IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) UNDER RULE 144A OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S) OUTSIDE OF THE U.S.

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

THE OFFERING MEMORANDUM IS NOT AN OFFER TO SELL SECURITIES AND THE BANK IS NOT SOLICITING OFFERS TO BUY SECURITIES IN ANY JURISDICTION WHERE SUCH OFFER OR SALE IS NOT PERMITTED.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. 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 MEMORANDUM 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 U.S. PERSON OR TO ANY U.S. 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, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities described herein, investors must be either (1) qualified institutional buyers ("**QIBs**") (within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act) or (2) non-U.S. persons (as defined in Regulation S) outside of the United States. This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to the Bank and the Initial Purchasers (as defined below) that (1) you and any customers you represent are either (a) QIBs or (b) outside of the United States, that the electronic mail address that you gave the Bank and to which this e-mail has been delivered is not located in the United States and that any purchase of the securities described in this Offering Memorandum by you would constitute an offshore transaction as defined in Regulation S and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum 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 this Offering Memorandum 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 where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Initial Purchaser or such affiliate on behalf of the issuer in such jurisdiction.

This Offering Memorandum 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 Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC

Bank plc, or Standard Chartered Bank (as "**Initial Purchasers**"), or the Bank nor any person who controls any of them, nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum 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 e-mail 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 Memorandum is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) 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, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

OFFERING MEMORANDUM

FINANS BANK A.Ş.

a Turkish banking institution organized as a joint stock company

US$500,000,000 5.5% Notes due 2016

Finans Bank A.S., a Turkish banking institution organized as a joint stock company ("**Finansbank**", the "**Bank**" or the "**Issuer**"), is issuing US$500,000,000 5.5% 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 "**U.S.**"), the Republic of Turkey ("**Turkey**"), the United Kingdom or any other jurisdiction, and are being offered: (a) for sale (the "**U.S. Offering**") in the United States to qualified institutional buyers (each a "**QIB**") as defined in, and in reliance upon, Rule 144A ("**Rule 144A**") under the Securities Act and (b) for sale (the "**International Offering**" and, with the U.S. Offering, the "**Offering**") outside the United States in reliance upon Regulation S ("**Regulation S**") under the Securities Act. For a description of certain restrictions on sale and transfer of the Notes, see "Plan of Distribution", beginning on page 147, "Additional Selling Restrictions", beginning on page 149, and "Transfer Restrictions", beginning on page 150.

As described further herein, the gross proceeds of the Notes will be used by the Issuer for the Issuer's general corporate purposes.

Interest on the Notes will be paid on May 11 and November 11 in each year; *provided*, that, if any such date is not a Business Day (as defined herein), then such payment will be made on the next Business Day. Principal of the Notes is scheduled to be paid on May 11, 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 99.384% of the principal amount thereof.

Application has been made to 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 to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**"). References in this Offering Memorandum to the Notes being "listed" (and all related references) shall 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 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 28, 2011, and the registration certificate relating to the Notes is expected to be obtained from the CMB on or about May 10, 2011.

The Notes are expected on issue to be rated BBB− by Fitch Ratings Ltd. ("**Fitch**") and Ba1 by Moody's Investors Services Limited ("**Moody's**", 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 at the date of this Offering Memorandum, 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 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

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 (as defined in Condition 9) imposed or levied by or on behalf of the Relevant Jurisdiction (as defined in Condition 9), 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 such withholding or deduction. The withholding tax rate on interest payments in respect of Turkish bonds issued outside of Turkey varies depending on the original maturity of such bonds as specified under decree numbered 2010/1182 dated December 20, 2010 (the "Decree"). Pursuant to the Decree, with respect to bonds with a maturity of 5 years and more, the withholding tax rate on interest is 0%. Accordingly, the withholding tax rate on interest on the Notes is 0%.

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER "RISK FACTORS" BEGINNING ON PAGE 7 OF THIS OFFERING MEMORANDUM.

For a more detailed description of the Notes, see "Conditions of the Notes" beginning on page 125.

The Notes are being offered under Rule 144A and under Regulation S by Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc and Standard Chartered Bank (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 and/or Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream**"), against payment therefor in immediately available funds on May 11, 2011 (*i.e.*, the fourth business day following the date of pricing of the Notes (such date being referred to herein as the "**Closing Date**" and such settlement cycle being herein referred to as "T+4")).

Citi **Deutsche Bank** **HSBC** **Standard Chartered Bank**

The date of this Offering Memorandum is May 9, 2011.

This offering memorandum (the "Offering Memorandum") 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 Issuer and the Notes which, according to the particular nature of the Issuer 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 Issuer and of the rights attaching to the Notes.

