management department ("*ALM*") closely monitors and manages the Group's asset and liability positions in Turkish Lira and foreign currency, through the Asset and Liability Management Committee ("*ALCO*"), which is chaired by the Bank's Chief Executive Officer and composed of the Bank's Executive Vice Presidents and the corresponding Senior Vice Presidents. The department also monitors all aspects of the Group's asset and liability positions based upon various information, including real-time information generated by the Bank's computer network. The main objective of the ALM is to control the Bank's exposure to market risks (which includes interest rate, sovereign credit and liquidity risks). See "Risk Management."

In managing the Bank's banking book, the ALM considers national and international political, economic and market developments, inflation rates and inflation expectations per currency, interest rate yields (both nominal and real) and exchange rates. The ALM also considers the Bank's Turkish Lira and foreign currency balance sheet composition, their volumes and risk characteristics. The ALM then tailors a structure of assets and liabilities that seeks to optimize both long- and short-term net financial income while minimizing income volatility.

All of the Bank's market risks are transferred from its branches to the ALM through a funds transfer pricing system that is reviewed by ALCO on a weekly basis. This enables ALM to manage the Bank's exposures on a net and centralized manner instead of having each branch seek to manage its own position (which could result in different branches taking opposing positions).

A limit for structural interest rate risk in the Bank's asset and liability portfolios is calculated by the Bank's Risk Management department according to the distribution of capital approved by the Bank's Board of Directors. The Bank limits the interest rate risk for its assets (excluding its portfolio of trading securities, which are covered in its value-at-risk ("*VaR*") limits) and liabilities to 20% of the Bank's eligible capital that is used in its capital adequacy ratio calculations.

In addition, the ALCO may impose notional limits on certain balance sheet items as deemed necessary. Thus the ALCO can affect the mix and the composition of the balance sheet within the boundaries of systematic barriers. Hedging transactions for the banking book are executed upon the ALCO's decision.

Trading Department

The Trading department coordinates the Group's trading activities, which include both proprietary transactions and a much larger number of transactions on behalf of customers, with customer driven transactions representing the most significant portion of the Group's trading activities. The department's role includes the management of risk within the Bank's securities portfolio and ensuring sufficient liquidity to cater for anticipated customer demand.

The Bank's management believes that its quantitative and qualitative approaches to trading with respect to risk management distinguish the Bank from its competitors and have been critical to the Bank's success in volatile markets. The correct allocation of the investment portfolio in light of market trends is of critical importance to the Bank's profitability and financial position. Thus, the Treasury marks the efficiency of the department to analyze trends, understand implications and shape the Bank's fixed income portfolio or foreign exchange positions accordingly.

The VaR limit for the Bank's trading portfolio is calculated by the Risk Management department according to the distribution of capital approved by the Bank's Board of Directors. The Bank updates its VaR limit quarterly based upon changing regulatory capital.

Trading includes management of both customer flows as well as the Bank's own positions. In anticipation of future customer demand, the Bank maintains access to market liquidity by quoting bid and offer prices and carries an inventory of money and capital market instruments including a broad range of cash and securities. The Bank also takes positions in the interest rate, foreign exchange and debt markets based upon expectations of customer demand or a change in market conditions.

The Treasury Department uses real-time position keeping systems that, with the Bank's information system and a data feed provided by Reuters, track the financial transactions in which the Bank takes part. Real-time positions are simultaneously reflected to the Bank's online Counterparty Limit Monitoring System, which allows real-time counterparty limit monitoring by the Bank's Internal Control Unit and other divisions and aims to avoid breaches in counterparty limits that are approved by the Bank's Credit Committee.

Derivative products have emerged extensively in recent years providing a wide variety of choices to corporate clients as well as individual investors. The Treasury Department manages the Bank's derivatives exposure within given delta and vega limits. The delta and vega exposures created by the customer flow can be directly hedged against in the markets or can be carried as positions as long as they are within the limits provided by the Bank's board. The Bank also provides competitive pricing in various derivative products (*e.g.*, local currency, foreign currency, domestic t-bills, eurobonds, equities and commodities) for the Bank's clients. Although the Bank's major derivative activities relate to the foreign exchange market, the Bank provides liquidity to its customers in the above-mentioned products as well. In addition, the Department develops and prices tailor-made products for clients in order to fulfill their hedging and yield-enhancement needs. The Department prices all derivative transactions whether for proprietary or hedging purposes (including forwards, swaps, futures and options).

Treasury Marketing and Financial Solutions Department

The Treasury Marketing and Financial Solutions department aims to improve the access of the Bank's customers to the financial markets and to assist in their operations therein.

The Treasury Marketing and Financial Solutions department consists of five sections: marketing, corporate banking, commercial banking, private banking and financial solutions. The aim is to allow customers in these segments to access the market efficiently. The Marketing and Financial Solutions department performs the pricing of all treasury products (foreign currencies exchange, forwards, options, swaps, bonds in Turkish lira and foreign currencies, eurobonds, deposits, loans, etc.) and creates tailor made solutions in line with the clients' needs by serving directly to a selected client base or servicing through branches.

In addition, the Treasury Marketing and Financial Solutions department advises corporate and commercial customers on risk management, offers solutions related to balance sheet and financial risk management and structures the necessary products.

Derivatives (Risk Control & Compliance) Department

The Structured Products Unit, one of the units of the Treasury's Derivatives department, develops derivative products required for the effective management of the Bank's balance sheet and liquidity, such as those aimed at increasing profitability and hedging current risks, and also prepares the contracts related to these products. The Structured Products Unit also analyzes document-based risks in accordance with applicable legislation and accounting standards (local standards and IFRS).

Day-to-day responsibility for managing exposure to market risks lies with the Risk Control Unit that operates within the Treasury's Derivatives department. The Risk Control Unit also monitors the profitability and volume of treasury transactions and reports the size of the portfolios and stop-loss limits of individual trading desks. Day-to-day responsibility for managing exposure to operational risks lies within the Middle Office Unit of the Treasury's Derivatives department, which unit also examines the confirmations of treasury transactions in order to audit on- and off-market pricing, trader transaction limits, transaction data inputs and the accuracy of operations.

Subsidiaries

In addition to its core banking operations, the Group is active in the areas of leasing, factoring, investment banking, portfolio management, private pensions and life insurance brokerage in Turkey, each of which is largely operated through a subsidiary of the Bank. In addition, the Bank has wholly-owned banking subsidiaries in the Netherlands (Garanti Bank International NV, which has offices in Amsterdam and Germany), Russia (Garanti Bank Moscow) and Romania (Garanti Bank SA).

The following table reflects the contribution of the Bank and certain of its consolidated subsidiaries to net income and total assets as of the indicated dates or for the year then ended, as applicable:

Assets	Ownership[1]	As of December 31, 2008	2009	2010
Türkiye Garanti Bankası........		87.6%	88.7%	87.4%
GBI.......................................	100%	7.7%	6.7%	5.1%
D Netherlands and Romania businesses[2].......................	[2]	-	-	2.5%
Garanti Pension and Life.......	84.91%	1.2%	1.5%	1.7%
Garanti Leasing/Fleet[3].........	98.94%	2.2%	1.7%	1.7%
Garanti Factoring..................	81.84%	0.8%	1.0%	1.1%
GBM.....................................	100%	0.5%	0.4%	0.4%
Garanti Securities.................	100%	0.0%	0.0%	0.1%
Garanti Asset Management....	100%	0.0%	0.0%	0.0%
Garanti Teknoloji..................	100%	0.0%	0.0%	0.0%

Net Income[4]	Ownership[1]	For the year ended December 31, 2008	2009	2010
Türkiye Garanti Bankası........		88.7%	93.1%	93.0%
Garanti Pension and Life.......	84.91%	3.2%	2.4%	2.9%
GBI.......................................	100%	3.3%	1.8%	2.4%
Garanti Leasing/Fleet[3]........	98.94%	3.7%	1.9%	2.3%
GBM.....................................	100%	0.7%	0.3%	0.6%
Garanti Factoring..................	81.84%	0.3%	0.3%	0.3%
Garanti Securities.................	100%	0.0%	0.0%	0.2%
Garanti Asset Management....	100%	0.0%	0.1%	0.0%
Garanti Teknoloji..................	100%	0.1%	0.1%	0.1%
D Netherlands and Romania businesses[2].......................		-	-	(1.8)%

(1) Ownership refers to the Bank's direct and indirect ownership in the relevant subsidiary.
(2) D Netherlands and Romania businesses include 100% ownership in D Netherlands and in the following Romanian businesses as of December 31, 2010: Garanti Bank SA, Motoractive IFN SA, Ralfi IFN SA and Domenia Credit IFN SA through Doğuş GE BV and Leasemart Holding BV. The ownership in Romania businesses increased from 73.27% to 100.00% in December 2010 following the acquisition of Leasemart Holding BV, the other shareholder of Doğuş GE BV. The legal names of D Netherlands BV and Doğuş GE BV have been changed to Garanti Holding BV and G Netherlands BV, respectively, effective from January 27, 2011.
(3) Garanti Fleet is almost fully owned by the Bank's subsidiaries (principally Garanti Leasing) and subject to a 98.94% consolidation in order to reflect the Bank's and its subsidiaries' ownership of Garanti Leasing.
(4) As fees and commissions paid by one Group member to another increase the recipient's income and the payer's expenses, these numbers do not necessarily reflect fully the benefits that the Bank's subsidiaries provide to the Group.

The following provides brief summaries of each of the Bank's material subsidiaries (including Garanti Payment Systems and Garanti Mortgage, which are not consolidated in the IFRS Financial Statements due to the immateriality of their individual balance sheet sizes) but excluding Garanti Teknoloji, which is described in "– Information Technology" below.

Garanti Bank International

GBI, a public limited liability company and the Bank's wholly-owned subsidiary in Amsterdam, commenced operations in early 1991. GBI's principal operations are in the Netherlands and Germany (and previously also in Romania as further described in the paragraphs below). The core businesses of GBI are international trade finance and private banking serving primarily Turkish individuals and corporations, treasury, structured finance (such as shipping, project and Islamic finance), cash management and a newly established business line; corporate and commercial banking. For the year-ended December 31, 2010, GBI generated net income of €40.7 million (€26.5 million for 2009).

As of December 31, 2010, GBI's total assets amounted to €3,543 million, which was lower than the level at December 31, 2009 due to the transfer of its Romanian operations to Garanti Bank SA in late May 2010 (€3,680 million as of December 31, 2009). Its registered office is located at Keizersgracht 569 575 1017 DR Amsterdam, The Netherlands.

Financing of international trade flows, with a particular focus on Black Sea, Caspian and Mediterranean basin countries, is one of the core activities of GBI. Metals, raw materials for steelmaking, chemicals, coal and agri-business commodities such as grains and fertilizers are the commodity groups in which GBI's trade finance is most specialized. Documentary credits and collections products, commodity finance loans and syndicated loans account for the largest share of GBI's trade finance business. In this regard, GBI's trade finance has been active in market segments such as transactional commodity finance, structured trade finance and origination and distribution of trade-related risk.

GBI's Romanian branch was founded in 1998, and until 2006 it operated within the principal mission of GBI, focusing its primary operations on offering a large range of trade finance products and services to both Romanian and international companies. From 2006 onwards, with the Bank's intention to establish a universal bank in Romania, retail, SME and payment systems lines of business have been launched with the goal of offering a wide range of banking products and services to domestic Romanian customers. It was also decided to pursue a bank license in Romania rather than operate as a passported banking branch from another EU banking entity (*i.e.*, GBI).

GBI has representative offices in Turkey, Ukraine and Switzerland.

Garanti Pension and Life

Garanti Pension and Life, founded in 1992, offers life insurance policies and private pensions. The company utilizes its expertise in bancassurance (*i.e.*, the relationship between an insurer and a bank pursuant to which the insurer uses the bank's sales channels in order to sell the insurer's insurance and pension products) to offer its insurance and pension products to the Bank's customers. The company has more than 455 thousand pension participants with 20.0% market share as of December 24, 2010 according to the Pension Monitoring Center (*Emeklilik Gözetim Merkezi*). Garanti Pension and Life was one of the sector's most active pension companies, managing a portfolio of TL 1.82 billion, holding a 15.3% market share in pension funds as of December 31, 2010 according to the Pension Monitoring Center (*Emeklilik Gözetim Merkezi*). In connection with its pensions business, the company earns fees and commissions in large part based upon the amount of funds under management.

In the life insurance business, as of December 31, 2010 the company had 3.24 million insurance policies outstanding, on which it generated TL 234,160 thousand in written premiums in 2010 (TL 181,096 thousand in 2009). Garanti Pension and Life increased its direct premium production by 29.3% in 2010 as compared to 2009 (the increase in 2009 over 2008 was 46.6%) and, on the basis of insurance industry figures published by the Turkey Insurance and Reinsurance Company Association (*Türkiye Sigorta ve Reasürans Şirketleri Birliği*), increased its market share in life insurance to 10.9% from 10.2% in 2009. Garanti Pension and Life is the market leader in unemployment insurance products and ranks the second in risk life, generating a significant portion of its premiums through alternative distribution channels.

On June 21, 2007, the Bank completed the sale of 15% of the shares of Garanti Pension and Life to Eureko B.V. for €100 million. The terms of this sale provide Eureko B.V. a cash call option (exercisable at a value to be calculated based upon a pre-agreed formula) to purchase from the Bank a further 35% plus one share of Garanti Pension and Life, which option is exercisable from June 21, 2010 until June 21, 2012. If Eureko B.V. exercises this call option, then the governance of Garanti Pension and Life will change such that its board of directors will be composed of nine members, four of which would be nominated by Eureko B.V., four of which would be nominated by the Bank and the ninth member being the Chief Executive Officer of Garanti Pension and Life, who would be jointly-nominated. Accordingly, both the Bank and Eureko B.V. will have equal rights as to governance of Garanti Pension and Life. Should Eureko exercise its call option, the terms of the agency agreement between the Bank and Garanti Pension and Life will change such that the initial term of the agency agreement will automatically restart for another ten year term. Alternatively, if Eureko B.V. does not exercise its call option, it may exercise its put option for the 15% of shares which it currently owns in Garanti Pension and Life. If exercised, such put option entitles Eureko B.V. to receive €75 million from the Bank.

Garanti Pension and Life had net income of TL 99,589 thousand (US$65.5 million) in 2010 (TL 76,175 thousand in 2009).

Garanti Leasing and Garanti Fleet

In 1990, the Bank established a leasing company, Garanti Leasing, in which it currently directly and (through Garanti Factoring) indirectly has a 98.94% equity interest. In 2010, Garanti Leasing executed 1,998 new financial leasing deals (principally for the leases of machinery and equipment) and recorded a total of US$467 million in new leases, following the execution of 1,176 new financial leasing deals (US$338 million in new leases) in 2009. In 2010, the company was the leader in the Turkish leasing sector with a 19.6% share of its new contracts and second with a 14.7% share of transaction volume, each according to the Turkish Leasing Association (*Finansal Kiralama Derneği*). As of December 31, 2010, Garanti Leasing's consolidated total assets (including Garanti Fleet) were TL 2,370,745 thousand (US$1,560 million) (TL 2,004,998 thousand as of December 31, 2009).

Garanti Fleet was established in 2007 under Garanti Leasing in order to serve in operational leasing. The company started its activities by leasing light commercial vehicles and passenger cars, the most common application for operational leasing in Turkey. Garanti Fleet, besides sales-marketing teams located in its head office, also uses the regional sales teams of Garanti Leasing and the Bank's widespread branch network for sales and marketing activities. The company launched a high service quality approach in 2009 and reached TL 194,995 thousand (US$128 million) in total assets as of December 31, 2010 (TL 136,662 thousand as of December 31, 2009) and a fleet size of 7,141 vehicles.

For 2010, Garanti Leasing (on a consolidated basis with Garanti Fleet) had net income of TL 79,754 thousand (US$52.5 million) (TL 59,219 thousand in 2009).

D Netherlands and Romania businesses

D Netherlands Holding BV, having its official seat in Amsterdam, the Netherlands, was incorporated on December 6, 2007, as a private limited liability company. On May 27, 2010, the Bank purchased from Doğuş Holding all of the shares of D Netherlands Holding BV. D Netherlands Holding BV is the shareholder of Doğuş GE BV, directly and indirectly through Leasemart Holding BV, which is the shareholder of Garanti Bank SA, Motoractive IFN SA, Ralfi IFN SA and Domenia Credit IFN SA, each a resident in Romania. The legal names of D Netherlands BV and Doğuş GE BV have been changed to Garanti Holding BV and G Netherlands BV, respectively, effective as of January 27, 2011.

Leasemart Holding BV, having its official seat in Amsterdam, the Netherlands, was incorporated on June 3, 1999, as a private limited liability company with no trading activities.

Doğuş GE BV is a company incorporated on December 3, 2007 in Amsterdam, the Netherlands. Doğuş GE BV is an intermediate holding company with no trading activities. As of December 31, 2010, Doğuş GE BV has investments in four Romanian companies specializing in financial services: Garanti Bank SA (99.99%), which provides banking activities; Motoractive IFN SA (99.99997%), which provides financial leases; Domenia Credit IFN SA (99.99999881%), which provides mortgage loans; and Ralfi IFN SA (99.9982%), which provides consumer loans (sales finance and private label credit cards). Motoractive Multiservices SRL, a company providing operating leasing and related services, was incorporated by Motoractive IFN SA in April 2007.

Garanti Bank SA was active in the Romanian market as a branch of GBI since 1998, which was transferred into the newly licensed bank in May 2010. As of December 31, 2010, Garanti Bank SA operated 65 branches, 22 of which were located in the capital city, Bucharest. The bank offers a full scope of universal banking products and services to its 198,145 customers from the retail, SME and corporate segments. With more than 111,400 credit cards (196,202 in total of which 84,764 are debit cards and 111,438 are credit cards) and 3,272 active (6,320 in total) POS terminals, Garanti Bank SA ranked (calculated as per the payment statistics of the National Bank of Romania) in the top ten in terms of the numbers of issued credit cards (with a market share of 5.3%) and installed POS terminals (with a market share of 5.9%) in Romania as of December 31, 2010.

Motoractive IFN SA is a joint-stock company incorporated in Bucharest, Romania. Motoractive IFN SA undertakes leasing activities, mainly motor vehicles but also industrial plant and office equipment. Motoractive IFN SA had 9,154 customers with 12,770 active contracts as of December 31, 2010 and has an extensive partnership network.

Domenia Credit IFN SA is a mortgage lending institution and provides long-term financing for the purchase, construction, renovation and refinancing of residential real estate mainly for sale to individuals. As of December 31, 2010, the company had 3,810 customers.

Ralfi IFN SA's main activity is to provide consumer loans to retail customers, particularly sales finance and personal loans. As of December 31, 2010, Ralfi IFN SA had 219,198 clients and partnerships with major retailers in Romania.

These entities were consolidated in the Group beginning May 28, 2010. The consolidated asset size of D Netherlands Holding BV and its subsidiaries was approximately €1,756 million as of December 31, 2010. In the Group's consolidated net income for the year ended December 31, 2010, a consolidated loss of €31.1 million was included for these entities (which losses were principally the result of provisions made in the period that were included in the Group's results).

Garanti Factoring

Garanti Factoring, founded in 1990, is one of Turkey's oldest factoring companies. 81.84% of the company's shares are owned by the Bank, 9.78% of its shares are owned by Export Credit Bank of Turkey and the remaining shares are traded on the ISE National Market. With a broad customer base, Garanti Factoring makes use of the Bank's delivery channels to provide high-quality factoring products and services to its customers. Following US$5,835 million in the volume of receivables financed through factoring in 2009, the company recorded US$10,727 million in 2010, increasing its market share to 22% according to the Factoring Association (*Faktoring Derneği*) from 20%. In the Group's consolidated net income for the year ended December 31, 2010, a net income of TL 11,775 thousand (US$7.7 million) was included for the company (TL 10,010 thousand in 2009). The company's total assets amounted to TL 1,584,641 thousand (US$1,043 million) as of December 31, 2010 (TL 1,145,756 thousand as of December 31, 2009).

Garanti Bank Moscow

The Bank's subsidiary in Russia, GBM, commenced operations in October 1996. GBM is focused on delivering corporate and commercial banking services in Russia. GBM had net income of US$12.5 million for 2010 (US$6.8 million in 2009). GBM's registered office is located at "Capital City" Business Center, 8, Bld. 1, 10th Floor, Presnenskaya nab. 123317 Moscow.

A member of the Russian Savings Deposit Insurance System, GBM had one branch and 79 employees as of December 31, 2010. As of December 31, 2010, GBM's total assets amounted to US$329 million (US$325 million as of December 31, 2009).

Having defined its core businesses as corporate and commercial banking, GBM is providing services to well-know medium- to large-size Russian corporates as well as leading Turkish companies operating in the country. The loan portfolio is diversified and is focused on key sectors of the real economy such as manufacturing, metal and metal products, food and beverage, transportation, automobile and trade sectors. GBM also offers services to large-scale Turkish tourism operators in Russia.

Garanti Securities

Garanti Securities is a wholly-owned subsidiary of the Bank and one of Turkey's leading securities houses and investment banks. Garanti Securities serves Turkish and international customers in the areas of corporate finance and capital market brokerage. As one of the sector's leaders in the business of corporate finance, over the years the company has provided numerous customers with advice on company mergers, acquisitions, public offerings and privatizations.

Garanti Securities' other principal business activity is brokerage services. Corporate share trading, which is supported by research, is delivered to customers via the Bank's extensive service network. As of December 31, 2010, Garanti Securities provided brokerage services to nearly 244,780 customers.

Garanti Asset Management

Founded in June 1997 as the first asset management company in Turkey, Garanti Asset Management is a wholly-owned subsidiary of the Bank. As of December 31, 2010, Garanti Asset Management managed 19 mutual funds of the Bank and Garanti Securities, 11 principal-protected funds and the Istanbul Hedge Fund of the Bank, 11 pension funds of Garanti Pension and Life and the portfolio of Garanti Investment Trust (a closed-end fund listed on the ISE). The company also provides portfolio management services for both institutional and individual clients. Garanti Asset Management's market share in terms of mutual funds increased from 3.8% in 1997 to 15.54% in 2010 according to Rasyonet, a third-party data vendor. Total assets under management amounted to US$4.8 billion as of December 31, 2010. Market shares of pension funds and discretionary portfolio management were 15.06% (according to Rasyonet) and 10.16% (according to the Capital Markets Board), respectively, as of December 31, 2010. The mutual funds managed by the company had a market value of US$3.3 billion as of December 31, 2010 and Garanti Asset Management distributes its mutual funds solely through the Bank's branches and ADCs.

Garanti Payment Systems

Garanti Payment Systems ("*GPS*") was established by the Bank in 1999 to provide services in the cards market as the product developer of chip-based multi- and joint-branded card programs, commercial cards, virtual cards, business-based marketing and e-commerce services. The Bank owns a 99.9% stake in GPS, which in 2010 booked total issuing volume amounting to US$31.4 billion (US$27 billion in 2009) on approximately 8 million credit cards, approximately 6.2 million bank debit cards and approximately 410,000 POS devices. Total merchant partner acquiring volume was US$33.7 billion in 2010 (US$29 billion in 2009). In the cards business, GPS earns the interchange fee for processing credit card payments and certain other revenues whereas the Bank is the lender and earns all interest and certain fees.

Garanti Mortgage

Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş. ("*Garanti Mortgage*"), which was established in October 2007, specializes in housing loans and offers consultancy and support services to mortgage companies. The Group's market share in mortgage loans was 13.47% by outstanding mortgage loan balances as of December 31, 2010 and the Group sustained the market leadership position it has held since 2007. Garanti Mortgage has established collaborative relations with more than 300 construction firms and projects around Turkey. Various products have been launched by Garanti Mortgage, each of which addresses different product and payment method needs of consumers.

International Banking

The Group's international operations include foreign branches of the Bank in each of Northern Cyprus (3), Luxembourg and Malta, and an international representative office in each of Moscow, London, Düsseldorf and Shanghai. The Bank's International Banking department also coordinates with the Bank's non-Turkish subsidiaries such as GBI and its subsidiaries in Romania, additional information about which can be found in "Subsidiaries" above.

The Shanghai representative office started its operations in May 1999 and was the first Turkish bank outlet in Far East Asia. The Bank's management believes that its Shanghai office puts the Group in a favorable position in establishing relations with Chinese banks and to initiate and develop business contacts with Turkish and Asian companies. Likewise, the London and Düsseldorf representative offices contribute to the Bank's international marketing efforts. The Cyprus, Malta and Luxembourg branches are principally focused on servicing the needs of the Bank's Turkish customers.

The Group's concentration on international banking and trade finance has, together with its diversified range of credit products, resulted in an increased demand for contingent loan products such as letters of guarantee, letters of credit and export financing. According to the foreign trade statistics announced by TurkStat, the Group is one of the leading Turkish banks in foreign trade, having a share of 14.1% in Turkey's imports by value as of January 2011. The Group intends to utilize its knowledge of trade finance, customer-oriented branch network, sophisticated technology and worldwide correspondent network to further strengthen its trade finance business.

Supporting the Bank's efforts in trade and other cross-border transactions, the Bank relies upon its network of international correspondent banks. Currently the Bank's international network includes approximately 3,300 correspondent banks in more than 150 countries around the world. The Bank cooperates with these correspondent banks in trade financings, remittances and other tailor-made transactions of interest to its customers.

Marketing and Distribution Channels

The Group is a well-recognized brand in Turkey. Over time, through the introduction of successful products such as Bonus Card, Shop&Miles, ELMA and www.garanti.com.tr, the brand has strengthened its position. The market's perception of the Group is periodically monitored by the Bank through brand tracking surveys and customer satisfaction surveys. These surveys have been useful in identifying customer perceptions of the Group's strongest relative attributes for customers.

All of the Bank's customer-facing divisions pursue a relatively sophisticated marketing strategy that is innovative and visible as well as customer-tailored, as further described below. Cross-selling is at the core of most product campaigns and the Group continuously focuses on enhancing the effectiveness of its activities to increase the profitability of its customer base while maintaining its focus on risk management principles. For example, the Bank's Retail Banking Department utilizes media advertising, direct mailings (paper and electronic), SMS messaging and posters/brochures in branches. The Bank's SME Banking Department reaches potential customers in various manners, including sponsoring a monthly magazine that reviews aspects of the business and SME world in Turkey. Marketing to potential commercial and, in particular, corporate customers is more tailored to their individual needs.

The Bank sells and cross-sells its customers either reactively or pro-actively using CRM tools.

From a *reactive sales* perspective: (a) for mass customers who walk into branches of the Bank, the Bank serves them using the Sales Lead Systems ("*SLS*"), and (b) for both upscale and mass customers, the Bank implements a system called the Sales Opportunities Tool ("*SOT*") to inquire regarding customer product usage levels to enable sales representatives or relationship managers to identify those products that can be sold reactively to these customers. SLS uses propensity and business rules, whereas SOT uses propensity and attrition developed centrally and is designed around a unique customer profile.

From a *pro-active* sales perspective, the Bank targets its mass customers with outbound calls from its Call Center, and the eligibility of these customers is identified using propensity and business rules. Within a branch, for both upscale and mass customers, the Bank has a system called Pusula (Compass). In this system, customer needs are first identified and then propensity, business rules and some external data are used to meet those needs with the relevant products. The Bank offers these products to its customers not as single items but as product bundles, which meet the customers' main and secondary needs. Finally, groups of upscale and mass customers with similar needs are combined as *lead lists* for the Bank's sales representatives and relationship managers to pro-actively target.

As the Group believes that selling additional products to its existing customers is the most effective method of increasing revenues and profitability, cross-selling opportunities are actively sought and implemented.

Branch Network

Between 1990 and 1995, the Bank undertook a restructuring program in which it reduced the number of its domestic branches from 301 to 169. Since 2000, as a result of organic growth and mergers, the Bank increased the number of its domestic branches and offices to 478 as of December 31, 2006. The Bank has grown its branch network in each year since 2006 and, as of March 31, 2011, the Bank had 880 branches. The Bank conducts cost-benefit studies on an on-going basis in order to determine and maintain the best geographical distribution of branches in Turkey. The Bank operates in 78 of the 81 cities in Turkey, covering 99% of Turkey's total population. Approximately 50% of the Bank's branches are located in the three largest cities (namely Istanbul, Ankara and İzmir). The Bank plans to expand its branch network to approximately 925 branches by the end of 2011 and approximately 1,000 branches by the end of 2012.

Alternative Delivery Channels

In addition to its large branch network, the Bank has developed an extensive ADC network that includes online banking, ATMs, two call centers, mobile banking and kiosks. The increasing use of ADCs by the Bank's customers has increased the Bank's cost-efficiency, has provided improved convenience to its customers and has helped the Bank develop deeper relationships with its customers.

The main benefits of the ADC distribution strategy can be segmented into four groups:

- *Improving branch performance*: By substantially expanding the use of ADCs, the Bank has significantly reduced less productive branch tasks (such as customer inquiries), freeing up the sales force and allowing them to focus on more profitable commercial activities and sales. Also, the migration to ADCs has reduced the branch operating load and costs, with average cost per transaction being significantly lower for ADC transactions. In 2010, 78% of total customer transactions were realized using ADCs.

- *Improving customer service and therefore retention*: Through ADCs and their extended hours of operations (24/7), the Bank provides quick and convenient problem resolution.

- *Enhancing revenues*: The Bank exploits new sales opportunities by cross-selling and by telemarketing to potential customers through ADCs, which also provide opportunities for incremental fees and charges. Accumulated commission income generated only by transactions on ADCs was $166 million in 2010.

- *Deepening relationships with customers*: ADCs not only lead to operational efficiency in relation to transactions, but also portfolio efficiency via upsell and cross-selling opportunities on these channels. In 2010, 4.6 million banking products were sold to ADC customers, which accounted for 32% of total sales within the Bank.

In addition to high-quality banking service, ADCs also provide convenience-oriented value added services like Western Union remittances both online and via ATMs, cardless remittances via ATMs, mobile remittances, video agent services as well as online/mobile instant stock exchange services. Regarding the latter, the Bank launched a unique trading platform called "e-Trader" including a desktop application, iPhone mobile application and online investment consulting service over videoconference at the beginning of 2010. These value-added services contribute both to commission income and high customer satisfaction.

As a result of the successful implementation of the Bank's ADC strategy, customers are shifting their choice of distribution channel. In 2010, ADCs were used to perform 92% of mutual fund transactions, 80% of EFT transactions, 83% of money transfers, 86% of utility payments and 81% of tax payments – all of which otherwise would have had to have been accomplished through tellers. The Bank's principal ADCs are described below:

- *Online Banking:* The Bank had approximately 1.6 million active internet banking users in 2010. The Bank's market share in online banking financial transactions by Turkish customers was 37% while the Bank's market share of active online banking users was 27% in 2010 (both according to the Turkish Banking Association).

- *ATMs*: The Bank's 3,003 ATMs, as of December 31, 2010, provide around 140 different transactions (including remittances and cardless transactions). In 2010, 49.7% of transactions (including cash withdrawals) that can be performed both in branches and at ADCs, 92.6% of cash withdrawals and 19.7% of fund transactions were executed through ATMs.

- *Call Centers*: The Bank's first call center was opened in February 1998, making the Bank the first in Turkey with both online and phone banking channels. Almost all of the Bank's core banking services, including bill payments, tax payments, card payments and investment transactions, are offered through the Bank's two call centers. The call center personnel actively cross-sell the Group's products. The call centers had 51.1 million customer contacts and accumulated individual sales of products through call centers was 2.8 million in 2010.

Human Resources Management and Planning

The Bank's Human Resources department works in coordination with all of the Bank's departments to support the Bank's strategic plans. As of December 31, 2010, the Bank had 16,675 employees, with university graduates representing approximately 90% of the Bank's professional staff. Moreover, approximately 15% of the Bank's professional staff is bilingual in Turkish and English.

In 2011, in order to meet the employee needs of the new branches but also to maintain levels of cost management and controlled growth, internal resources will be utilized and recruitment will be mainly for entry-level positions such as teller and call center customer representative. While the Bank does hire some senior employees from outside the Group, non-entry level positions are generally filled through promotion.

Incentive policies are designed to enhance the performance achievement of each employee by applying the proper amount of incentive compared to base salary and using job-specific measurable performance criteria. Thus, for sales teams, incentive payments constitute a higher portion of benefits compared to back-office specialized jobs (*e.g.*, headquarters jobs). In contrast, specialized jobs may have higher salary packages with regard to their salary bands.

Properties

As of December 31, 2010, the total net book value of the Group's tangible assets (including land, buildings and furniture) represented TL 1,584,660 thousand (US$1,043 million) (1.2% of its total assets). The Group maintains comprehensive insurance coverage on all of the real estate properties that it owns.

Information Technology

The Group believes that it differentiates itself in part through the high quality of its information technology. The Group has organized its IT functions within the Bank's wholly-owned subsidiary Garanti Teknoloji.

The IT solutions created by Garanti Teknoloji have enabled the Group to improve its efficiency and effectiveness in serving its customers and to provide a better customer experience across all channels. The integrated solutions created in-house by Garanti Teknoloji are pervasive across all channels and all levels of the Group. The services provided by Garanti Teknoloji include business development (including marketing and management support), IT strategy, process and security services, software development, systems and operations, help desk, networking and field engineering.

Garanti Teknoloji also provides services to other companies in the Doğuş Group, including its tourism, media and automotive operations. See "Related Party Transactions."

Currently approximately 99% of the Group's operational transactions are processed through Garanti Teknoloji, which aims to provide access and monitoring with a 99.99% availability and makes real-time copies of transaction records. In 2010, Garanti Teknoloji was responsible for the processing of approximately 258 million transactions a day. The financial and core banking applications within Garanti Teknoloji are developed by a team of more than 508 software and computer engineers.

The development of Business Continuity Management standards in all of the Bank's subsidiaries is coordinated by the Bank's Internal Control Unit. The Bank has developed a Business Continuity and Disaster Recovery Plan in case of natural disaster or significant hazard. This plan aims to ensure continuity in customer services, fulfill legal obligations, minimize financial losses, provide human life security and safeguard information assets. Revision of the plan and testing programs are conducted at least annually. Scenarios are created in order to ensure the Bank's business continuity in case of a disaster and recovery strategies are determined for various scenarios. The Bank has alternative locations for ensuring the continuity of banking services against unexpected incidents. The plan also includes specific directives to personnel to instruct them to react appropriately in a disaster situation. All personnel have access to the plan's guidelines through the Bank's intranet. Authorities, roles and responsibilities of the Bank's departments are determined and documented in the plan. A communication plan has been established covering communication tactics to ensure appropriate communication with internal and external target audiences in case of a disaster. Satellite phones are delivered to the top executives to be used in a disaster situation.

The Bank has a contract with a firm that provides a second back-up center with required substructure, which allows IT basic facilities and applications functioning in case of a disaster.

Insurance

The Group's fixed assets, cash-in-transit and cash-on-hand are covered by general insurance arrangements with third parties covering normal risks, and the Group also maintains blanket liability insurance. Loans that are secured by real estate are also required by the Group to be supported by fire and asset protection insurance with respect to secured assets. The Group does not have any credit risk insurance in relation to defaults by its customers and this is generally not available in Turkey.

Anti-Money-Laundering Policies

Turkey has been a member country of the Financial Action Task Force since 1991 and has enacted laws and regulations to combat money-laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obliged to implement and fulfill certain requirements regarding the treatment of activities that may be referred to as money-laundering.

The main provisions of the applicable law include regulation of: (a) client identification, (b) reporting of suspicious activity, (c) training, internal audit and control, risk management systems and other measures, (d) periodical reporting, (e) information and document disclosure, (f) retention of records and data, (g) data access systems to public records, (h) protection of individuals and legal entities and (i) written declaration of beneficial owners by transacting customers, among other provisions. Suspicious transactions must be reported to the Turkish Financial Intelligence Unit, Financial Crimes Investigation Board.

To ensure the Bank is not unwittingly used as an intermediary in money-laundering and other criminal activities, a program of compliance with obligations of anti-money-laundering and combating the financing of terrorism, which is to be undertaken by all employees, has been implemented. This program includes written policies and procedures, assigning a compliance officer, an audit and review function to test the robustness of anti-money-laundering policies and procedures, monitoring and auditing customer activities and transactions in accordance with anti-money laundering legislation and regulations and employee training.

Litigation

The Group is subject to various ongoing legal proceedings but the Bank's management does not believe that such proceedings, individually or taken together, are likely to have a material adverse effect on the business of the Group or on the results of its operations or financial condition.

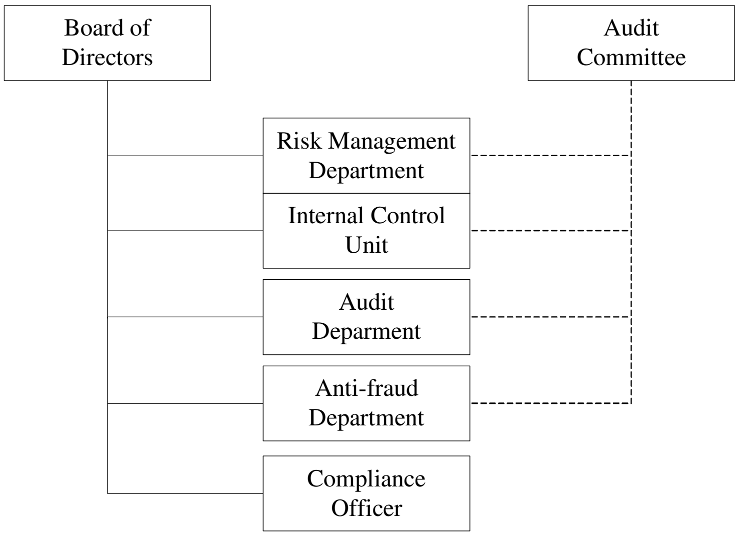
The Turkish Competition Board issued decisions in August 2009 initiating an investigation into the salary and deposit programs operated by eight major banks in Turkey, including the Bank. Under these programs, corporate and commercial customers of the Bank agree to deposit the salary payments of their employees with the Bank in exchange for remuneration from the Bank. The subject of the investigation is whether the eight banks made a collective agreement for the level of fees that they pay in connection with these programs. Similar to the practice of the other major banks in Turkey, the Bank enters into protocols with its customers regarding these programs, the terms of which protocols vary with respect to the level of fees the Bank pays and the length of the relevant protocol. In connection with this investigation, the Turkish Competition Board has served a summary of its initial findings and the banks that are under investigation responded to this initial report. On August 20, 2010, the investigation committee established by the Turkish Competition Board served its detailed report on each of the banks involved, which report recommended that the Turkish Competition Board impose a substantial fine upon the banks. The banks have prepared their responses to the allegations detailed in the report. The Bank has not established any specific provisions to account for a potential fine stemming from this investigation; *however*, existing general provisions might be available to be applied towards any such fine. On March 8, 2011, the Turkish Competition Board announced that it imposed an administrative fine amounting to TL 11,641,860 (approximately US$7.6 million) on the Bank with the possibility of the Bank's appealing the decision to the Council of State. The Bank will evaluate whether to appeal such fine following its receipt of the detailed decision of the Turkish Competition Board; *however*, according to the Law on Protection of Competition No. 4054, appealing a decision of the Turkish Competition Board will not stop the implementation of the Turkish Competition Board's decisions and the consequent collection of administrative fines. Accordingly, the Bank will be obligated to pay the administrative fine within one month of its receipt of the detailed decision.

RISK MANAGEMENT

General

As with any financial institution, the Bank is exposed to various risks inherent to its business such as credit risk, liquidity risk, market risk and operational risk. The Bank's Board of Directors is ultimately responsible for developing and monitoring the Bank's internal control, audit and risk management policies and strategies to address the risks that the Bank is exposed to, including the Bank's exposure to risk through its investments in its subsidiaries. For further information on the risks faced by the Bank, please see note 24 ("Financial risk management disclosures") in the Group's 2010 IFRS Financial Statements.

In fulfilling such responsibilities, and in line with applicable law, the Board of Directors has established within the Bank an Internal Audit department, an Internal Control department and a Risk Management department. The Board of Directors has also created an Anti-fraud department and the position of a Compliance Officer. Each of these is independent of executive functions and directly reports to the Board of Directors. The following diagram shows the interaction between these various departments.



In line with the importance given to corporate governance principles, the Bank's Board of Directors created an Audit Committee whose job is to ensure that the Board of Directors' supervision and review functions are duly carried out. The Audit Committee reports to the Board of Directors on the results of internal control, risk management and audit activities and on any action that it deems necessary as well as its views on any other issue that it deems to be important from the standpoint of the continued well-being of the Bank and the conduct of its activities.

The Board of Directors has also created a Liquidity Risk Management Committee the duties and responsibilities of which include the determination of the Bank's uninvested foreign exchange liquidity, the review of the various liquidity risk management reports and monitoring of early warning signals, the determination of the Bank's present stress level and providing internal communication and coordination within the Bank to ensure the implementation of its decisions.

For more information on both the Audit Committee and the Liquidity Risk Management Committee, see "Management – Board of Directors – Corporate Governance – Risk Management Committees."