The Issuer, having made all reasonable enquiries, confirms that this Offering Memorandum contains all information which is material in the context of the issuance and offering of the Notes, that the information contained in this Offering Memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that there are no other facts the omission of which would make this Offering Memorandum or any of such information or the expression of any such opinions or intentions misleading in any material respect and 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 Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Initial Purchasers to subscribe for or purchase, any Notes. The distribution of this Offering Memorandum and the offer or sale of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Offering Memorandum may come are required by the Issuer and the Initial Purchasers to inform themselves about and to observe any such restrictions.

No person has been authorized in connection with the offering of the Notes to give any information or make any representation regarding the Issuer, the Initial Purchasers or the Notes other than as contained in this Offering Memorandum. Any such representation or information must not be relied upon as having been authorized by the Issuer, the Initial Purchasers or any other person. Neither the delivery of this Offering Memorandum nor any subscription or sale made hereunder at any time shall imply under any circumstances that there has been no change in the Issuer's affairs or that the information contained in it is correct as at any time subsequent to its date. This Offering Memorandum 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 document, and nothing contained in this document is, or shall 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 document. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer 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 which may be relevant to it in connection with such investment.

None of the Issuer or 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 a purchase of the Notes.

DEFINITIONS AND OTHER INFORMATION

As used in this Offering Memorandum, unless the context otherwise suggests, the following terms shall have the meanings indicated:

- "**BRSA**" refers to the Banking Regulation and Supervision Agency of Turkey;
- "**Central Bank**" and the "**Central Bank of the Republic of Turkey**" refer to the Central Bank of Turkey (*Türkiye Cumhuriyet Merkez Bankası*);
- "**EU**" refers to the European Union;
- "**Fiba Holding**" refers to Fiba Holding A.Ş. on an unconsolidated basis;
- "**Fiba Group**" refers to Fiba Holding and each of its subsidiaries on a consolidated basis;
- "**Finansbank**" and the "**Bank**" refer to Finans Bank A.Ş. on an unconsolidated basis;
- "**Finansbank Group**" and "**Group**" refer to Finansbank together with its subsidiaries on a consolidated basis;
- "**Government**" refers to the Government of Turkey;
- "**IFC**" refers to International Finance Corporation;
- "**NBG**" refers to National Bank of Greece S.A. on an unconsolidated basis;
- "**NBG Group**" refers to NBG and each of its subsidiaries on a consolidated basis (which subsidiaries include the Finansbank Group);
- "**Treasury**" refers to the Undersecretariat of Treasury of the Prime Ministry of the Republic of Turkey; and
- "**Turkey**" and the "**Republic**" refer to the Republic of Turkey.

Unless otherwise indicated, "**Noteholder**" refers to the registered holder of any Note. "**Beneficial Owner**" refers to an owner of a beneficial interest in any Note.

Unless otherwise indicated, all references in this Offering Memorandum to "**Initial Purchasers**" refer to Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc and Standard Chartered Bank.

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.

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 U.S. jurisdiction and may not be offered or sold within the United States except to QIBs in accordance with Rule 144A, or outside the United States in accordance with Regulation S. Prospective investors that are QIBs are hereby notified that the seller of Notes may be relying upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. 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 pursuant to registration under the Securities Act or pursuant to the exemptions therefrom described under "Transfer Restrictions", as applicable. 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 ("**Decree 32**"), and Articles 6 and 25 of Communiqué Serial II, No. 22 on the Principles on the Registration and Sale of Debt Instruments ("**Communiqué**"). The Notes (or beneficial interests therein) have to be offered or sold to real persons and legal entities domiciled outside 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 authorized pursuant to CMB regulations. The registration certificate relating to the Notes is expected to be obtained from the CMB on or about May 10, 2011.

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

The Global Certificates will be deposited on or about the Closing Date with a custodian for, and registered in the name of, Cede & Co. as nominee of, DTC. Except as described in this Offering Memorandum, 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. Except as described in this Offering Memorandum, 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 London Stock Exchange; however, no assurance can be given that such application will be accepted.

In connection with the issue of Notes to be underwritten by the Initial Purchasers, the Initial Purchaser or Initial Purchasers (if any) named as the stabilizing manager(s) (the "Stabilizing Manager(s)") (or persons acting on behalf of any Stabilizing Manager(s)) in this Offering Memorandum 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(s) (or persons acting on behalf of a 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 relevant issue of 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 relevant Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) 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 any state securities commission or any other U.S., 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 Memorandum. Any representation to the contrary may be a criminal offence.