The principal responsibility for risk management is held by the Risk Management department, which is responsible for the establishment of an integrated risk management system that measures and manages risks arising from the activities of the Bank (including in accordance with applicable legislation) and seeks to obtain an optimum risk-return-capital balance. The risk management system consists of processes for the establishment of standards, information flow, compliance, monitoring, decision-making and implementation necessary to monitor, control and change, when deemed necessary, the risk-return structure and the future cash flows of the Bank and the nature and level of related activities.

Fostering a risk management culture throughout the Bank and guided by a vision of having an integrated risk management system in which risk-based return and risk-based capital are clearly seen and understood, the Bank employs analytical methods that use international standards (such as Basel II) to quantify and monitor market, credit and other risks (benefiting from its many years of detailed operations data). As of March 31, 2011, 14 employees (including a senior vice president) worked for the Risk Management department of the Bank, a further 116 employees worked for the Internal Audit department and 109 employees worked for the Internal Control unit.

A summary of the Bank's management of credit, market, operational and liquidity risks is set forth below. See note 24 to the 2010 IFRS Financial Statements for additional information on the management of these and other risks.

Credit Risk Management

The Bank is subject to credit risk through its trading, lending, hedging and investing activities and in cases where it acts as an intermediary on behalf of third parties. For credit risk relating to lending activities, which constitute the Bank's primary credit risk exposures, the Bank uses various statistical-based internal risk rating models based upon customer segmentation and also obtains information from certain credit reporting bureaus. The use of the risk ratings generated by these models is a requirement for all loan applications and ratings are used both in the credit assessment process and to determine branch managers' credit authorization limits.

In the risk rating models, statistical methods are applied to information concerning customers' previous performance in order to rate them on the basis of objective criteria and assess the likelihood of a particular customer's defaulting in the future. Different models are currently in use for corporate/commercial companies, retail customers and SMEs.

The model for corporate/commercial/medium-sized companies employs financial and qualitative criteria and assigns a probability of default for each borrower, classifying them within a scale of 17 grades. Using these ratings, the expected and unexpected losses and the associated amounts of economic capital needed for the portfolio are calculated. Due to the changing structure of the Bank's credit portfolio, the Bank has been developing this model further by splitting it into different models tailored to the specific circumstances of each of its corporate, commercial and medium-sized enterprise segments.

For the retail loan and credit card portfolio, the Bank's systems (complemented by scorecards developed by Experian) are used in the application and granting process. The Bank frequently updates these systems based upon market conditions and advances in experience – for example, new behavioral scorecards developed by Garanti Teknoloji's Analytics department were delivered to the Bank's Retail Banking Department in order to start tests in February 2010.

For its SME portfolio, the Bank currently employs an experience-based scoring model that also serves as a tool for data collection. Based upon this data, an application scorecard is being developed. Within the scope of the same project, a behavioral scorecard is also being developed. It is expected that the implementation of these new scorecards will further enhance the Bank's credit approval process for SME borrowers.

The Corporate Banking Unit-Bank Credit Analysis and International Network Service is in charge of the bank and country risk analysis and the assessment of credit lines. The country limits are set on a yearly basis through extensive sovereign analysis. The department monitors the associated bank and country risks on a daily basis. These analyses are based upon the Bank's country risk rating model, which takes both objective and subjective risk factors into account. Objective risk factors make up 70% of the total score. While the subjective part forms the minority, they play an essential role in differentiating the risk. The risk rating methodology includes a country's economic performance, political structure, ratings from major agencies, banking sector performance and Turkey's relations with the specific country. On a yearly basis, the results are approved by the Bank's senior management.

The medium to high level risk-rated countries are monitored through daily news, rating actions/rating reports and other analysis on a regular basis. Brief country reports for high or moderate risk countries are prepared on a case by case basis and, when needed, included in the credit folders of the banks for whom line proposals are made to the Credit Committee.

Market Risk Management

As described in "Risk Factors – Risks Relating to the Group and its Business – Securities Portfolio Risk," "- Trading Activities Risk," "– Interest Rate Risk" and "– Exchange Rate Risk," the Bank's operations are exposed to significant market risks such as fluctuations in interest rates and exchange rates. The Bank's asset and liability management personnel, including its ALCO, monitor market risk and adopt and implement procedures and policies to optimize net income within the approved risk levels.

Among these procedures, the Bank's trading risk and the associated economic capital is calculated on each business day using a VaR model to determine the risks to which the Bank is exposed on account of market price movements in the trading positions that are maintained both on and off its balance sheet. For the purpose of determining the risks that could arise in major market fluctuations, the VaR model is regularly employed to perform stress tests and scenario analyses. Before taking a position in a considerable amount or trading a new type of instrument, effects on the portfolio are measured by a "what-if" analysis. The reliability of the VaR model is regularly checked by means of back tests.

The VaR limit is determined according to the distribution of capital approved by the Bank's Board of Directors and is monitored on a daily basis. In addition, trading desk, transaction and stop loss limits are tracked. VaR figures and VaR limit utilizations are reported daily to the Bank's Treasury Department and CEO and also to the board member in charge of risk management and weekly to the ALCO. Approval, update, follow-up, breach and notification procedures of these limits are executed and modified upon the approval of the Bank's Board of Directors.

For regulatory capital adequacy purposes, the standard method that is required by the BRSA is used. The Bank has adopted procedures to monitor its compliance with the BRSA's capital adequacy requirements, as set out in the Banking Law No. 5411 (further details of which can be found in "Turkish Regulatory Environment"). Balance sheet management is performed by the Bank's Assets and Liabilities Management department ("*ALMD*") in line with the main strategies determined by the ALCO. Hedging transactions for the Bank's own balance sheet are carried out in accordance with the policies and procedures adopted by the ALCO. From an internal management perspective, the ALMD eliminates the market risk from the Bank's branches and departments through a transfer pricing system, which thus enables the Bank to manage its market risks on a centralized and net basis.

Reports on duration/gap and sensitivity analyses are prepared to determine the interest rate risk the Bank faces as a result of maturity mismatches on its balance sheet. The ALCO and the ALMD use the duration/gap reports to manage balance-sheet interest rate risk.

The limits of structural interest rate risk are determined according to the distribution of capital approved by the Bank's Board of Directors. Limits are monitored based upon stress tests performed by applying appropriate stress parameters and are then followed for internal management purposes.

Operational Risk Management

As described in "Risk Factors – Risks Relating to the Group and its Business – Operational Risk," the Bank is subject to various operational risks, including risks relating to the failure of internal controls, *force majeure* events and the failure of IT systems. For the measurement and management of the Bank's operational risks, a risk matrix has been developed in which the existing and potential operational risks of the Bank are grouped according to the business lines, causes, consequences and categories to which these risks apply. A loss database is being created for the principal business lines in this matrix. For the control of operational risks, the status, impact and probabilities for each risk are evaluated within the matrix. The Bank's Internal Control and Internal Audit departments have primary responsibility for monitoring and updating the operational risk matrix.

Credit cards, internet banking and application fraud teams that were previously working under different departments were brought together under a centralized Fraud department in September 2007. The purpose of this department is to prevent fraudulent acts with an enterprise approach, to minimize the risks arising from such acts, to reduce the losses incurred by the Bank in this regard and to take more effective operational security measures.

Capital requirements relating to operational risk are, per BRSA requirements, calculated according to the Basel II basic indicator approach for operational risk. Nevertheless, it is the Bank's goal to measure for internal purposes operational risk with the Basel II advanced measurement approach. For this purpose, the Bank: (a) completed in December 2008 an internal database to gather operational risk loss data in a more systematic centralized environment in accordance with Basel II standards, (b) implemented in August 2009 the operational risk economic capital software and (c) built in December 2009 a framework to define operational risk-related key risk indicators and to collect data for them. The Bank's management believes that these more advanced standards will further enhance its operational risk management.

The Bank seeks to manage reputational risk as part of its risk management. The Bank's policy for the management of reputational risk is to avoid transactions and activities that can cause reputational risk. The Bank executes all transactions and activities in the context of the following principles:

- compliance with legal regulations,
- compliance with corporate governance principles, and
- compliance with social, ethical and environmental values.

Management of reputational risk is the responsibility of the Board of Directors but it is also a responsibility of all the employees of the Bank.

Liquidity Risk Management

Liquidity risk arises in the funding of the Bank's activities and the management of its positions, and is principally defined as the risk of the Bank not being able to fulfill payment obligations as a result of not having the necessary amount of cash or cash inflow to meet the cash outflows of the Bank completely and on time. The Bank's general policy is to maintain an adequate level of liquid assets so as to meet the contractual maturity of existing funding, to fund investment opportunities, to satisfy credit demand and to cover against contingent liquidity risks derived from unexpected withdrawals or other unforeseen events. Given the important operational and reputational risks that would be created if the Bank were to be without sufficient liquidity, the Bank has established a Liquidity Risk Management Committee, a description of which can be found in "Management – Corporate Governance." Trends of the early warning indicators, benchmark ratios and limits are followed by the Risk Management Department and reported to LRMC on a monthly basis.

The Bank maintains a desired level of liquidity by maintaining foreign currency and Turkish Lira assets in the form of short-term money market placements and marketable securities. In creating assets in the context of effective liquidity management, the Bank considers their ability to be liquidated easily, having a regular cash flow and being able to liquidate easily any collateral taken. Oversight of compliance with legal liquidity ratios is also monitored.

The Bank has a contingency funding plan to respond promptly and effectively to an idiosyncratic or systemic liquidity crisis, which plan includes "early warning signals." These signals can be classified in four groups regarding their coverage: (a) bank-specific, (b) sector-related, (c) market data (local and global) and (d) economic (local and global). Wherever possible, quantitative triggers are defined depending upon these early warning signals. These triggers allow the Bank to relate the prevailing circumstances to a certain "stress level." Under various stress levels, possible market conditions, projection of the Bank's liquidity needs, alternative funding sources and action plans are identified. A monthly liquidity report is prepared by the Risk Management and Treasury departments and distributed to the Bank's CEO, the head of the Treasury Department and the board member in charge of risk management.

Daily liquidity management is performed by the ALMD within the limits defined by the LRMC. Medium- and long-term liquidity management is performed by the ALMD in accordance with decisions by the ALCO.

Risk Management of Subsidiaries

The Bank's subsidiaries have their own risk management teams and procedures, which (in the context of their respective businesses and regulatory environment) are generally consistent with those of the Bank. The Bank's audit and risk committees coordinate with, and monitor the risk management policies and positions of, the Bank's subsidiaries.

MANAGEMENT

Board of Directors

The Board of Directors meets regularly and, with the guidance of the Bank's senior management, is instrumental in planning the medium- and long-term strategy of the Group. The Bank's Board of Directors makes all major management decisions affecting the Bank. The Board of Directors acts as a supervisory body for the Bank's activities and determines the code of ethics and business conduct of the Bank.

Pursuant to the Bank's articles, the General Assembly of the Bank's shareholders sets the number of members on the Bank's Board of Directors, which should consist of at least seven members. Currently, the General Assembly has set the number of members at nine. Each member has a right of one vote and it is not permissible that members vote on behalf of another member by proxy. The members of the Board of Directors are appointed for a period of three years and a member may be re-elected.

The members of the Board of Directors may not participate in discussions relating to or vote for personal matters or any matter concerning interests of relatives such as their spouses and children.

The Shareholders' Agreement executed between Doğuş Holding and BBVA contains an agreement that enables BBVA to appoint four of the Bank's nine directors. On March 22, 2011, the four directors designated by BBVA (being Messrs. Angel Cano Fernandez, Carlos Torres Vila, Jose Maria Garcia Meyer Dohner and Manuel Castro Aladro) were appointed to fill the vacancies created by the resignations of the four directors designated by GEAM for the remaining terms of office. These appointments were affirmed by the Bank's shareholders at the Bank's annual shareholders' meeting held on March 31, 2011. The shareholders' agreement provides BBVA a call option to purchase from Doğuş Group a further 1% share of the Bank, which option is exercisable after five years following the share sale. If such call option is exercised, then six members of the Board of Directors out of nine will be appointed by BBVA.

Members of the Board of Directors

The directors of the Bank are the following:

Director	Year First Appointed	End of Term
Ferit Faik Şahenk (Chairman)	1990 (Chairman since 2001)	2012
Süleyman Sözen (Vice Chairman)	1997 (Vice Chairman since 2003)	2012
S. Ergun Özen (President and CEO)	2003	2012
A. Kamil Esirtgen, PhD	1992	2012
Cüneyt Sezgin, PhD	2004	2012
Angel Cano Fernandez	2011	2012
Carlos Torres Vila	2011	2012
Jose Maria Garcia Meyer Dohner	2011	2012
Manuel Castro Aladro	2011	2012

Additional information on each of the directors is set forth below:

Ferit Faik Şahenk (Chairman)

Mr. Şahenk has an undergraduate degree in Marketing and Human Resources from Boston College. He attended Harvard Business School for its "Owner/President" Management Program. He served as the founder and Vice President of Garanti Securities, CEO of Doğuş Holding and Chairman of Doğuş Otomotiv. Currently, Mr. Şahenk is the Chairman of Doğuş Holding. He served as the Chairman of the Turkish-American Business Council of the Foreign Economic Relations Board (DEİK) and is currently serving as Chairman of the Turkish-German Business Council and is a member of the Turkish-United Arab Emirates Business Counsel. He is a member of the World Economic Forum and the Alliance of Civilizations Initiative. He is also the Regional Executive Board Member of Massachusetts Institute of Technology's (MIT) Sloan School of Management Europe, Middle East, South Asia and Africa.

Süleyman Sözen (Vice Chairman)

Mr. Sözen is a graduate of Ankara University, Faculty of Political Sciences. He worked as a Chief Auditor at the Turkish Ministry of Finance and the Treasury. Since 1981, he has served in various positions in the private sector, mainly in financial institutions. Mr. Sözen has been serving on the board of directors of various Doğuş Group entities and subsidiaries of the Bank since 1997. He holds a Certified Public Accountant license.

S. Ergun Özen (President and CEO)

Mr. S. Ergun Özen earned a Bachelor's degree in Economics from New York State University and is a graduate of the Advanced Management Program at Harvard Business School. He is a Board Member of Garanti Bank Moscow, GBI, the Turkish Banking Association, the Institute of International Finance (IIF), the Turkish Industrialists' and Businessmen's Association (TÜSIAD), the Istanbul Foundation for Culture and Arts (IKSV) and the Trustees of TED Istanbul Koleji Foundation. He is also the Chairman of Garanti Securities, Garanti Asset Management, Garanti Pension and Life, Eureko Sigorta A.Ş., Garanti Factoring and Garanti Leasing.

A. Kamil Esirtgen, PhD

After graduating from Istanbul University, Faculty of Economics, Mr. Esirtgen received an MBA from Stanford's Graduate School of Business and a PhD from Istanbul University's School of Business Administration. He worked at various private sector corporations after concluding his academic career in 1975. In 1987, he joined the Doğuş Group as Finance Group President. He is a Board Member of several subsidiaries of the Bank, as well as some other companies in the private sector.

Cüneyt Sezgin, PhD

Mr. Sezgin received a Bachelor of Arts degree from the Middle East Technical University, an MBA from Western Michigan University and a PhD from Istanbul University's School of Economics. He has served in executive positions at several private banks. Mr. Sezgin is the Country Director of the Global Association of Risk Professionals. He is a Board Member at Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Eureko Sigorta A.Ş., T. Garanti Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı and the World Wildlife Fund-Turkey.

The following are the directors who were appointed to the Board of Directors with effect from the completion of BBVA's purchase of the Bank's shares from GE Capital Corporation.

Angel Cano Fernandez

Mr. Cano Fernadez has an undergraduate degree in Economics and Business from Oveido University. He is the President & COO of BBVA.

Carlos Torres Vila

Mr. Torres Vila received a B.S. in electrical engineering and management science from Massachusetts Institute of Technology. After receiving an MBA from Massachusetts Institute of Technology, he earned a Law Degree from El Rector de la Universidad Nacional de Educación a Distancia. He worked at various private sector corporations and is currently the Head of Strategy and Corporate Development of BBVA.

Jose Maria Garcia Meyer Dohner

Mr. Garcia Meyer Dohner earned a masters degree from Universidad Politécnica de Madrid after graduating from Universidad Complutense de Madrid. He attended Universidad de la Coruña & Fundación Empresa Universidad Gallega for a Certificate of Financial Studies and INSEAD & Instituto Universitario Euroforum Escorial for its Program for Management Development. He has served in executive positions at several banks based in the United States, Mexico and Spain. He is currently the Head of Global Retail and Business Banking of BBVA.

Manuel Castro Aladro

After graduating from Universidad Pontificia Comillas (ICADE), Mr. Castro Aladro received an MBA from University of Chicago. After working as an executive at various private companies and banks, he joined BBVA in 1999. He is the Chief Risk Officer and a Member of the Executive Board of BBVA.

Executive Management

In addition to President and CEO S. Ergun Özen, the Bank's senior executives as of the date of this Offering Circular include the following:

Executive	Title	Responsibility	Year Joined Bank
Aydın Düren	Executive Vice President	Legal Services	2009
B. Ebru Edin	Executive Vice President	Project Finance	1997
Tolga Egemen	Executive Vice President	Financial Institutions and Corporate Banking	1996
Ali Fuat Erbil	Executive Vice President	Retail Banking and Distribution Channels	1997
Halil Hüsnü Erel	Executive Vice President	Technology and Operational Services	1994
Uruz Ersözoğlu	Executive Vice President	Treasury	2003
Gökhan Erün	Executive Vice President	Human Resources and Investment Banking	1994
Turgay Gönensin	Executive Vice President	Commercial Banking	1987
F. Nafiz Karadere	Executive Vice President	SME Banking	1999
Adnan Memiş	Executive Vice President	Support Services	1978
Murat Mergin	Executive Director	Strategic Planning	1994
Afzal M. Modak	Executive Vice President/CFO	Chief Financial Officer	2007
Zekeriya Öztürk	Executive Vice President	International Business Development	2006
Aydın Şenel	Executive Vice President	General Accounting	1981
Ali Temel	Executive Vice President	Loans	1997

Additional information on each of these senior executives of the Bank is set forth below.

Aydın Düren

Mr. Düren graduated from the Law Department of Istanbul University and the master of laws program at American University's Washington College of Law. He worked as a lawyer, managing partner and co-founder at various companies. He was appointed as the Executive Vice President for Legal Services in 2009.

B. Ebru Edin

Mrs. Edin graduated from the Civil Engineering Department of Boğaziçi University. She has been the Executive Vice President of the Bank's Project Finance Department since 2009. She worked as a senior executive at various private banks prior to joining the Bank in 1997.

Tolga Egemen

Mr. Egemen graduated from the Mechanical Engineering Department of Middle East Technical University. He started his banking career in 1992 and joined the Bank as the Senior Vice President of the Cash Management Department in 1996. He was appointed to his current position in 2000. Mr. Egemen is a Board Member of Garanti Securities.

Ali Fuat Erbil, PhD

Mr. Erbil graduated from the Computer Engineering Department of Middle East Technical University. He obtained an MBA from Bilkent University and a PhD in Banking and Finance from Istanbul Technical University. After working as an executive at various private companies and banks, he joined the Bank as the Senior Vice President of the Distribution

Channels Department in 1997. Mr. Erbil was appointed to his current position in 1999 and is a Board Member of Garanti Pension and Life, Garanti Asset Management and T. Garanti Bankası A.Ş Emekli ve Yardım Sandığı Vakfı.

Halil Hüsnü Erel

Mr. Erel graduated from the Electronics and Communications Engineering Department of Istanbul Technical University. Prior to joining the Bank he served as an executive at various private companies and banks. He joined Garanti Teknoloji as General Manager in 1994 and was appointed to his current position in 1997. Mr. Erel is a Board Member of Garanti Payment Systems.

Uruz Ersözoğlu

Mr. Ersözoğlu graduated from the Economics Department of Middle East Technical University in 1989. After serving as an executive at various private banks and the Istanbul offices of foreign banks, he joined the Bank as Head of Treasury Marketing, Trading and Asset-Liability Management in 2003. He was appointed to his current position in 2006. Mr. Ersözoğlu is a Board Member of Garanti Asset Management.

Gökhan Erün

Mr. Erün earned an undergraduate degree from the Electronics and Communications Department of Istanbul Technical University and a graduate degree from the Business Administration Department of Yeditepe University. He joined the Bank's Treasury Department in 1994 and served as Senior Vice President of the Commercial Marketing and Sales Department between 1999-2004. He became CEO of Garanti Pension and Life in September 2004 and was appointed to his current position in August 2005. Mr. Erün is Chairman of T. Garanti Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı, Vice Chairman of Garanti Pension and Life and Teacher's Academy Foundation and a Board Member of Eureko Sigorta A.Ş., Garanti Asset Management and Garanti Securities.

Turgay Gönensin

Mr. Gönensin graduated from the Business Administration Department of Boğaziçi University. In 1987 he joined the Bank, where he worked at various departments. Between 1997-2000, he served as CEO of Garanti Bank International and was the CEO of Osmanlı Bankası from 2000-2001. Mr. Gönensin was appointed to his current position in 2002 and is the Vice Chairman of Garanti Leasing and Garanti Factoring and a Board Member of GBI.

F. Nafiz Karadere

Mr. Karadere graduated from the International Relations Department of Ankara University. He worked as a senior executive at various private banks and was appointed to his current position in 1999. Mr. Karadere is a Board Member of Garanti Pension and Life, Garanti Payment Systems and Teacher's Academy Foundation.

Adnan Memiş

Mr. Memiş obtained an undergraduate degree from the Economics Department of Istanbul University and a graduate degree from the Managerial Economics Institute of the same university. He joined the Bank as an Assistant Internal Auditor in 1978 and was appointed to his current position in 1991. Mr. Memiş is currently the President of the Financial Restructuring Working Group of the Turkish Banking Association, a Board Member of Darüşşafaka Association and T. Garanti Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı and Leader of Denizyıldızları Project Group.

Murat Mergin

Mr. Mergin graduated from the Economics and Finance Departments of City University of New York. He assumed executive responsibilities in various private banks before joining the Bank in 1994. Mr. Mergin was appointed to his current position in 2002.

Afzal M. Modak

Mr. Modak obtained an undergraduate degree from the Mechanical Engineering Department of the Indian Technology Institute and a graduate degree from the Computer Sciences Department of New York Pace University. He joined GE in 1985 and assumed senior executive positions in many GE companies, including GE Mortgage Services (US), GE Capital Bank (Hong Kong) and GE Capital International Services (India). He was appointed to his current position at the Bank in 2007.

Zekeriya Öztürk

Mr. Öztürk obtained an undergraduate and graduate degrees in Engineering from Istanbul Technical University and an MBA from Edinburgh University. After working as a senior executive at various national and international private investment banks, he joined the Bank in 2006. Mr. Öztürk is a Board Member of Garanti Securities and Garanti Asset Management.

Aydın Şenel

Mr. Şenel graduated from the Commercial Sciences Faculty of Marmara University. Between 1981 and 1999, he worked as Internal Auditor, Head of the Human Resources, Credit Cards Manager, Financial Analysis Coordination Manager and Financial Monitoring Manager at the Bank. Mr. Şenel was appointed as the Head of General Accounting in 1999 and promoted to his current position in 2006. He is Vice Chairman of T. Garanti Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı.

Ali Temel

Mr. Temel graduated from the Electrical-Electronic Engineering Department of Boğaziçi University. He worked as an executive at various private banks and served as Senior Vice President of the Cash Management Department and the Commercial Banking Department of the Bank between 1997-1999. He was appointed to his current position in 1999. Mr. Temel is a Board Member of Garanti Leasing and Garanti Factoring.

Conflicts of Interest

There are no actual or potential conflicts of interest between the duties of any of the members of the Board of Directors and the executive management and their respective private interests or other duties.

Address

The business address of the Bank's executive management and the Board of Directors is Garanti Bank Headquarters, Nispetiye Mahallesi, Aytar Caddesi No: 2 Levent, Beşiktaş 34340, Istanbul, Turkey.

Corporate Governance

In connection with the Bank's corporate governance obligations, the Bank's Board of Directors has established various committees (or directors participate in certain Bank committees) that have been given primary responsibility for certain matters relating to the operation of the Bank. These committees include, among others, the Credit Committee, the Assets and Liabilities Committee and multiple risk management committees. Certain information relating to these committees and their members is set out below.

Credit Committee

In accordance with the Banking Law, the Board of Directors has delegated a certain amount of its loan approval authority to the Bank's Credit Committee, which is comprised of five Board Members (one of whom is the Chief Executive Officer). The Credit Committee holds weekly meetings to review loan proposals sent by the branches to the head office but that exceed the head office's loan limit (US$2 million). The Credit Committee reviews these loan proposals, decides on those that are within its approval limits and submits those that exceed its authorized limits to the full Board of Directors for further review.

Directors currently on the Credit Committee are Messrs. Özen, Sözen, Esirtgen, Torres Vila and Castro Aladro.

The following executives of the Bank may attend the meetings of the Credit Committee to facilitate information being delivered throughout the organization although they are not permanent members of the committee: Ali Temel (Executive Vice President), Turgay Gönensin (Executive Vice President), Tolga Egemen (Executive Vice President), B. Ebru Edin (Executive Vice President), Ufuk Tandoğan (Coordinator), Recep Baştuğ (Coordinator), Mustafa Tiftikçioğlu (Senior Vice President) and Fulya Göyenç (Senior Vice President).

Assets and Liabilities Committee

The committee is chaired by Mr. Özen and various executives of the Bank are also on this committee, including the Executive Vice Presidents, as is the CEO of Garanti Payment Systems.

Managers of corporate branches and regional managers attend committee meetings on a rotation basis.

Risk Management Committees

The Bank's Board of Directors has established various committees tasked with overseeing identified categories of risk in the Bank's operations and portfolio, including the Audit Committee and the Liquidity Risk Management Committee. Please see "Risk Management" for further information.

Audit Committee. The Audit Committee is comprised of two members of the Board of Directors who do not have any executive functions. The Audit Committee was set up to assist the Board of Directors in the performance of its audit and supervision functions and is responsible for:

- monitoring the effectiveness and adequacy of the Bank's internal control, risk management and internal audit systems, the operation of these systems and accounting and reporting systems in accordance with applicable regulations and the integrity of resulting information,

- ensuring that the internal audit functions of entities that are subject to consolidation are performed in a consolidated and coordinated manner, including to monitor their compliance with internal control regulations and internal policies and procedures approved by the Board of Directors,

- performing the preliminary studies required for the election of independent audit firms and regularly monitoring their activities, evaluating outsourcing service companies and monitoring the services provided, and

- confirming that the financial reports of the Bank and the Group are accurate, contain all necessary information and are prepared in accordance with applicable legislation (including to ensure that errors and irregularities are resolved).

Committee members are Messrs. Sezgin and Dohner.

Liquidity Risk Management Committee. The duties and responsibilities of the Liquidity Risk Management Committee (*"LRMC*") include the determination of the Bank's uninvested foreign exchange liquidity, the review of the various liquidity risk management reports and monitoring of early warning signals, the determination of the Bank's present stress level and providing internal communication and coordination within the Bank to ensure the implementation of its decisions. In addition, in the event of a liquidity crisis the committee is responsible for: (a) monitoring internal and external data that may affect the Bank's liquidity, (b) ensuring the execution of the Bank's liquidity contingency action plan and (c) defining a strategy in order to ensure the Bank's safe operation, its profitability and customer confidence.

Directors on the committee are Messrs. Özen and Sezgin. Various executives of the Bank are also on this committee, including Uruz Ersözoğlu (Executive Vice President), Barış Karaayvaz (Senior Vice President), Ebru Ogan (Senior Vice President) and Metin Kılıç (Senior Vice President).

Other Risk Committees. Sub-committees for market risk, credit risk and operational risk have been set up to facilitate exchange of information and views with the relevant units of the Bank and to promote the use of risk management and internal audit systems within the Bank. These include: (a) the market risk committee, which monitors market risk arising from trading activities, interest rate risk arising from maturity mismatches, liquidity risk, risk limits and limit utilizations of the trading portfolio and ensures flow of information on changes in the positions exposed to market risk, (b) the credit risk committee, which monitors the effectiveness of the methods and models that are being used to measure credit risk results and ensures flow of information on changes in the positions exposed to credit risk, and (c) the operational risk committee, which performs activities related to the control and management of an operational risk loss database and the follow-up of actions to be taken.

Compensation

The Group aims to provide compensation that allows it to attract and retain individuals with the skills necessary to manage successfully and grow its business. The Group's compensation policy seeks to provide total compensation that is competitive with other financial organizations similar to it in terms of size and complexity of operations. The Group's policy is to link a significant portion of its senior executives' compensation to the performance of the business through incentive plans. Therefore, in structuring remuneration packages, the Group aims to link potential reward to the performance of the business as well as to the performance of the individual.

Remuneration of the members of the Board of Directors is determined and approved by the General Assembly of the Bank. The Board of Directors decides the remuneration of the Bank's executives, including the Bank's President and CEO.

The total remuneration paid to the Bank's executives identified in "Management - Executive Management" and its directors (including deferred or contingent compensation accrued for the year) during 2010 amounted to approximately TL 66,705,000 (US$43,884,868). Total accrued loans outstanding to such executives and directors as of December 31, 2010 amounted to approximately TL 90,979 (US$59,855).

There is no private pension plan paid for by the Bank for its executives other than the fund for all its Turkish employees (T. Garanti Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı – Retirement and Support Fund), which fund has similar liabilities to Turkey's Social Security Institution. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Accounting Poliices – Defined Benefit Plan."

The Group does not have any directors' service contracts providing for benefits upon termination of employment, nor does it offer any share-based incentive programs to directors or employees.

OWNERSHIP

The Bank was established in 1946 as a partnership of 103 businessmen. In 1975, a 56% interest in the Bank was acquired by Koç Holding and a 33% interest by Sabancı Holding. In 1983, the two groups sold their shareholdings in the Bank to Mr. Ayhan Şahenk and various companies of the Doğuş Group. These companies are now controlled by the Bank's Chairman Mr. Ferit Şahenk, after the death of Mr. Ayhan Şahenk in 2001.

Under the terms of an agreement between Doğuş Holding and GEAM, on December 22, 2005, GEAM acquired from the Doğuş Group 25.50% of the Bank's ordinary shares for a cash consideration of US$1,555.5 million and 49.2% of the Bank's founders' shares for a cash consideration of US$250 million, making a total cash consideration of US$1,805.5 million. The parties also entered into a shareholders' agreement under which the Bank became jointly-controlled by the Doğuş Group and GEAM. In connection with this transaction, GEAM acquired certain additional shares of the Bank in a tender offer.

On December 24, 2007, GEAM transferred a 4.65% interest in the Bank back to the Doğuş Group for a consideration of US$674.3 million. This transaction reduced GEAM's holding in the Bank to 20.85% with a 30.52% interest being controlled (directly and indirectly) by Doğuş Holding.

All but two of the Bank's founders' shares were purchased by the Bank and cancelled as of March 1, 2010, with the remaining founders' shares not having any dividend or other rights but the owners thereof have a right to claim a redemption price therefor from the Bank in the amount of TL 3,876,307.00 each.

On November 1, 2010, Doğuş Holding AŞ entered into a share purchase agreement with BBVA with respect to BBVA's acquisition of shares with a total nominal value of TL 264,188,400 thousand representing 6.29% of the Bank's issued share capital. On the same date, BBVA entered into a share purchase agreement with (*inter alia*) GEAM with respect to BBVA's acquisition of shares with a total nominal value of TL 781,200,000 thousand representing 18.60% of the Bank's issued share capital. Share transfers contemplated pursuant to these share purchase agreements were concluded on March 22, 2011 after obtaining all necessary regulatory authority. Doğuş Holding and BBVA are parties to a shareholders' agreement pursuant to which they have agreed to act in concert, thereby enabling them to establish a significant voting block to jointly control and manage the Bank. Neither GE Capital Corporation nor GEAM are parties to the shareholders' agreement between Doğuş Holding and BBVA.

As of the date of this Offering Circular, the common shares of the Bank are held as follows:

Shareholder	Shares Held	Percent
Doğuş Group	104,538,840,000	24.89%
BBVA	105,042,000,000	25.01%
GE Capital & GEAM	9,451,249,898	2.25%
Public float	200,967,910,102	47.85%
Total	420,000,000,000	100.00%

As far as the Bank is aware, other than BBVA and the Doğuş Group entities, no other person holds a greater than 5% interest in the share capital of the Bank.

The Doğuş Group

Established in 1951, the Doğuş Group is owned by the Şahenk family and is one of Turkey's largest private sector conglomerates, having TL 45.165 billion (US$31.12 billion) in assets as of September 30, 2010 and TL 6.092 billion (US$4.198 billion) in revenues for the first nine months of 2010. The Doğuş Group provides services in sectors including:

- *Financial Services*: The financial services business is the flagship of the Doğuş Group, and the Bank is the flagship of the Doğuş Group's financial services business.

- *Automotive*: Doğuş Otomotiv is the leading distributor of imported automobiles in Turkey. Doğuş Otomotiv represents 15 international brands in segments consisting of passenger cars, light commercial vehicles, heavy commercial vehicles, industrial and marine engines and cooling systems. Doğuş Otomotiv provides its individual and corporate customers with a portfolio of more than 80 models of Volkswagen passenger cars, Volkswagen commercial vehicles, Audi, Porsche, Bentley, Lamborghini, Bugatti, SEAT, Skoda, Scania, Krone and Meiller. Aside from these, the company competes in the industrial and marine engines market by representing the VW Marine and Scania Engines brands and in the cooling systems market representing the Thermo King brand.

- *Construction*: The Doğuş Group is currently one of the most active participants in the regional construction market. Construction activities are well-diversified and include large infrastructure projects (such as dams and hydro-electric power plants, tunnels, highways, roads, bridges, viaducts, over and under passages and buildings) as well as industrial plants and social facilities.

- *Media*: The Doğuş Media Group is one of the leading companies in the Turkish media industry. Since 1999, the group has created/acquired many brands and now cooperates with global brands and organizations such as: MSNBC, CNBC, Condé Nast, NBA, Billboard, Virgin, National Geographic and Vogue. The group operates seven TV channels, seven radio stations, eight periodicals, four internet portals and NTV Publications, reaching over 25 million people. NTV and CNBC-e are the group's flagship TV channels.

- *Tourism*: The Doğuş Tourism Group consists of 14 facilities, which provide high quality international service. The Doğuş Group's global cooperations are with Hyatt International LLC, Starwood Hotels & Resorts Worldwide, Inc., HMS International Hotel GMBH, Aldiana GMBH, Giorgio Armani S.p.A., Guccio Gucci S.p.A. and Loro Piana S.p.A. The Doğuş Group owns six 5 star hotels and two 5 star holiday villages and four marinas.

- *Real Estate*: The Doğuş Group is also active in real estate, managing a large estate portfolio owned by the Doğuş Group and working on potential developments in residential, commercial, hospitality and logistics projects. The Doğuş Group operates İstinye Park (Turkey's leading shopping mall) as well as Gebze Center (the region's first shopping center, which has strong anchor tenants and modern recreational facilities).

- *Energy*: Hydroelectric energy and local, renewable and clean energy sources have been a priority for the Doğuş Group. The Doğuş Group has obtained licenses to build and operate the Boyabat Hydroelectric Powerplant (34% share), Artvin Hydroelectric Powerplant (100% share), Aslancık Hydroelectric Powerplant (33% share) and D TES Electric Power Trading Company (25% share).

BBVA

BBVA is a highly diversified international financial group, with strengths in the traditional banking businesses of retail banking, asset management, private banking and wholesale banking. BBVA has a presence in 32 countries and has almost 107,000 employees. BBVA's consolidated total assets were €552,738 million and net attributable profit was €4,606 million as of and for the year ended December 31, 2010.

In 2010, BBVA focused its operations on six major business areas as described below:

- *Spain and Portugal*. This area handles the financial and non-financial needs of private individual customers (retail network), including the higher net-worth market segment (BBVA Banca Privada, privating banking), as well as the business segment (professionals, the self-employed, retailers, the farming community and SMEs) in the Spanish market. It also manages business with SMEs, corporations and public and private institutions and developers in Spain through the Corporate and Business Banking unit. Other specialized units handle online banking, consumer finance, the bancassurance business (BBVA Seguros) and BBVA Portugal.

- *Mexico*. This area includes the banking, pensions and insurance businesses in the country.

- *United States*. This area encompasses BBVA's business in the United States and in the Commonwealth of Puerto Rico.

- *South America*. This area includes the banking, pensions and insurane businesses in South America.

- *Wholesale Banking and Asset Management*. This area handles BBVA's wholesale businesses and asset management in all the geographical areas where it operates. This area is organized around three main business units: Corporate and Investment Banking, Global Markets and Asset Management. This area also includes the Industrial and Real Estate Holdings unit and BBVA's holdings in the CITIC financial group.

- *Corporate Activities*. This area includes items that are not allocated to the previous business areas. These include the cost of the headquarters' various units, certain allocations to provisions (such as early retirements) and those other of a corporate nature. This area also includes the Asset/Liability Management unit, which performs management functions for the group as a whole (essentially management of asset and liability positions in euro-denominated interest rates and in exchange rates, as well as liquidity and capital management functions). The management of asset and liability interest rate risk in currencies other than the euro is recorded in the corresponding business areas. This area also includes the Industrial and Financial Holdings unit and the group's non-international real estate businesses.

Dividends and Dividend Policy

In accordance with Turkish law, the distribution of profits and the payment of any annual dividend in respect of the preceding fiscal year is recommended by the Bank's Board of Directors each year for approval by the Bank's shareholders at the annual shareholders' meeting, which must be held within three months following the end of the preceding fiscal year. In addition, while not required by law, Turkish banks (including the Bank) generally consult with the BRSA before announcing any dividends. The Bank's dividend policy in recent years has been to reinvest a substantial portion of the cash amount of any dividends in its capital.

Each common share of the Bank entitles the holder thereof to the same amount of dividend. Distribution of dividends can be made in the form of cash or bonus shares.

RELATED PARTY TRANSACTIONS

The Group had three types of exposure to related parties: its ownership in certain Doğuş Group companies, loans extended to the Doğuş Group and GEAM (from March 22, 2011, BBVA) and its affiliates and guarantees and other contingent liabilities issued on behalf of such entities. All of the related-party credit applications must go through the Group's normal credit review process. All extensions of credit to the related parties are made on an arm's-length basis and the credit and payment terms in respect of such credits are no more favorable than those offered to third parties.

Turkish banking regulations limit exposure to related parties to 20% of the total capital, and the Group's exposure to the Doğuş Group and GEAM and its affiliates (the "*GE Group*") is well within the limit permitted by the regulations. The following tables indicate the level of the Group's relationships with members of the Doğuş Group and the GE Group as of December 31, 2008, 2009 and 2010:

Doğuş Group	**As of December 31,**			
	2008	**2009**	**2010**	**2010**
	(TL thousands)			*(US$ millions)*(1)
Equity interests in Doğuş Group companies (other than the Bank's own subsidiaries)	996	996	996	1
As a % of assets	0.0%	0.0%	0.0%	
As a % of shareholders' equity	0.0%	0.0%	0.0%	
Cash loans	136,323	238,626	255,431	168
As a % of assets	0.1%	0.2%	0.2%	
As a % of shareholders' equity	1.4%	1.7%	1.5%	
Contingent obligations	164,397	352,877	380,973	250
As a % of contingent obligations	1.1%	2.3%	2.3%	
As a % of shareholders' equity	1.7%	2.5%	2.3%	
Total Doğuş Group Exposure	**301,716**	**592,499**	**637,400**	**419**

GE Group	**As of December 31,**			
	2008	**2009**	**2010**	**2010**
	(TL thousands)			*(US$ millions)* (1)
Cash loans	152,822	74,258	61,031	40
As a % of assets	0.2%	0.1%	0.0%	
As a % of shareholders' equity	1.5%	0.6%	0.4%	
Contingent obligations	24,467	22,674	43,836	29
As a % of contingent obligations	0.2%	0.2%	0.3%	
As a % of shareholders' equity	0.2%	0.2%	0.3%	
Total GE Group Exposure	**177,289**	**96,932**	**104,867**	**69**

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

The Group's exposure to the Doğuş Group and the GE Group is principally denominated in foreign currencies. All the related-party loans are performing and the Group has never had to take provisions for, or to write-off any loan to, any of the companies of the Doğuş Group or the GE Group.

The contingent exposure to the Doğuş Group and the GE Group primarily consists of bid bonds and performance bonds provided in connection with construction contracting work awarded mainly to the Doğuş Group.

The Group had deposits from members of the Doğuş Group and the GE Group as of December 31, 2008, 2009 and 2010 as follows:

	As of December 31,			
	2008	**2009**	**2010**	**2010**
	(TL thousands)			*US$ millions)*[1]
Doğuş Group	370,241	670,334	514,701	339
GE Group	130,693	51,758	142,157	94

(1) For the convenience of the reader, the December 31, 2010 figures have been translated into US Dollars based upon the TL/$ Exchange Rate as of December 31, 2010 of TL 1.52 = US$1.00.

On March 22, 2011, the acquisition of the Bank's shares owned by Doğuş Holding A.Ş. and General Electric Capital Corporation representing 6.2902% and 18.60% of the Bank's share capital, respectively, by BBVA has been completed.

Please refer to the IFRS Financial Statements included elsewhere in this document for additional information on related-party transactions.

TURKISH BANKING SYSTEM

Structural Changes in the Turkish Banking System

The Turkish financial sector has gone through major structural changes as a result of the financial liberalization program that started in the early 1980s. The abolition of directed credit policies, liberalization of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to US$4,916 million at the end of 2001 from US$8,056 million for 28 banks at the end of 2000, according to the Turkish Banking Association.

The Turkish money markets and foreign exchange markets have stabilized since 2001, in large part due to regulatory reform and other governmental actions (including a three-part audit undertaken in 2001 and 2002, after which all private commercial banks were either found to be in compliance with the 8% minimum capital requirement, transferred to the Savings Deposits Insurance Fund ("*SDIF*") or asked to increase their capital level). The transparency of the system has improved along with the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Structural changes undertaken have strengthened the private banking sector and resulted in a level playing field among banks. Unfair competition from state banks was diminished while the efficiency of the system increased in general as a result of consolidation. According to the SDIF's official data, since 1994, a total of 25 private banks have been transferred to the SDIF due to, among other things, weakened financial stability and liquidity and efforts are continuing on the resolution of the SDIF banks while restructuring and privatization of the state banks is progressing.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking system, the government reduced the rate of the Resource Utilisation Support Fund ("*RUSF*") applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero. However, the 3% RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. The government also increased the RUSF charged on interest of foreign currency-denominated retail loans from 10% to 15% in order to curb domestic demand fueled by credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The Council of Ministers determined the RUSF charged on consumer credits to be utilized by real persons (for non-commercial utilization) to 15% with its decision numbered 2010/974, which was published in the Official Gazette dated October 28, 2010 and numbered 27743.

The Turkish Banking Sector

The banking industry has undergone significant consolidation over the past decade with the total number of banks (including deposit-taking banks, investment banks and development banks) declining from 81 in 1999 to 45 on December 31, 2008, which stayed at that level until February 2011 when Fortis Bank A.Ş. merged with Turk Ekonomi Bankası A.Ş. A number of banks were transferred to the SDIF and eventually removed from the banking system through mergers or liquidations. The table below shows the evolution of the number of banks in the Turkish banking system as of the end of each year since 1999.

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010(1)
Number of banks...........	81	79	61	54	50	48	47	46	46	45	45	45

Source: Turkish Banking Association (www.tbb.org.tr)
Note: Total number of banks includes deposit-taking banks, investment banks and development banks, but excludes participation banks (Islamic banks).
As of December 31, 2010 (in February 2011 Fortis Bank A.Ş. merged with Turk Ekonomi Bankası A.Ş.)

As of December 31, 2010, 45 banks were operating in Turkey. 32 of these were deposit-taking banks and the remaining 13 were investment and development banks (four participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in the analysis). Among the 32 deposit-taking banks, three banks were state-owned banks, 11 were private domestic banks, 17 were private foreign banks and one was under the administration of the SDIF.

The Banking Law permits deposit-taking banks to engage in all fields of financial activities, including deposit collection, corporate and consumer lending, foreign exchange transactions, capital market activities and securities trading. Typically, major commercial banks have nationwide branch networks and provide a full range of banking services, while smaller commercial banks focus on wholesale banking. The main objectives of development and investment banks are to provide medium-and long-term funding for investment in different sectors.

Deposit-taking Turkish banks' total balance sheets have grown at a compound average growth rate ("*CAGR*") of 19.4% from December 31, 2005 to December 31, 2010, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 27.2% and 19.2%, respectively between December 31, 2005 and December 31, 2010, in each case according to the BRSA. Despite strong growth of net loans and customer deposits since 2005, the Turkish banking sector remains significantly under-penetrated compared with banking penetration in the Eurozone. Loans/GDP and deposits/GDP ratios of the Turkish banking sector were 43.3% and 52.8%, respectively, as of December 31, 2010 according to BRSA data, whereas the Eurozone's banking sector had loan and deposit penetration ratios of 120.2% and 114.7%, respectively, as of the same date based upon the European Central Bank's data.

The following table shows key indicators for deposit-taking banks in Turkey since 2005.

	2005	2006	2007	2008	2009	2010	CAGR
			(TL billions, except CAGR)				
Balance sheet							
Net loans	144.7	203.2	263.7	340.5	358.4	481.8	27.2%
Total assets	384.1	470.6	543.3	683.8	773.4	933.2	19.4%
Customer deposits	243.1	296.5	342.0	435.6	487.9	583.9	19.2%
Shareholders' equity	47.5	50.4	64.5	72.1	93.8	114.7	19.3%
Income statement							
Operating income(1)	27.1	29.7	36.0	40.9	55.0	54.9	15.2%
Operating expenses(2)	13.3	13.9	16.3	19.4	20.3	23.4	12.1%
Net income	5.0	10.2	13.5	11.9	18.5	20.3	32.2%
Key ratios							
Loans/deposits	59.5%	68.5%	77.1%	78.2%	73.5%	82.5%	
Net interest margin(3)	5.6%	4.9%	5.1%	4.9%	5.7%	4.6%	
Cost / income(4)	54.4%	48.7%	46.8%	53.6%	44.2%	46.9%	
Return on average equity	11.4%	20.9%	23.5%	17.7%	22.3%	19.7%	
Capital adequacy ratio	21.6%	19.9%	17.4%	16.6%	19.2%	17.7%	

Source: BRSA monthly bulletin (www.bddk.org.tr)
Note: Sector data for deposit-taking banks only
(1) Including net interest income, net fee and commission income, net trading income including foreign exchange gain/loss, and other operating income; excluding income from sales of assets, extraordinary income / expense, net monetary position profit / loss and dividend income.
(2) Including personnel costs, administration expenses and other operating expenses.
(3) Net interest income / average interest-earning assets.
(4) Operating expenses / operating income (adjusted for provisions for loan losses and for securities).

Competition

The Turkish banking industry is highly competitive but the Bank's management believes that the Group is well-positioned to compete in the market with its market leadership position in numerous key areas, advanced infrastructure, highly-qualified personnel and deep experience in the sector.

The Turkish banking sector is relatively concentrated with the top 10 deposit-taking banks accounting for 89.7% of total assets of deposit-taking banks as of December 31, 2010 according to the BRSA. Among the top 10 Turkish banks, there are three state-controlled banks – Ziraat Bank, VakıfBank and HalkBank, which are ranked 1st, 6th and 7th, respectively, in terms of total assets as of December 31, 2010 according to the Turkish Banking Association. These three state-controlled banks accounted for 30.5% of deposit-taking Turkish banks' performing loans and 37.3% of total deposits as of December 31, 2010 according to the BRSA. The top four privately-owned domestic banks are Türkiye İş Bankası A.Ş. ("*Işbank*"), the Bank, Akbank A.Ş. ("*Akbank*") and Yapı ve Kredi Bankası A.Ş. ("*Yapı Kredi Bank*"), which in total accounted for 48.8% of deposit-taking Turkish banks' performing loans and 45.8% of total deposits as of December 31, 2010 according to the BRSA. Remaining banks in the top 10 deposit-taking banks in Turkey include three mid-sized banks, namely Finansbank A.Ş. ("*Finansbank*"), Denizbank A.Ş. ("*DenizBank*") and Turk Ekonomi Bankası, which were controlled by National Bank of Greece, Dexia and BNP Paribas, respectively.

The following table shows major shareholders, key indicators and market shares of the top 10 deposit-taking banks ranked by total assets in the Turkish banking sector as of December 31, 2010 according to the Turkish Banking Association.

Rank	Bank	Major Shareholders	Assets (US$ millions)	Assets market share	Loans market share[1]	Deposits market share	Branches
1	Ziraat Bank	Treasury (100%)	98,309	16.2%	11.9%	20.5%	1,399
2	Işbank	Işbank pension fund (39.3%), Cumhuriyet Halk Partisi (28.1%)	85,716	14.1%	13.4%	14.4%	1,142
3	Garanti Bank	Doğuş Group (30.5%), GE Capital (20.9%)	80,621	13.3%	13.5%	11.9%	859
4	Akbank	Sabancı Holding, affiliates and family (51.2%), Citigroup (20.0%)	73,610	12.1%	11.0%	11.0%	913
5.	Yapı Kredi Bank	Koc Financial Services[2] (81.8%)	55,135	9.1%	10.9%	8.6%	868
6	VakıfBank	General Directorate of Foundations (58.6%)	48,102	7.9%	9.4%	7.8%	637
7	HalkBank	Privatization Administration (75.0%)	47,439	7.8%	9.2%	8.9%	709
8	Finansbank	National Bank of Greece (94.8%)	24,771	4.1%	5.3%	4.0%	503
9	DenizBank	Dexia Participation Belgique (99.8%)	17,989	3.0%	3.8%	2.6%	500
10	Turk Ekonomi Bankası	BNP Paribas (41.2%), Çolakoğlu Group (41.2%)	12,377	2.0%	2.4%	2.0%	335

Source: Turkish Banking Association (www.tbb.org.tr)
Note: Rankings and market shares among deposit-taking banks only.
(1) Performing loans only are included.
(2) Koç Financial Services is a 50/50 joint venture owned by the Unicredit Group and Koç Holding.

If the February 2011 merger of Turk Ekomoni Bankası A.Ş. and Fortis Bank A.Ş. had been effective as of December 31, 2010, then the combined bank would be ranked as ninth (assuming no customer attrition or volume losses upon merger).

While the Group faces competition from the state-owned banks referenced above in certain products such as deposit collection and SME lending, the Bank's management perceives the other private banks as its primary competitors. The table below compares certain financial information for the Bank's branches and those of the three large private competitors mentioned above:

Banks	Number of Branches	Per Branch *(TL millions)* Total Assets	Loans[1]	Customer Deposits
			(TL Millions)	
Garanti	859	144.3	75.1	81.8
İşbank............................	1,142	115.4	56.2	75.1
Akbank..........................	913	124.0	57.9	65.5
Yapı Kredi	868	97.7	60.1	59.5

Source: Turkish Banking Association (www.tbb.org.tr) as of December 31, 2010.
Note: Branch definition of the Turkish Banking Association varies from the Bank's definition. Therefore, the information provided above may differ slightly from what is provided elsewhere in this Offering Circular.
(1) Performing loans only are included.

TURKISH REGULATORY ENVIRONMENT

Turkish banks are governed by two primary regulatory authorities in Turkey, the BRSA and the Central Bank.

The Banks Act No. 4389 established the BRSA, which ensures that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. The BRSA has administrative and financial autonomy. Historically, its head office has been in Ankara; *however*, as of February 13, 2011 and pursuant to Law No. 611, the head office has been relocated to Istanbul with the migration of functions from Ankara to Istanbul to be completed within two years of such date. Pursuant to Law No. 611, the Council of Ministers of Turkey has been authorized to extend the migration deadline as necessary.

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, implementation of the government's fiscal and monetary policies, regulation of the money supply, management of official gold and foreign exchange reserves, supervision of the banking system and advising the government on financial matters. The Central Bank is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels and liquidity ratios. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditor's reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending upon the nature of the information to be reported.

Official certified bank auditors, who are responsible for the on-site examination of banks, implement the provisions of the Banking Law and other related legislation, examine on behalf of the BRSA all banking operations and analyze the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to a regulation regarding the internal systems of banks issued by the BRSA, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of the regulation. Pursuant to such regulation, the internal audit and risk management systems are to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department will report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

The Turkish Banking Association acts as a limited organization of supervision and coordination. All banks in Turkey are obliged to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests; *however*, despite its regulatory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholding

The direct or indirect acquisition by a person of shares that represent 10% or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such shareholder increases above or falls below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee or issuance of new shares with such privileges is also subject to the authorization of the BRSA. In the absence of such authorization, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares but not of the right to collect dividends declared on such shares.

The board of directors of a bank is responsible for ensuring that shareholders attending general assemblies have obtained the applicable authorizations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholder's rights (other than the right to collect dividends) without due authorization as described in the preceding paragraph, then it is authorized to direct the board of directors of a bank to cancel any applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without BRSA authorization. Unless and until a shareholder obtains the necessary share transfer approvals from the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

Turkish law sets out certain limits on the asset profile of banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties), in particular:

- Credits extended in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests and shareholding interests.

- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a director or general manager as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital.

- Loans made available to a bank's controlling shareholders or registered shareholders holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of its capital equity.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, acceptances, guarantees and sureties, and bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and credit and other financial instruments and other contracts entered into with, governments, central banks and banks of the countries accredited with the BRSA for the purpose of calculation of loan limits.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned lending limits:

- transactions against cash, cash-like assets and accounts and precious metals,

- transactions carried out with the Undersecretariat of Treasury, Central Bank, Privatization Administration and the Mass Housing Administration, as well as the transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions,

- transactions carried out with the Central Bank and in legally organized money markets,

- in case of new credit allocations, valuations prompted by the changes in currency rates in credits denominated or indexed to foreign currencies, and interests, profit shares and other such issues accrued on overdue credits,
- bonus shares (scrip issues) received as a result of capital increases, and any increase in the value of shares not requiring any fund outflow,
- interbank operations within the framework of the principles set out by the BRSA,
- shares acquired within the framework of underwriting services for public offering activities provided that such shares are disposed of in the time and manner determined by the BRSA,
- transactions considered as "deductibles" in the shareholders' equity account, and
- other transactions to be determined by the BRSB (which is the board of the BRSA).

Loan Loss Reserves

Procedures relating to loan loss reserves for non-performing loans are set out in regulations issued by the BRSA. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks are required to classify their loans and receivables into one of the following groups:

I. *Standard Loans and Other Receivables:* This group involves loans and other receivables:

(1) that have been disbursed to natural persons and legal entities with financial creditworthiness,

(2) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor,

(3) the reimbursement of which has been made within specified periods, for which no reimbursement problems are expected in the future and which can be fully collected, or

(4) for which no weakening of the creditworthiness of the debtor concerned has been found.

II. *Closely Monitored Loans and Other Receivables:* This group involves loans and other receivables:

(1) that have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialization of the latter or significant financial risk carried by the person utilizing the loan,

(2) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non-reimbursement risk,

(3) which are very likely to be repaid but where the collection of principal and interest have not been made for justifiable reasons and are delayed for more than 30 days; *however*, which cannot be considered as loans or other receivables with limited recovery as grouped in group III below, or

(4) although the standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular cash flow which is difficult to control.

III. *Loans and Other Receivables with Limited Collection Ability*: This group involves loans and other receivables:

(1) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and where if the problems observed are not eliminated, they are likely to give rise to loss,

(2) the credibility of whose debtor has weakened and where the loan is deemed to have weakened,

(3) collection of whose principal and interest or both has been delayed for more than 90 days but not more than 180 days from the due date, or

(4) in connection with which the bank is of the opinion that by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.

IV. *Loans and Other Receivables with Remote Collection Ability*: This group involves loans and other receivables:

(1) that seem unlikely to be repaid or liquidated under existing conditions,

(2) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable under the terms stated in the loan agreement,

(3) whose debtor's creditworthiness is deemed to have significantly weakened but which are not considered as an actual loss due to such factors as a merger, the possibility of finding new financing or a capital increase, or

(4) there is a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.

V. *Loans and Other Receivables Considered as Losses:* This group involves loans and other receivables:

(1) that are deemed to be uncollectible,

(2) collection of whose principal or interest or both has been delayed by one year or more from the due date, or

(3) for which, although carrying the characteristics stated in groups III and IV, the bank is of the opinion that they have become weakened and that the debtor has lost his creditworthiness due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

Pursuant to Article 53 of the Banking Law, banks must calculate the losses that have arisen, or are likely to arise, in connection with loans and other receivables. Such calculations must be regularly reviewed. They must also reserve adequate provisions against depreciation or impairment of other assets, qualify and classify assets, receive guarantees and security and measure the reliability and the value of such guarantees and security. In addition, banks must monitor the loans under follow-up procedures and the repayment of overdue loans and establish and operate the structures that will perform these functions. All provisions set aside for loans and other receivables in accordance with this article are considered expenditures deductible from the corporate tax base in the year they are set aside.

Turkish law also requires Turkish banks to provide a general reserve calculated at 1% of the cash loan portfolio *plus* 0.2% of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) for standard loans; and a general reserve calculated at 2% of the cash loan portfolio *plus* 0.4 % of the non-cash loan portfolio for closely-monitored loans. In addition, 25% of the above-mentioned rates will be applied for each check that remains uncollected for a period of five years after issuance. The banks should also set aside general provisions for the amounts monitored under the accounts of "Receivables from Derivative Financial Instruments" on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the "Regulation on Loan

Transactions of Banks" by applying the general provision rate applicable for cash loans. Apart from the general provisions, special provisions must be set aside for the loans and receivables in groups III, IV and V described above in the amounts of 20%, 50% and 100%, respectively.

Pursuant to these regulations, all loans and receivables in groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the receivables have been refinanced, are defined as "frozen receivables." If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as a frozen receivable, then all outstanding risks of such loan customer are classified in the same group as the frozen receivable even if such loans would not otherwise fall under the same group as such frozen receivable. If a frozen receivable is repaid in full, then the other loans of the loan customer may be re-classified into the applicable group as if there were no related frozen receivable.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral: Cash, deposits, profit sharing funds and gold deposit accounts that are secured by pledge or assignment agreements; repurchase agreement proceeds secured by promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Treasury, the Mass Housing Administration or the Privatization Administration and B-type investment profit sharing funds; member firm receivables arising out of credit cards and gold reserved within the Bank; securities issued directly or guaranteed by the central governments or central banks of countries that are members of the OECD and securities issued directly or guaranteed by the European Central Bank; transactions made with the Treasury, Central Bank, the Mass Housing Administration or the Privatization Administration or transactions that are guaranteed by securities issued directly or guaranteed by such administrations; guarantees issued by banks operating in OECD member countries; and sureties and letters of guarantee issued by banks operating in Turkey in compliance with their maximum lending limits.

Category II Collateral: Precious metals other than gold; shares quoted on a stock exchange; A-type investment profit sharing funds; asset-backed securities and private sector bonds except ones issued by the borrower; credit derivatives providing protection against credit risk; the assignment or pledge of accrued entitlements of persons from public agencies; liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value; mortgages on property registered with the land registry and mortgages on real property built on allocated real estate provided that their appraised value is sufficient; export documents appurtenant to bill of lading or carrier's receipt and negotiable instruments obtained from real or legal persons based upon actual commercial relationships.

Category III Collateral: Commercial enterprise pledges, export documents, vehicle pledges, mortgages on aircraft or ships, suretyships of creditworthy natural persons or legal entities and other client promissory notes of natural persons and legal entities.

Category IV Collateral: Any other security not otherwise included in Categories I, II or III.

While calculating the special provision requirements for non-performing loans, the value of collateral received from the borrower will be deducted from the frozen receivables in groups III, IV and V above in the following proportions in order to determine the amount that will be subject to special provisioning:

Discount Ratio	**(%)**
Category I Collateral	100
Category II Collateral	75
Category III Collateral	50
Category IV Collateral	25

In case the value of the collateral exceeds the amount of the non-performing loan, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the non-performing loan.

According to Article 11 of the Regulation on Provisions and Classification of Loans and Receivables, in the event of a borrower's failure to repay loans or any other receivables due to a temporary lack of liquidity that the borrower is facing, a bank is allowed to refinance the borrower with additional funding in order to strengthen the borrower's liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables are required to be monitored in their current loan groups (whether III, IV or V) for at least the following six-month period and to be provided against in line with the relevant loan group provisioning level. After this six-month period, if total collections reach at least 15% of the total receivables for restructured loans, then the remaining receivables may be reclassified to the "Refinanced/Restructured Loans and Receivables" account. The bank may refinance the borrower for a second time if the borrower fails to repay the refinanced loan; *provided* that 20% of the principal and other receivables are collected on a yearly basis.

The Regulation on Provisions and Classification of Loans and Receivables was amended on April 9, 2011. According to Provisional Article 5 of the regulation, which will be effective until December 31, 2012, loans and other receivables classified as Closely Monitored Loans and Other Receivables (group II) granted to persons or legal entities residing in Libya or engaged in activities relating to Libya can be restructured twice. Furthermore, such loans and other receivables subject to a new redemption plan may be classified as Standard Loans and Other Receivables; *provided* that at least 10% of the total sum of receivables has been repaid. If such loans and other receivables become subject to a redemption plan for a second time as a result of new loans having been utilized, then such loans and receivables shall be classified as Loans and Other Receivables with Limited Collection Ability until 5% of the total sum of receivables has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for Loans and Other Receivables with Limited Collection Ability, it is in the bank's discretion to set aside special provisions for such loans and receivables.

Pursuant to Provisional Article 5, if there are loans or any other receivables that are classified in groups III, IV and V, then such loans and/or other receivables shall be classified in the same group with receivables relating to Libya. Until December 31, 2012, and so long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such loans or any other receivables, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times. Any restructured loans may be transferred to the "Loans Restructured and Tied to a Redemption Plan Account" if:

- at least 5% of the total sum of receivables in the first restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of at least three months,
- at least 10% of the total sum of receivables in the second restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of six months, and
- at least 15% of the total sum of receivables in the third restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of one year.

Capital Adequacy

In November 2006, the BRSA issued new regulations on measurement and assessment of capital adequacy of banks. Article 45 of the Banking Law defines "Capital Adequacy" as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8%.

The board of the BRSA (the "*BRSB*") is authorized to increase the minimum capital adequacy ratio, to set different ratios for each bank and to revise the risk weights of assets that are based upon participation accounts, but must consider each bank's internal systems as well as its asset and financial structures.

Under the Regulation on Equities of Banks published in the Official Gazette No. 26333 dated November 1, 2006, subordinated loans are grouped as "primary subordinated loans" and "secondary subordinated loans" and are listed as one of the items that constitute "Tier II" capital. The portion of primary subordinated loans equal to an amount from 15% up to 50% of "Tier I" capital is included in the calculation of "Tier I" capital.

Liquidity Reserve Requirement

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures to be set out by the BRSB. Within this framework, a comprehensive liquidity arrangement was put into force by the BRSA, following the consent of the Central Bank.

Turkish banks are required by the Central Bank to deposit as reserves an amount equal to 11% of their foreign currency liabilities in accounts held at the Central Bank for mandatory reserve purposes. The reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below:

Category of Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts	15%
Deposits/participation accounts up to 1-month maturity (including 1-month)	15%
Deposits/participation accounts up to 3-month maturity (including 3-month)	13%
Deposits/participation accounts up to 6-month maturity (including 6-month)	9%
Deposits/participation accounts up to 1-year maturity	6%
Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	5%
Liabilities other than deposits/participation funds	13%
Special fund pools	Ratios for corresponding maturities above

The reserve ratios detailed in the table above will become effective on April 1, 2011 and the Bank will start to maintain the required reserves calculated using the new ratios on April 15, 2011.

Starting in September 2010, reserve accounts kept in TL became non-interest-bearing (reserve accounts in foreign currencies have not been interest-bearing since 2008).

The regulations state that the liquidity adequacy ratio of a bank is the ratio of liquid reserves to liabilities of the bank. A bank must maintain a weekly arithmetic average of 100% liquidity adequacy before the first maturity period (0-7 days before the maturity date of liabilities on a weekly average as defined by the regulation) and second maturity period (0-31 days before the maturity date of liabilities on a monthly average) for its aggregate liabilities and 80% liquidity adequacy for its foreign currency liabilities.

Foreign Exchange Requirements

The ratio of a bank's foreign exchange net position to its capital base should not exceed 20%, which calculation is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank and its foreign branches, its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, banks' boards of directors shall establish audit committees for the execution of audit and monitoring functions. Audit committees shall consist of a minimum of two members and be appointed from among the members of the board of directors who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the banks' internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation and operate in a coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the regulation of the BRSA related to the authorization and activities of independent firms to perform auditing of banks. Independent auditors are held liable for damages and losses to relevant parties referred to under the same legislation. Professional liability insurance is required for (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms.

The reports prepared by independent audit firms are also filed with the CMB if the bank's shares are quoted on the ISE. The CMB has the right to inspect the accounts and transaction records of any publicly traded company. In addition, quarterly reports that are subject to limited review must also be filed with the CMB.

All banks (public and private) also undergo an annual audit by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities, foreign exchange transactions and tax liabilities. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The results of such audits are reported to the Ministry of Finance, which has broad remedial powers. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through off-site examinations.

The SDIF

Article 111 of the Banking Law relates to the SDIF and its principles. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held with banks. The SDIF is responsible for and authorized to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

(a) *Insurance of Deposits*

Pursuant to Article 63 of the Banking Law, savings deposits held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance, the tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon consultation with the Treasury, the BRSA and the Central Bank.

(b) *Borrowings of the SDIF*

The SDIF may borrow in extraordinary situations upon an authorization from the Treasury by borrowing government debt securities which are issued by the Treasury where it is deemed necessary. Principles and procedures regarding the borrowing of government debt securities, including their interest rates and terms and conditions of repayment to the Treasury, are to be determined together by the Treasury and the SDIF.

(c) *Power to require Advances from Banks*

If the assets of the SDIF do not meet the demands on it and the resources of the SDIF are insufficient, then banks may be required to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations.

(d) *Contribution of the Central Bank*

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

(e) *Savings Deposits that are not subject to Insurance*

Deposits held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers, auditors and by the parents, spouses and children of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by the BRSA are not covered by insurance.

(f) *Premiums as an Expense Item*

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

(g) *Liquidation*

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Act, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

(h) *Claims*

In the event of the bankruptcy of a bank, holders of savings deposits will have a first-degree privileged claim in respect of the part of their deposit that is not covered by the SDIF.

Since July 5, 2004, up to TL 50,000 of the amounts of deposit accounts benefit from the SDIF insurance guarantee.

Cancellation of Banking License

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due,
- the bank is not complying with liquidity requirements,

- the bank's profitability is such as to make it unable to conduct its business in a secure manner,
- the regulatory equity capital of such bank is not sufficient or is to likely to become insufficient,
- the assets of such bank have been impaired in a manner weakening its financial structure,
- the by-laws and internal regulations of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,
- such bank fails to establish internal audit, supervision and risk management systems or to effectively conduct such systems or any factor impedes the supervision of such systems, or
- imprudent acts of such bank's managers materially increase or weaken the bank's financial structure,

then the BRSA may require such bank:

- to increase its equity capital,
- not to distribute dividends for a period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,
- to increase its loan provisions,
- to dispose of its assets in order to strengthen its liquidity,
- to limit its new investments,
- to cease its long term investments,
- to comply with the relevant banking legislation,
- to cease its risky transactions, and/or
- to take all actions to decrease any foreign exchange and interest rate risks.

In the event the aforementioned actions are not taken (in whole or in part) by that bank or its financial structure cannot be strengthened despite its having taken such actions, or its financial structure has become so weak that it could not be strengthened, then the BRSA may require such bank:

- to increase its liquidity and/or capital adequacy,
- to dispose of its fixed assets and long-term assets,
- to decrease its operational costs,
- to postpone its payments, excluding the regular payments to be made to its members,
- not to make available any cash or non-cash loans to certain third persons or legal entities,
- to convene an extraordinary general assembly in order to change the board members or assign new member(s) to the board of directors, in the event any board member is responsible for the failure to apply the aforementioned actions, and/or
- to implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank.

In the event the aforementioned actions are not (in whole or in part) taken by that bank or are not sufficient to cause such bank to continue its business in a secure manner, then the BRSA may require such bank:

- to limit or cease its business for a temporary period,
- to apply various restrictions, including restrictions with respect to resource collection and utilization,
- to remove from office (in whole or in part) its board members, general manager and deputy general managers and department and branch managers,
- to make available long-term loans that will be secured by the shares or other assets of the controlling shareholders,
- to limit or cease its non-performing operations and to dispose of its non-performing assets,
- to merge with one or more other banks,
- to provide new shareholders in order to increase its equity capital, and/or
- to cover its losses with its equity capital.

In the event: (a) the aforementioned actions are not (in whole or in part) taken by that bank within a period of time set forth by the BRSA or in any case within twelve months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions or the financial structure of such bank has become so weak that it could not be strengthened even if the actions were taken, (c) the continuation of the activities of such bank would jeopardize the rights of the depositors and the participation fund owners and the security and stability of the financial system, (d) such bank cannot cover its liabilities as they become due, (e) the total amount of the liabilities of such bank exceeds the total amount of its assets or (f) the controlling shareholders of such bank are found to have made use of that bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardized the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the license of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the privileges of shareholders (excluding dividends) of such bank to the SDIF.

In the event that the license of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's license is published in the Official Gazette. From the date of revocation of such bank's license, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking license is revoked.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorized to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

When the BRSA requests a bank's financial reports, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records. In addition, foreign banks must have the members of the board of managers of their Turkish branches sign the annual reports.

Independent auditors must approve all annual reports that banks present to their general assemblies.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Further, banks are required to submit and publish activity reports that comply with the BRSA's established guidelines. These reports include the following information: management and organization structures, human resources, activities, financial situations, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

The Regulation on the Preparation and Publication of Annual Reports regulates the procedures and principles regarding the annual reports of banks to be published at the end of each fiscal year. According to the regulation, a bank's financial performance and the risks that it faces need to be assessed in the annual report. The annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Each bank must submit a copy of its annual report to the BRSA by the end of April and keep a copy of it in its headquarters and each branch and publish it on its website by the end of May.

Financial Services Fee

Pursuant to Heading XI of Article 8 of the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on the Certificates issued in respect of the Notes:

The USD 300,000,000 Floating Rate Notes due 2016 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of Türkiye Garanti Bankası A.Ş. (the **Issuer**) are issued subject to and with the benefit of an Agency Agreement dated 20 April 2011 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, Deutsche Bank Trust Company Americas as registrar (the **Registrar**) and as fiscal agent, principal paying agent and agent bank (the **Fiscal Agent**) and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the **Paying Agents**) and the other agents named in it (together with the Fiscal Agent, the Registrar and the other Paying Agents, the **Agents**). The holders of the Notes (the **Noteholders**) are entitled to the benefit of a Deed of Covenant (the **Deed of Covenant**) dated 20 April 2011 and made by the Issuer. The original of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders at its specified office.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the Noteholders at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant. References in these Conditions to any Agent shall include any successor appointed under the Agency Agreement.

Investors are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of USD 200,000 (referred to as the **principal amount** of a Note) and in integral multiples of USD 1,000 thereafter. A note certificate (each a **Certificate**) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which will be kept by the Registrar and at the registered office of the Issuer. The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6267), the Capital Markets Law (Law No. 2499) of Turkey and Articles 6 and 25 of the Communiqué Serial II, No. 22 of the Turkish Capital Markets Board on Registration and Sale of Debt Instruments.

The Notes are not issuable in bearer form.

1.2 Title

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, **Noteholder** and (in relation to a Note) **holder** means the person in whose name a Note is registered in the register of Noteholders.

For a description of the procedures for transferring title to book-entry interests in the Notes, see "Book-Entry Clearance Systems".

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the other Agents.

For a description of certain restrictions on transfers of interests in the Notes, see "Transfer Restrictions".

2.2 Delivery of new Certificates

Each new Certificate to be issued upon a transfer of the Notes will, within five business days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition 2, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described in "The Global Certificates – Registration of Title", owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and, in the case of Restricted Notes, compliance with the Securities Act Legend.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent but upon payment (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that Note.

2.5 Regulations

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. STATUS

The Notes are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement) the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(b) such Security Interest is terminated; or

(c) such other Security Interest is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by not less than three-fourths of the votes cast) of the Noteholders.

Nothing in this Condition 4 shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to (i) a bond, note or similar instrument whereby the payment obligations are secured by a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such instrument, a **Covered Bond**), or (ii) any securitisation of receivables, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged principally from such assets or revenues (or in the case of Direct Recourse Securities, by direct unsecured recourse to the Issuer), *provided* that the aggregate value of assets or revenues subject to any Security Interest created in respect of (A) Covered Bonds and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities) of the Issuer, when added to the nominal amount of any outstanding Direct Recourse Securities, does not, at any time, exceed 15% of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS).

4.2 Interpretation

For the purposes of these Conditions:

Direct Recourse Securities means securities issued in connection with any securitisation of receivables or other payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged principally from such assets or revenues, or by direct unsecured recourse to the Issuer; and

Relevant Indebtedness means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other organised securities market and having a maturity in excess of 365 days or any loan disbursed to the Issuer as a borrower under a loan participation note or similar transaction and (ii) any guarantee or indemnity of any such indebtedness.

5. COVENANTS

5.1 Maintenance of Authorisations

So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Issuer shall take all necessary actions to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Republic of Turkey (including, for the avoidance of doubt, with the Capital Markets Board (in Turkish: *Sermaye Piyasasi Kurulu*) (the **CMB**) and the Banking Regulatory and Supervisory Authority (in Turkish:

Bankacilik Duzenleme ve Denetleme Kurumu) (the **BRSA**)) for (i) the execution, delivery or performance of the Agency Agreement, the Deed of Covenant and the Notes or for the validity or enforceability thereof, or (ii) the conduct by it of the Permitted Business, save for any consents, permissions, licences, approvals, authorisations, registrations, recordings and filings (collectively, **Permissions**) which are immaterial in the conduct by the Issuer of the Permitted Business. For the avoidance of doubt, any Permissions relating to the Issuer's ability or capacity to undertake its banking or financial advisory functions shall not be deemed to be immaterial in the conduct by the Issuer of its Permitted Business.

5.2 Transactions with Affiliates

The Issuer shall not, and shall not permit any of its Subsidiaries to, in any twelve month period, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties, revenues or assets to, or purchase any properties, revenues or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance, indemnity or guarantee (whether related or not) which has or in the aggregate have a value in excess of USD 50,000,000 with or for the benefit of, any Affiliate (each, an **Affiliate Transaction**) unless such Affiliate Transaction is on terms that are no less favourable to the Issuer or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person (as defined in the Agency Agreement).

5.3 Financial Reporting

So long as the Notes remain outstanding (as defined in the Agency Agreement), the Issuer shall deliver to the Fiscal Agent for distribution to a holder upon any holder's written request:

(a) not later than six months after the end of the Issuer's financial year, English language copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding period, and all such annual financial statements of the Issuer shall be accompanied by the report of the auditors thereon; and

(b) not later than 120 days after the end of the first six months of each of the Issuer's financial years, English language copies of its unaudited consolidated financial statements for such six-month period, prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding period.

For the purposes of this Condition 5:

Affiliate in respect of any specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, and, in the case of a natural Person, any immediate family member of such Person. For purposes of this definition, **control**, as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms **controlling**, **controlled by** and **under common control with** shall have correlative meanings.

Permitted Business means any business which is the same as or related, ancillary or complementary to any of the businesses of the Issuer on the Issue Date (as defined below).

6. INTEREST

6.1 Interest Payment Dates

The Notes bear interest from, and including 20 April 2011 (the **Interest Commencement Date**). Such interest is payable quarterly in arrear on 20 July, 20 October, 20 January and 20 April in each year, from and including 20 April 2011 to and including 20 April 2016 (each an **Interest Payment Date**); provided, however, that, if any

Interest Payment Date would otherwise fall on a date (the **Scheduled Interest Payment Date**) which is not a Business Day (as defined in Condition 6.3(e)):

(a) in the case of each Interest Payment Date other than the last Interest Payment Date, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the day immediately preceding the Scheduled Interest Payment Date which is a Business Day; and

(b) in the case of the last Interest Payment Date, it will be brought forward to the day immediately preceding the Scheduled Interest Payment Date which is a Business Day.

The period from and including the Interest Commencement Date to but excluding the first Interest Payment Date, and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date, is called an **Interest Period.**

6.2 Interest Accrual

Each Note will cease to bear interest from and including the due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of the payment. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the applicable Noteholder in accordance with Condition 13.

6.3 Rate of Interest

The rate of interest payable from time to time in respect of the Notes (the **Rate of Interest**) will be determined on the basis of the following provisions; *provided* that, for the first Interest Period, the Rate of Interest will be 2.774% plus the Margin (as defined below):

(a) On each Interest Determination Date (as defined below), the Fiscal Agent or its duly appointed successor (in such capacity, the **Agent Bank**) will determine the Screen Rate (as defined below) as of approximately 11.00 a.m. (London time) on that Interest Determination Date. The Rate of Interest for the Interest Period shall be the Screen Rate plus the Margin.

(b) If the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined below) to provide the Agent Bank with the rate at which deposits in U.S. dollars are offered by it to prime banks in the London interbank market for three months at approximately 11.00 a.m. (London time) on the Interest Determination Date in question and for a Representative Amount (as defined below). In such circumstances, the Rate of Interest for the Interest Period shall be, so long as at least two of the Reference Banks provide such rates, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as established by the Agent Bank of such rates, plus the Margin.

(c) If the Rate of Interest for that Interest Period cannot be determined in accordance with Condition 6.3(b) above, the Rate of Interest for that Interest Period will be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates quoted by four major banks in London (or failing London, by four major banks in New York City) selected by the Agent Bank (and approved by the Issuer) at approximately 11.00 a.m. (London, or as appropriate, New York City time) on the first day of such Interest Period for loans in U.S. dollars to leading European banks for a period of three months commencing on the first day of such Interest Period and for a Representative Amount, plus the

Margin. If the Rate of Interest cannot be determined in accordance with the above provisions, the Rate of Interest shall be determined as at the last preceding Interest Determination Date.

(d) The Margin (the **Margin**) in relation to the Notes is 2.50 per cent. per annum.

(e) In these Conditions, (except where otherwise defined), the expression:

(i) **Business Day** means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York, London and Istanbul and, in the case of presentation of a Certificate, in the place in which the Certificate is presented;

(ii) **Interest Determination Date** means second London Banking Day before the commencement of the Interest Period for which the rate will apply;

(iii) **London Banking Day** means any day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London;

(iv) **Reference Banks** means each of Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities Ltd. and Standard Chartered Bank (or their respective successors), subject to each such bank continuing to be active in the London interbank market;

(v) **Representative Amount** means, in relation to any quotation of a rate for which a Representative Amount is relevant, a deposit amount equivalent to the nominal amount for which a USD LIBOR rate is sought in the relevant market at the relevant time; and

(vi) **Screen Rate** means the rate for three-month deposits in U.S. dollars which appears on the page designated LIBOR01 on Reuters (or such replacement page on that service which displays the information).

6.4 Determination of Rate of Interest and Interest Amount

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, but in no event later than the third Business Day thereafter (or, with respect to the first Interest Period, by no later than the third Business Day after the Issue Date), determine the US dollars amount payable in respect of interest on the principal amount of each Note (the **Interest Amount**) for the relevant Interest Period. The Interest Amount shall be determined by applying the Rate of Interest to the principal amount of a Note, multiplying the sum by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent being rounded upwards).

6.5 Publication of Rate of Interest and Interest Amount

The Agent Bank shall cause the Rate of Interest and the Interest Amount for each Interest Period and the relative Interest Payment Date to be notified to the Issuer, the Fiscal Agent and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 13 as soon as possible after their determination, and in no event later than the second Business Day thereafter. The Interest Amount and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

6.6 Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders and (in the absence of wilful default, bad faith or manifest error) no liability to the

Issuer or the Noteholders shall attach to either: (a) the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition or (b) the Reference Banks or other banks (or any of them) in connection with their provision of an interest rate used in Condition 6.3(b) or (c).

6.7 Agent Bank

The Issuer shall procure that, so long as any of the Notes remains outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may terminate the appointment of the Agent Bank. In the event of the appointed office of any person being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rate of Interest and the Interest Amount for any Interest Period, the Issuer shall appoint the office of another major bank engaged in the London interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

7. PAYMENTS

7.1 Payments in respect of Notes

Payment of principal and interest on a Note will be made by transfer to the registered account of the applicable Noteholder or by U.S. Dollar cheque drawn on a bank that processes payments in U.S. Dollars mailed to the registered address of such Noteholder if it does not have a registered account. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the **record date**) being the fifteenth day before the due date for the payment of interest, and if such fifteenth day is not a Business Day, the Business Day immediately prior.

For the purposes of this Condition, a Noteholder's registered account means the U.S. Dollar account maintained by or on behalf of it with a bank that processes payments in U.S. Dollars, details of which appear on the register of Noteholders at the close of business, in the case of principal, on the second Business Day (as defined below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

7.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9.

7.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition.

7.4 Payment on Business Days

Where payment is to be made: (a) by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day; *it being understood* that no additional interest or other amount will accrue on any such payment) will be initiated, and (b) by cheque, the cheque will be mailed on the due date for payment or, if that is not a Business Day, on the first day thereafter that is a Business Day; *provided* that, with respect to both clauses (a) and (b), in the case of the final payment of principal on a Note, such payment will only be made on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

A Noteholder will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

7.5 Partial Payments

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal or interest in fact paid.

7.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents *provided* that:

(a) there will at all times be a Fiscal Agent;

(b) there will at all times be an Agent (which may be the Fiscal Agent) having a specified office in a city which, for so long as the Notes are admitted to official listing on the London Stock Exchange, shall be such place as the UK Listing Authority may approve;

(c) the Issuer undertakes that it will ensure that it maintains a Paying Agent that is not located in a Member State of the European Union that will oblige it to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(d) there will at all times be a Paying Agent in a jurisdiction, other than the jurisdiction in which the Issuer is incorporated;

(e) there will at all times be a Registrar; and

(f) there will at all times be an Agent Bank.

Notice of any termination or appointment and of any changes to the specified office of an Agent will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

8. REDEMPTION AND PURCHASE

8.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on the Interest Payment Date falling in April 2016.

8.2 Redemption for Taxation Reasons

If:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 18 April 2011, on the next Interest Payment Date:

  (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 9; and

  (ii) the Issuer would be required to make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, beyond the prevailing applicable rates on the Issue Date; and

(b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all the Notes, but not some only, on the next Interest Payment Date at their principal amount together with interest accrued to but excluding the date of redemption. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the requirement referred to in subparagraph (a) above will apply on the next Interest Payment Date and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

8.3 Purchases

The Issuer or any of its Subsidiaries (as defined below) may at any time purchase Notes in any manner and at any price.

Such Notes may be held, re-issued, resold or, at the option of the Issuer, surrendered to any Paying Agent or the Registrar for cancellation.

8.4 Notices Final

Upon the expiry of any notice as is referred to in Condition 8.2 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

9. TAXATION

9.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or

(b) presented for payment in the Republic of Turkey; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day (as defined in Condition 7).

9.2 Interpretation

In these Conditions:

Relevant Date means, with respect to any payment, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13; and

Relevant Jurisdiction means the Republic of Turkey or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

9.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 9.

10. PRESCRIPTION

Claims in respect of principal and interest will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date, as defined in Condition 9.

11. EVENTS OF DEFAULT

11.1 Events of Default

The holder of any Note may give notice to the Issuer (with a copy to the Fiscal Agent) that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (**Events of Default**) shall have occurred and be continuing:

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days in the case of principal or seven days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 14 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any applicable grace period; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, subject to any applicable grace period; or

(d) if:

   (i) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries; or

(ii) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of Noteholders, or the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found by a competent authority to be (or becomes) bankrupt or insolvent; or

(iii) the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness; or

(iv) the Issuer or any of its Material Subsidiaries takes any corporate action or other steps are taken or legal proceedings are started for its winding-up, dissolution, administration, bankruptcy or re-organisation (other than for the purposes of and followed by a reconstruction whilst solvent upon terms previously approved by an Extraordinary Resolution of Noteholders) or for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of it or any substantial part or all of its revenues and assets or it shall or propose to make a general assignment for the benefit of its creditors, or shall enter into any composition with its creditors,

in each case in (i) to (iv) above, save for the solvent voluntary winding-up, dissolution or re-organisation of any Material Subsidiary in connection with any combination with, or transfer of all or any part of its business and/or assets to, the Issuer or another Subsidiary of the Issuer; or

(e) if the banking licence of the Issuer is temporarily or permanently revoked or the Issuer is transferred to the Savings and Deposit Insurance Fund under the provisions of the Banking Law (Law No. 5411) of Turkey.

11.2 Interpretation

For the purposes of these Conditions:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of:

(i) any notes, bonds, debentures, debenture stock, loan stock or other securities; or

(ii) any borrowed money; or

(iii) any liability under or in respect of any acceptance or acceptance credit,

the aggregate principal amount of which exceeds USD 50,000,000 (or its equivalent in any other currency or currencies).

Material Subsidiary means at any time a Subsidiary of the Issuer:

(a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer relate, are equal to) not less than 15 per cent. of the consolidated total assets of the Issuer, all as calculated respectively by reference to the then latest audited IFRS financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer, PROVIDED THAT:

(i) if the then latest audited consolidated accounts of the Issuer show negative assets at the end of the relevant financial period, the financial statements shall be read as if words "net assets" were substituted by the words "total assets", for the purposes of this definition; and

(ii) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer relate, the reference to the then latest audited consolidated IFRS financial statements of the Issuer for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, *provided* that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this subparagraph (b) but shall cease to be a Material Subsidiary on the date of publication of the Issuer's next consolidated audited IFRS financial statements unless it would then be a Material Subsidiary under subparagraph (a) above; or

(c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, represented (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer relate, represent) not less than 15 per cent. of the consolidated total assets of the Issuer taken as a whole (calculated as set out in subparagraph (a) above), *provided* that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer, its assets represent not less than 15 per cent. of the consolidated total assets of the Issuer (calculated as set out in subparagraph (a) above), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (c) on the date of the publication of the Issuer's next audited IFRS consolidated financial statements, save that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

A report by the auditors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

Subsidiary means, in relation to the Issuer, any company (i) in which the Issuer holds a majority of the voting rights or (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

12. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to (i) evidence of such theft, loss, mutilation, defacement or destruction, and (ii) indemnity or security or both as the Issuer and Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. NOTICES

13.1 Notices to the Noteholders

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

14. MEETINGS OF NOTEHOLDERS AND MODIFICATION

14.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes the modification of certain of these Conditions the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

14.2 Modification

The Fiscal Agent may agree, without the consent of the Noteholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

15. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

16.1 Governing Law

The Agency Agreement, the Deed of Covenant and the Notes are, and any non-contractual obligations arising therefrom will be, governed by and construed in accordance with English law.

16.2 Jurisdiction of English courts

The Issuer has irrevocably agreed for the benefit of the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly has submitted to the exclusive jurisdiction of the English courts. The Issuer has waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

The Noteholders may take any suit, action or proceeding arising out of or in connection with the Notes (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

16.3 Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the English courts according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Notes, any judgment obtained in the courts of England in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the second sentence of Article 287 of the Civil Procedure Code of Turkey (Law No. 1086) and Article 58 of the International Private and Procedural Law of Turkey (Law No. 5718).

16.4 Appointment of Process Agent

In connection with the issuance of the Notes, service of process may be made upon the Issuer at its representative office at Fifth Floor, 192 Sloane Street, London, SW1X 9QX in respect of any Proceedings in England and the Issuer undertakes that in the event of such representative office ceasing so to act it will appoint another person as its agent for that purpose.

16.5 Other Documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

17. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, the Agency Agreement and the Deed of Covenant, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificates, some of which modify the effect of the Conditions of the Notes. Terms defined in the Conditions of the Notes have the same meaning in paragraphs 1 to 6 below.

1. ACCOUNTHOLDERS

For so long as any of the Notes are represented by the Global Certificates, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "Noteholders" and references to "holding of Notes" or purchase or other acquisition of Notes and to "holder of Notes" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the nominee for the relevant clearing system (the **Relevant Nominee**) in accordance with and subject to the terms of the Global Certificates. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. CANCELLATION

Cancellation of any Note following its redemption or purchase by the Issuer or any of its Subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

3. PAYMENTS

Payments of principal in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holders of the Global Certificates for such purpose.

Distributions of amounts with respect to book-entry interests in the Unrestricted Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to DTC, which is expected to credit the cash accounts of Euroclear or Clearstream, Luxembourg, which in turn are expected to distribute such amounts to their participants in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Restricted Notes holding through DTC will receive, to the extent received by the Fiscal Agent, all distribution of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

4. NOTICES

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 13. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to such clearing system.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

5. REGISTRATION OF TITLE

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, Luxembourg or DTC, as appropriate, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate or, in the case of DTC only, DTC ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934, and in each case a successor clearing system is not appointed by the Issuer within 90 days after receiving such notice from Euroclear, Clearstream, Luxembourg or DTC or becoming aware that DTC is no longer so registered. In these circumstances title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

If only one of the Global Certificates (the **Exchanged Global Certificate**) becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

6. TRANSFERS

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants, as more fully described under "Book-Entry Clearance Systems."

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of each of DTC, Clearstream and Euroclear currently in effect. The information in this section concerning DTC, Clearstream and Euroclear has been obtained from sources that the Bank believes to be reliable, but neither the Bank nor any Initial Purchaser takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of DTC, Clearstream or Euroclear are advised to confirm the continued applicability of the rules, regulations and procedures of such facilities.

None of the Bank nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of DTC, Clearstream or Euroclear or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Systems

DTC

DTC has advised the Bank that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that direct DTC participants deposit with DTC. DTC also facilitates the settlement among direct DTC participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in direct DTC participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct DTC participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to indirect DTC participants.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "*DTC Rules*"), DTC makes book-entry transfers of notes ("*DTC Notes*") among direct DTC participants on whose behalf it acts with respect to notes accepted into DTC's book-entry settlement system as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the SEC. Direct DTC participants and indirect DTC participants with which actual purchasers of DTC Notes ("*DTC Beneficial Owners*") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective DTC Beneficial Owners. Accordingly, although DTC Beneficial Owners who hold DTC Notes through direct DTC participants or indirect DTC participants will not possess Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which direct DTC participants will receive payments and will be able to transfer their interest with respect to the DTC Notes. Purchases of DTC Notes under the DTC system must be made by or through direct DTC participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each DTC Beneficial Owner is in turn to be recorded on the relevant direct DTC participant's or indirect DTC participant's records. DTC Beneficial Owners will not receive written confirmation from DTC of their purchases, but DTC Beneficial Owners are expected to receive written confirmations providing details of each transaction, as well as periodic statements of their holdings, from the direct DTC participant or indirect DTC participant through which the DTC Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of direct DTC participants acting on behalf of DTC Beneficial Owners. DTC Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued. To facilitate subsequent transfers, all DTC Notes deposited by direct DTC participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual DTC Beneficial Owners; DTC's records reflect only the identity of the direct DTC participants to whose accounts such DTC Notes are credited, which may or may not be the DTC Beneficial Owners. The direct DTC participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to direct DTC participants, by direct DTC participants to indirect DTC participants, and by direct DTC participants and indirect DTC participants to DTC Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices will be sent to Cede & Co.

If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct DTC participant in such issue to be redeemed. Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an omnibus proxy to the Bank as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct DTC participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy). Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit direct DTC participants' accounts on the due date for payment. Payments by direct DTC participants to DTC Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers registered in "street name," and will be the responsibility of such direct DTC participant and not of DTC or the Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Bank, disbursement of such payments to direct DTC participants is the responsibility of DTC and disbursement of such payments to the DTC Beneficial Owners is the responsibility of direct DTC participants and indirect DTC participants. Under certain circumstances, DTC will exchange the DTC Notes for definitive Notes, which it will distribute to its direct DTC participants in accordance with their requests and proportionate entitlements and that, if representing interests in a Rule 144A Certificate, will be legended as described under "Transfer Restrictions." Since DTC may only act on behalf of direct DTC participants, who in turn act on behalf of indirect DTC participants, any DTC Beneficial Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to effect such pledge through DTC and its participants.

Clearstream

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream customers through electronic book-entry changes in accounts of Clearstream customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream in any of a number of currencies, including United States Dollars. Clearstream provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also deals with domestic securities markets in several countries through established depository and custodial relationships.

Clearstream is registered as a bank in Luxembourg, and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* (the "*CSSF*") and the *Banque Centrale du Luxembourg*, which supervise and oversee the activities of Luxembourg banks. Clearstream's customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream. Clearstream has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream and Euroclear.

The ability of an owner of a beneficial interest in an Note held by Clearstream to pledge such interest to persons or entities that do not participate in the Clearstream system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Clearstream can act only on behalf of Clearstream's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of the Notes through the Clearstream system will receive distributions of principal, interest, additional amounts (if any) and any other payments on the Notes only through Clearstream participants.

Distributions with respect to the Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by Clearstream.

Euroclear

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its accountholders. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear is available to other institutions that clear through or maintain a custodial relationship with direct participants in Euroclear. In respect of the Global Certificates, which will be registered in the name of DTC's nominee, Euroclear will act only as an indirect DTC participant and not as a depositary or clearing agent.

Book-Entry Ownership of and Payments in Respect of Notes Represented by the Global Certificates

The Bank has applied to DTC to have Notes represented by the Global Certificates accepted in its book-entry settlement system. Upon the issue of any such Global Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Initial Purchaser. Ownership of beneficial interests in such a Global Certificate will be limited to direct DTC participants or indirect DTC participants, including Euroclear. Ownership of beneficial interests in a Global Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of direct DTC participants) and the records of direct DTC participants (with respect to interests of indirect DTC participants).

Payments in US Dollars of principal and interest in respect of a Global Certificate registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. The Bank expects DTC to credit accounts of direct DTC participants on the applicable Interest Payment Date. The Bank also expects that payments by direct DTC participants to DTC Beneficial Owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such direct DTC participant and not the responsibility of DTC, the Paying Agent, the Registrar or the Bank. Payments of principal, premium, if any, and interest on the Notes to DTC is the responsibility of the Bank. Transfers of Notes represented by the Global Certificates or transfers of any interests in Notes represented by a Global Certificate within DTC will be effected in accordance with applicable law and the operating procedures of DTC. Because DTC can only act on behalf of direct DTC participants in the DTC system who in turn act on behalf of indirect DTC participants, the ability of a person having an interest in Notes represented by a Global Certificate to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to effect such pledge or delivery through the national system for settlement and clearance in the United States. The ability of any holder of Notes represented by a Global Certificate to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct DTC participant or indirect DTC participant in the DTC system. Subject to compliance with the transfer restrictions applicable to the Notes described under "Transfer Restrictions," cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Paying Agent and the custodian with whom the Global Certificates have been deposited. On or after the Issue Date, transfers of Notes will generally have a settlement date three Business Days after the trade date (T+3).

Because of the time zone differences, the securities account of a Euroclear participant purchasing an interest in a Global Certificate from any other DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear) immediately following the DTC settlement date, and such credit of any DTC participant's interests in the Global Certificate settled during such processing day will be reported to the relevant Euroclear participant on such day. Cash received in Euroclear as a result of sales of interests in the Global Certificate by or through a Euroclear participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear cash account only as of the applicable Business Day following settlement in DTC. Transfers between holders of Regulation S Certificates and Rule 144A Certificates will be effected through the Registrar, the Paying Agent and the Custodian receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Settlement between such a buyer and seller cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in global certificates among participants and accountholders of DTC and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Bank, the Agents nor any Initial Purchaser will be responsible for any performance by DTC or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

This is a general summary of certain US federal, United Kingdom and Turkish income tax considerations in connection with an investment in the Notes. This summary does not address all aspects of US federal, United Kingdom and Turkish income tax law and does not discuss any state or local tax considerations. While this summary is considered to be a correct interpretation of existing laws in force on the date of this Offering Circular, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. **Prospective investors are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by a Note Owner of beneficial interests therein) as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction.**

References to "*resident*" herein refer to tax residents of Turkey and references to "*non-resident*" herein refer to persons who are not tax residents of Turkey.

Certain US Federal Income Tax Consequences

Notice pursuant to IRS Circular 230

The discussion of US tax matters set forth in this Offering Circular was written in connection with the promotion or marketing of this Offering and was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax-related penalties under US federal, state or local tax law. Each taxpayer should seek advice based upon its particular circumstances from an independent tax adviser.

The following summary describes certain US federal income tax consequences of the acquisition, ownership and disposition of a Note by a US Holder (as defined below) whose functional currency is the US dollar that acquires the Note in this Offering from the Initial Purchasers at a price equal to the issue price of the Notes (the first price at which a substantial amount of the Notes is sold for money to investors) and holds it as a capital asset. This summary does not address all aspects of US federal income taxation that may be applicable to particular US Holders subject to special US federal income tax rules, including, among others, tax-exempt organizations, financial institutions, dealers and traders in securities or currencies, US Holders that will hold a Note as part of a "straddle," hedging transaction, "conversion transaction" or other integrated transaction for US federal income tax purposes, US Holders that enter into "constructive sale" transactions with respect to the Notes, US Holders liable for alternative minimum tax and certain US expatriates. In addition this summary does not address consequences to US Holders of the acquisition, ownership and disposition of a Note under any other US federal tax laws (e.g., estate or gift tax laws) or under the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions.

As used herein, the term "*US Holder*" means a beneficial owner of a Note that is for US federal income tax purposes: (a) an individual who is a citizen or resident of the US, (b) a corporation created or organized in or under the laws of the US, any state thereof or the District of Columbia, (c) an estate, the income of which is subject to US federal income taxation regardless of its source or (d) a trust that is subject to US tax on its worldwide income regardless of its source.

If an entity or arrangement treated as a partnership for US federal income tax purposes holds a Note, the US federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Therefore, a partnership holding a Note and its partners should consult their own tax advisers regarding the US federal income tax consequences of the acquisition, ownership and disposition of a Note.

The discussion below is based upon the Code, US Treasury regulations thereunder, and judicial and administrative interpretations thereof, all as in effect as of the date of this Offering Circular and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in US federal income tax consequences different from those discussed below.

The summary of the US federal income tax consequences set out below is for general information only. Prospective purchasers should consult their tax advisers as to the particular tax consequences to them of owning the Notes, including the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

Payments of interest

The Notes bear interest at a floating rate that is either a qualified floating rate or an objective rate under the rules regarding original issue discount. Accordingly, payments of interest on the Notes, including additional amounts, if any, generally will be taxable to a US Holder as ordinary income at the time that such payments are received or accrued, in accordance with such US Holder's usual method of accounting for US federal income tax purposes. Interest income on a Note generally will constitute foreign source income for US federal income tax purposes and generally will be considered "passive" income, which is treated separately from other types of income in computing the foreign tax credit that may be allowable to US Holders under US federal income tax laws. Subject to applicable restrictions and limitations, a US Holder may be entitled to claim a US foreign tax credit in respect of any Turkish withholding taxes imposed on interest received on the Notes. A US Holder who does not elect to claim a credit for foreign tax may instead claim a deduction in respect of the tax provided the US Holder elects to deduct rather than claim a credit for all foreign taxes for such taxable year. US Holders that are eligible for benefits under the double tax treaty between the United States and Turkey (the "*Double Tax Treaty*") or are otherwise entitled to a refund for the taxes withheld, under Turkish tax law generally will not be entitled to a foreign tax credit or deduction for the amount of any Turkish taxes withheld in excess of the maximum rate under the Double Tax Treaty or for those taxes that have been otherwise refunded to them under Turkish tax law. The rules relating to foreign tax credits or deducting foreign taxes are extremely complex, and US Holders are urged to consult their own tax advisors regarding the availability and advisability of claiming a foreign tax credit or a deduction with respect to any Turkish taxes withheld from payment.

Sale, exchange and redemption of Notes

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a Note, a US Holder generally will recognize taxable gain or loss equal to the difference between the amount realized (*i.e*., the amount of cash and the fair market value of any property received on the disposition (except to the extent the cash or property received is attributable to accrued and unpaid interest not previously included in income, which is treated like a payment of interest)) and the US Holder's tax basis in the Note. A US Holder's tax basis in a Note generally will equal the amount paid for the Note. Gain or loss recognized by a US Holder on the sale, exchange or other disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the US Holder for more than one year. Gain or loss realized by a US Holder on the sale or retirement of a Note generally will be US source. The deductibility of capital losses is subject to significant limitations. US Holders should consult their own advisers about the availability of US foreign tax credits or deductions with respect to any Turkish taxes imposed upon a disposition of Notes.

Information reporting and backup withholding

Information returns may be filed with the US Internal Revenue Service ("*IRS*") (unless the US Holder establishes, if requested to do so, that it is an exempt recipient) in connection with payments on the Notes, and the proceeds from the sale, exchange or other disposition of Notes. If information reports are required to be made, a US Holder may be subject to US backup withholding if it fails to provide its taxpayer identification number, or to establish that it is exempt from backup withholding. The amount of any backup withholding imposed on a payment will be allowed as a credit against any US federal income tax liability of a US Holder and may entitle the US Holder to a refund, provided the required information is timely furnished to the IRS.

US holders should consult their own tax advisers regarding any filing and reporting obligations they may have as a result of their acquisition, ownership or disposition of notes.

Recently enacted legislation

Recently enacted legislation significantly expands certain tax reporting obligations and related penalties and statutes of limitations. For example, under new Section 6038D of the Code, which applies to taxable years beginning after March 18, 2010, certain United States persons that own designated types of financial assets, which would include a Note, have an information reporting obligation when the aggregate value of all of those assets exceeds US$50,000. The new reporting requirement applies to individuals and, if specified by the IRS, domestic entities formed or availed of for the purpose of holding, directly or indirectly, specified types of foreign financial assets. The information required to be reported will include the name and address of the issuer and information regarding the financial asset. Persons required to report will file an information return, to be prescribed by the IRS, with their Federal income tax returns. Significant penalties and an extended statute of limitations apply with respect to the new reporting requirement. Each prospective investor that is a United States person should consult its tax advisor regarding the new information reporting obligation.

Recently enacted legislation requires certain US Holders who are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, interest on and capital gains from the sale, retirement or other taxable disposition of Notes for taxable years beginning after December 31, 2012. US Holders should consult their tax advisors regarding the effect, if any, of this new legislation on their investment in the Notes.

Certain United Kingdom Tax Considerations

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Bank's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of persons (such as dealers) to whom special rules may apply.

The United Kingdom tax treatment of prospective Noteholders depends upon their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

A. Payment of Interest on the Notes

Payments of interest on the Notes may be made without withholding on account of United Kingdom income tax. However, Noteholders may wish to note that, in certain circumstances, HM Revenue & Customs ("*HMRC*") has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

B. United Kingdom Corporation Tax Payers

In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (including fluctuations attributable to exchange rates) broadly in accordance with their statutory accounting treatment.

C. Other United Kingdom Tax Payers

Taxation of Chargeable Gains

A disposal of Notes by an individual Noteholder who is resident or ordinarily resident in the United Kingdom, or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, may give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains.

Accrued Income Scheme

On a disposal of Notes by an individual Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Income Tax Act 2007, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

D. *Stamp Duty and Stamp Duty Reserve Tax (SDRT)*

No stamp duty or SDRT is payable on the issue of the Notes or on a transfer of the Notes.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in Notes of a Turkish company issued abroad. The discussion is based on current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the investment by a person where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisors concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or with a fixed base or permanent establishment in Turkey.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable to the Turkish taxes for the trading income made through a permanent establishment or a permanent representative, or for the income sourced in Turkey otherwise.

A natural person or individual is a resident of Turkey if such person has established domicile in Turkey, or stays in Turkey more than six months in a calendar year. On the other hand, foreigners who stay in Turkey for six months or more for a specific job or business or particular purposes which are specified in the Income Tax Law are not treated as a resident of Turkey. A resident individual is liable for Turkish taxes on his worldwide income, whereas a non-resident individual is liable for Turkish tax for the income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain derived from trading income is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term “accounted for” means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is needed. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation and declaration where exemptions are reserved.

Interest paid on Notes issued abroad by Turkish corporates are subject to withholding tax. Through a new Decree dated December 29, 2010 numbered 2010/1182, the new withholding tax rates are set according to the maturity of notes issued abroad as follows:

- 10% withholding tax for notes with a maturity of less than 1 year,
- 7% withholding tax for notes with a maturity between 1 and less than 3 years,
- 3% withholding tax for notes with a maturity between 3 and less than 5 years, and
- 0% withholding tax for notes with a maturity of 5 years and more.

These withholding tax rates are applicable on interest payments made after December 29, 2010, and such withholding tax is the final tax for a non-resident person and no further declaration is required.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration. However, pursuant to Law numbered 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on the non-resident persons on capital gains from such Notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on the Notes by the issuer to a non-resident holder will be subject to a withholding tax at a rate between 10 % and 0 % in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the Notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term ''beneficial owner'' is used), which provides for the application of a lower withholding tax rate than the current rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the relevant jurisdiction where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant jurisdiction on the basis of resident taxpayer status, as a resident of the relevant jurisdiction to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, refunding of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other member state. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described herein.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER US EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the Notes may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts, Keogh plans and other plans and retirement arrangements, and any entity deemed to hold "plan assets" of the foregoing (each, a "Plan"). Section 406 of the US Employee Retirement Income Security Act of 1974, as amended ("*ERISA*") and Section 4975 of the Code prohibit a Plan subject to those provisions (each, a "*Benefit Plan Investor*") from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan Investor. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Employee benefit plans that are US governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to the fiduciary and prohibited transaction provisions of ERISA or Section 4975 of the Code; *however*, such plans may be subject to similar restrictions under applicable state, local or other law ("*Similar Law*").

An investment in the Notes by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if the Bank is a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could be applicable to an investment in the Notes by a Benefit Plan Investor depending upon the type and circumstances of the plan fiduciary making the decision to acquire such investment and the relationship of the party in interest to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and non-fiduciary service providers to the Benefit Plan Investor; Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by "in-house asset managers;" PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes, and prospective investors that are Benefit Plan Investors and other Plans should consult with their legal advisors regarding the applicability of any such exemption and other applicable legal requirements.

By acquiring a Note (or a beneficial interest therein), each purchaser (and if the purchaser is a Plan, its fiduciary) is deemed to represent and warrant that either: (a) it is not acquiring the Note (or a beneficial interest therein) with the assets of a Benefit Plan Investor, a US governmental plan or other employee benefit plan that is subject to Similar Law, or (b) the acquisition of the Note (or a beneficial interest therein) will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

PLAN OF DISTRIBUTION

The Bank intends to offer the Notes through the Initial Purchasers and their broker-dealer affiliates, as applicable, named below. Subject to the terms and conditions stated in a subscription agreement dated 18 April 2011 among the Initial Purchasers and the Bank (the "*Subscription Agreement*"), each of the Initial Purchasers has severally agreed to purchase, and the Bank has agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite each Initial Purchaser's name below.

Initial Purchasers	Principal Amount of Notes
Deutsche Bank AG, London Branch.	72,000,000
Goldman Sachs International..............................	72,000,000
J.P. Morgan Securities Ltd..................................	72,000,000
Standard Chartered Bank....................................	72,000,000
Banco Bilbao Vizcaya Argentaria, S.A.	12,000,000
TOTAL	300,000,000

The Subscription Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

The Bank has been informed that the Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this Offering Circular within the United States to persons reasonably believed to be QIBs in reliance upon Rule 144A, and to non-US persons outside the United States in reliance upon Regulation S. See "Transfer Restrictions." The prices at which the Notes are offered may be changed at any time without notice.

Offers and sales of the Notes in the United States will be made by those Initial Purchasers or their affiliates that are registered broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

Accordingly, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Notes will constitute a new class of securities of the Bank with no established trading market. The Bank cannot provide any assurances to Noteholders that the prices at which the Notes will sell in the market after this Offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this Offering. The Initial Purchasers have advised the Bank that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. An application has been made to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the Market; *however*, no assurance can be given that such application will be accepted. Accordingly, the Bank cannot provide any assurances to Noteholders as to the liquidity of or the trading market for the Notes.

In connection with the offering, one or more Initial Purchaser(s) may purchase and sell Notes in the open market. These transactions may include overallotment, syndicate covering transactions and stabilizing transactions. Overallotment involves the sale of Notes in excess of the principal amount of Notes to be purchased by the Initial Purchasers in this Offering, which creates a short position for the Initial Purchasers. Covering transactions involve the purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

The Bank expects that delivery of the Notes will be made against payment therefor on the Issue Date specified on the cover page of this Offering Circular, which will be the fourth Business Day following the date of this Offering Circular (this settlement cycle being referred to as "T+4"). Under Rule 15c6-l of the Exchange Act, trades in the secondary market generally are required to settle in three New York Business Days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of this Offering Circular or the next New York Business Days will be required, by virtue of the fact that the Notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of this Offering Circular or the next New York Business Days should consult their own adviser.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates may have performed investment banking and advisory services for the Bank and its affiliates from time to time for which they may have received customary fees and expenses. The Initial Purchasers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Bank and its affiliates in the ordinary course of their business. Certain of the Initial Purchasers and/or their respective affiliates have acted and expect in the future to act as lender to the Bank and/or other members of the Group and/or otherwise participate in transactions with the Group. Banco Bilbao Vizcaya Argentaria, S.A., one of the Initial Purchasers, is a principal shareholder of the Bank. See Overview of the Bank – Principal Shareholders.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Bank. The Bank has agreed to indemnify the several Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of those liabilities.

SELLING RESTRICTIONS

NOTICE TO RESIDENTS OF TURKEY

THE OFFERING OF THE NOTES HAS BEEN AUTHORIZED BY THE CMB ONLY FOR THE PURPOSE OF THE SALE OF THE NOTES OUTSIDE OF TURKEY IN ACCORDANCE WITH ARTICLE 15(B) OF DECREE 32 AND ARTICLES 6 AND 25 OF THE COMMUNIQUÉ. THE NOTES (OR BENEFICIAL INTERESTS THEREIN) HAVE TO BE OFFERED OR SOLD TO REAL PERSONS AND LEGAL ENTITIES DOMICILED OUTSIDE OF TURKEY IN ACCORDANCE WITH THE BRSA DECISION DATED MAY 6, 2010 NO. 3665 (AS NOTIFIED BY THE BRSA IN ITS LETTER TO THE TURKISH BANKING ASSOCIATION, DATED MAY 10, 2010 AND NUMBERED B.02.1.BDK.0.11.00.00.31.2 9392) AND THE CMB HAS AUTHORIZED THE NOTES; *PROVIDED* THAT, FOLLOWING THE PRIMARY SALE OF THE NOTES, NO TRANSACTION THAT MAY BE DEEMED AS A SALE OF THE NOTES (OR BENEFICIAL INTERESTS THEREIN) IN TURKEY BY WAY OF PRIVATE PLACEMENT OR PUBLIC OFFERING MAY BE ENGAGED IN. PURSUANT TO ARTICLE 15(D)(II) OF DECREE 32, THERE IS NO RESTRICTION ON THE PURCHASE OR SALE OF THE NOTES (OR BENEFICIAL INTERESTS THEREIN) IN SECONDARY MARKETS BY RESIDENTS OF TURKEY; *PROVIDED* THAT THEY PURCHASE OR SELL SUCH NOTES (OR BENEFICIAL INTERESTS) IN THE FINANCIAL MARKETS OUTSIDE OF TURKEY AND SUCH SALE AND PURCHASE IS MADE THROUGH BANKS AND/OR LICENSED BROKERAGE INSTITUTIONS AUTHORISED PURSUANT TO CMB REGULATIONS. THE REGISTRATION CERTIFICATE RELATING TO THE NOTES IS EXPECTED TO BE OBTAINED FROM THE CMB ON OR ABOUT APRIL 19, 2011.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

In the United Kingdom, this Offering Circular is being distributed only to and is directed only at: (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "*Order*"), (b) high net worth bodies corporate falling within Article 49(2) of the Order and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "*relevant persons*"). Each Initial Purchaser has represented and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "*FSMA*")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank, and (ii) it has complied and will comply with all applicable provisions of the FSMA in respect of anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Notes, purchasers of the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes.

According to Article 15d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, residents in Turkey will be free to purchase and sell securities and other capital market instruments traded on financial markets abroad, and to transfer their purchasing proceeds abroad through banks and the intermediary institutions authorized in accordance with capital market legislation.

The Bank has not registered the Notes under the Securities Act or the laws of any state securities commission and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only: (a) to persons reasonably believed to be QIBs in compliance with Rule 144A under the Securities Act and (b) to non-US persons outside the United States in compliance with Regulation S under the Securities Act.

If an investor invests in the Notes, such investor will be deemed to have acknowledged, represented and agreed with the Initial Purchasers and the Bank as follows:

(a) Such investor understands and acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities law and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption therefrom or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (d) below.

(b) Such investor is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Bank and is not acting on the Bank's or its behalf and such investor is either: (i) a QIB and is aware that any sale of Notes to it will be made in reliance upon Rule 144A and such acquisition will be for its own account or for the account of another QIB or (ii) not a "US person" (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a US person (other than a distributor) and is purchasing Notes in an offshore transaction in accordance with Regulation S under the Securities Act.

(c) Such investor acknowledges that none of the Bank, the Initial Purchasers, or any person representing the Bank or the Initial Purchasers, has made any representation to it with respect to the Bank or the offer or sale of any of the Notes, other than the information contained in this Offering Circular, which has been delivered to the investor and upon which such investor is relying in making its investment decision with respect to the Notes. Such investor acknowledges that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Circular. Such investor has had access to such financial and other information concerning the Bank and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Bank and the Initial Purchasers.

(d) Such investor is purchasing the Notes for its own account, or for one or more investor accounts for which such investor is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act. Such investor agrees on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to: (i) the date that is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the date of the original issue of the Notes and the last date on which the Bank or any affiliate of the Bank was the owner of such Notes (or any predecessor thereto), or (ii), such later date, if any, as may be required by applicable law (the "*Resale Restriction Termination Date*"), only: (A) to the Bank, (B) pursuant to a registration statement that has been declared effective under the Securities Act, (C) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person reasonably believed to be a QIB that purchases for its own account or for the account of another QIB to whom such investor gives notice that the transfer is being made in reliance upon Rule 144A, (D) in an offshore transaction complying with Rule 903 or 904 of Regulation S under the Securities Act or (E) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. Such investor acknowledges that the Bank reserves the right prior to any offer, sale or other transfer of the Notes pursuant to clause (D) or (E) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Bank.

Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN): (a) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (b) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED THESE SECURITIES THAT IT WILL NOT PRIOR TO: (i), THE DATE THAT IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE THEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE (AS DEFINED IN RULE 144) OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE), OR (ii) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "*RESALE RESTRICTION TERMINATION DATE*"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) EXCEPT: (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-US PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE RELEVANT SECURITIES LAWS OF ANY OTHER JURISDICTION, AND (c) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; *PROVIDED* THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (ii)(D) OR (E) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION REASONABLY SATISFACTORY TO THE ISSUER. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "US PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THE NOTE (OR A BENEFICIAL INTEREST THEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*"), THAT IS SUBJECT TO TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND

SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A US GOVERNMENTAL PLAN OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("*SIMILAR LAW*"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE (OR A BENEFICIAL INTEREST THEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

(e) If such investor is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, such investor acknowledges that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, any offer or sale of the Notes will not be made by such investor to a US person or for the account or benefit of a US person within the meaning of Rule 902 under the Securities Act.

(f) If such investor purchases the Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes.

(g) Such investor acknowledges that the registrar will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Bank and the registrar that the restrictions set forth herein have been complied with.

(h) Such investor acknowledges that:

   (i) the Bank, the Initial Purchasers and others will rely upon the truth and accuracy of such investor's acknowledgements, representations and agreements set forth herein and such investor agrees that if any of its acknowledgements, representations or agreements herein cease to be accurate and complete, such investor will notify the Bank and the Initial Purchasers promptly in writing, and

   (ii) if such investor is acquiring any Notes as fiduciary or agent for one or more investor accounts, such investor represents with respect to each such account that:

      (A) such investor has sole investment discretion, and

      (B) such investor has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the Notes.

(i) Such investor agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of the Notes.

(j) Such investor understands that no action has been taken in any jurisdiction (including the United States) by the Bank or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Circular or any other material relating to the Bank or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "Transfer Restrictions" and "Selling Restrictions."

Each purchaser and transferee of a Note (or a beneficial interest therein) will be deemed to represent and warrant that either: (i) it is not acquiring the Note (or a beneficial interest therein) with the assets of an "employee benefit plan" as defined in Section 3(3) of ERISA, that is subject Title I of ERISA any "plan" as defined in and subject to Section 4975 of the Code, any entity whose underlying assets include "plan assets" of any of the foregoing or a US governmental plan or other employee benefit plan that is subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note (or a beneficial interest therein) will not give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law.

Each purchaser acknowledges that each Regulation S Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST THEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THE NOTE (OR BENEFICIAL INTEREST THEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO AND SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A US GOVERNMENTAL PLAN OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("*SIMILAR LAW*"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE (OR A BENEFICIAL INTEREST THEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

LEGAL MATTERS

The validity of the Notes and certain other matters relating to the issuance of the Notes will be passed upon for the Bank by Mayer Brown LLP, as to matters of English and United States law and by Verdi ve Yazıcı Avukatlık Ortaklığı as to matters of Turkish law (other than with respect to tax-related matters). Certain matters as to English and United States law will be passed upon for the Initial Purchasers by Allen & Overy LLP, and certain matters as to Turkish law will be passed upon for the Initial Purchasers by Paksoy Ortak Avukat Bürosu (which will also pass upon matters of Turkish tax law).

OTHER GENERAL INFORMATION

Authorization

The issuance and sale of the Notes by the Bank and the execution and delivery by the Bank of the Transaction Documents have been authorized pursuant to the authority of the officers of the Bank under a resolution of its Board of Directors dated March 3, 2011.

Listing

Application has been made to the UK Listing Authority for the Notes to be admitted to listing on the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the Market; *however*, no assurance can be given that such application will be accepted. The admission of the Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules.

Clearing Systems

The Global Certificates have been accepted into DTC's book-entry settlement system and (for the Regulation S Notes) the applicable systems used by Euroclear and Clearstream, Luxembourg (CUSIP number 900148 AB3, ISIN code US900148AB35 and Common Code number 062002611 with respect to the Rule 144A Notes, and CUSIP number M8931T AB5, ISIN code USM8931TAB54 and Common Code number 062002581 with respect to the Regulation S Notes).

Interest Payments

The Bank has been advised by DTC that through DTC's accounting and payment procedures DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based upon DTC participant holdings of the Notes on the close of business on the New York Business Day immediately preceding each such Interest Payment Date. A "*New York Business Day*" is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York are authorized or required by law or executive order to close.

Significant or Material Change

There has been no significant change in the financial or trading position of either the Group or the Bank since December 31, 2010, being the end of the last financial period for which the Group's IFRS financial statements statements have been published, and no material adverse change in the financial position or prospects of either the Group or the Bank since such date.

Interests of Natural and Legal Persons Involved in the Issue

So far as the Bank is aware, no person involved in the offer of the Notes has an interest material to the offer.

Accounts and Auditors

The IFRS Financial Statements prepared as at and for the years ended December 31, 2009 and 2008 have been audited in accordance with International Standards on Auditing by KPMG located at Yapı Kredi Plaza C Blok, Kat:17 34330, Levent-Istanbul. KPMG, independent certified public accountants in Turkey, is an audit firm authorized by the BRSA to conduct independent audits of banks in Turkey.

The IFRS Financial Statements prepared as at and for the year ended December 31, 2010 have been audited in accordance with International Standards on Auditing by Deloitte located at Sun Plaza, Maslak Mah. Bilim Sk. No: 5, Şişli, Istanbul 34398. Deloitte, independent certified public accountants in Turkey, is an audit firm authorized by the BRSA to conduct independent audits of banks in Turkey.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) that may have, or have had, during the 12 months prior to the date of this Offering Circular, a significant effect on the Group's consolidated financial position.

Documents

The Bank produces audited consolidated annual and unaudited consolidated and unconsolidated quarterly and semi-annual interim financial statements. Copies of the latest audited annual and unaudited semi-annual interim reports of the Bank (in English) delivered by the Bank pursuant to Condition 5 may be obtained and copies (with certified English translations where the documents at issue are not in English) of the Bank's articles of association and of its audited financial statements as at and for the years ended December 31, 2008, 2009 and 2010, and copies of the Transaction Documents referred to herein (including the forms of the Notes) will be available for inspection, at the offices of the Bank and the Fiscal Agent.

Copies of this Offering Circular, the constitutional documents of the Bank and (after the Issue Date) the Deed of Covenant and the Agency Agreement will be available for inspection at Levent Nispetiye Mahallesi, Aytar Caddesi No: 2, Beşiktaş 34340, Istanbul.

Material Contracts

Save as disclosed in this Offering Circular under "The Group and its Business," the Bank has not entered into any material contract outside the ordinary course of its business that could result in the Bank being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

INDEX OF TERMS

IFRS FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2010

The consolidated financial statements of the Group and notes thereto for the fiscal years ended December 31, 2009 and 2010, together with the audit reports thereon, are set out below. The consolidated financial statements of the Group and notes thereto for the fiscal year ended December 31, 2008 is incorporated into the IFRS Financial Statement for the year ended December 31, 2009. The audit report for the fiscal year ended December 31, 2008 is unqualified; *however,* the audit reports for the fiscal year ended December 31, 2009 and 2010 are qualified due to the general provision amounting to TL 360,000 thousand that is not permitted under IFRS (see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Significant Factors Affecting the Group's Financial Condition and Results of Operations-Allowance for Loan Losses").

PRINCIPAL OFFICE OF THE BANK

Türkiye Garanti Bankası A.Ş.
Levent Nispetiye Mahallesi
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United Kingom

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

Standard Chartered Bank
One Basinghall Avenue
London EC2V 5DD
United Kingdom

Banco Bilbao Vizcaya Argentaria, S.A.
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FISCAL AGENT, PAYING AGENT AND TRANSFER AGENT, AND REGISTRAR

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LEGAL COUNSEL TO THE INITIAL PURCHASERS AS TO TURKISH LAW AND TURKISH TAX COUNSEL

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