The distribution of this Offering Memorandum 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 Memorandum are required by the Bank and the Initial Purchasers to inform themselves about and to observe any such restrictions.

This Offering Memorandum 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 in which such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer and sale of the Notes (and beneficial interests therein) in the United States, Turkey, the United Kingdom and numerous other jurisdictions.

RESPONSIBILITY STATEMENT

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

The Issuer has derived substantially all of the information contained in this Offering Memorandum concerning the Turkish market and its competitors, which may include estimates or approximations, 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 Memorandum have been obtained from the BRSA's website at www.bddk.org.tr and all data relating to the Turkish economy, including statistical data, have been obtained from TurkStat's website at www.turkstat.gov.tr, the Central Bank's website at www.tcmb.gov.tr, the Banks Association of Turkey's website at www.tbb.org.tr and the Turkish Treasury's website at www.hazine.gov.tr. Data has been downloaded/observed on various days during the months of December 2010 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 Memorandum. Unless otherwise indicated, the sources for statements and data concerning the Bank and its business are based on best estimates and assumptions of the Bank's management. The Bank's management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Bank included herein, whether based on external sources or based on the Bank's management internal research, constitute the Bank's management's best current estimates of the information described.

Where third party information has been used in this Offering Memorandum, 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. Such data, while believed to be reliable and accurately extracted by the Bank for the purposes of this Offering Memorandum, have not been independently verified by the Bank or any other party and you should not place undue reliance on such data included in this Offering Memorandum. This information has been accurately reproduced and as far as the Bank is aware and able to ascertain from the information published by such third party sources, no facts have been omitted which 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 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

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 (as defined in the Conditions) imposed or levied by or on behalf of the Relevant Jurisdiction (as defined in the Conditions), unless the withholding or deduction of the Taxes is required by law. In that event, subject to certain exceptions set forth in the Conditions, 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 such withholding or deduction. The withholding tax rate on interest payments in respect of Turkish bonds issued outside of Turkey varies depending on the original maturity of such bonds as specified under the Decree. Pursuant to the Decree, with respect to bonds with a maturity of 5 years or more the withholding tax rate is 0%. Accordingly, the withholding tax rate on interest on the Notes is 0%. See "Taxation—Certain Turkish Tax Considerations".

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains "forward-looking statements" which relate to, without limitation, the Finansbank Group's plans, objectives, goals, strategies, future operational performance, and anticipated developments in the Turkish banking market and the Turkish and global economies. These forward-looking statements are characterized by words such as "anticipate", "estimate", "believe", "intend", "plan", "predict", "may", "will", "would", "should", "continue", "expect" and similar expressions, but these expressions are not the exclusive means of identifying such statements. Such forward-looking statements involve risks, uncertainties and other important factors that could cause circumstances or Finansbank's actual results, performance or achievements to be materially different from any future circumstances, results, performance or achievements expressed or implied by such statements. Such factors include, without limitation:

- the impact of economic, political and social developments in Turkey;
- changes in the banking and financial markets in Turkey;
- continued economic growth and continued stability of inflation rates in Turkey;
- existing and future governmental monetary regulations, legislative developments or developments related to taxation;
- estimates of the impact of inflation, exchange rates, interest rates, market volatility and other risks related to the Finansbank Group's financial condition and results of operations (including with respect to financial assets and liabilities);
- the Finansbank Group's ability to implement its growth strategy and expand and develop its customer base and branch network;
- the Finansbank Group's ability to meet capital adequacy or other requirements;
- the adequacy of the Finansbank Group's funding sources and liquidity and changes in Finansbank's ability to fund its future operations and capital needs through borrowings or otherwise;
- the Finansbank Group's ability to compete effectively against other banks in the Turkish banking market;
- the Finansbank Group's ability to hire and retain key personnel;
- the Finansbank Group's relationship with NBG;
- risks related to significant industry and/or borrower concentrations in the Finansbank Group's loans and deposit portfolios;
- the failure, interruption in or breach of the Finansbank Group's information systems;
- counterparty risk;
- changes in the Finansbank Group's operating costs;
- operational risks;
- risks related to the Finansbank Group's risk management strategies and policies;
- the expected maturity of Finansbank's contractual obligations and commercial commitments; and
- *force majeure* and other events beyond the Finansbank Group's control.

This list of important factors is not exhaustive. When relying on forward-looking statements, which may be found in "Overview of Finansbank", "Risk Factors", "Operating and Financial Review", "The Business of the Finansbank Group" and elsewhere in this Offering Memorandum, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which Finansbank operates. Such forward-looking statements speak only as at the date on which they are made. Accordingly, Finansbank does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Finansbank does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved. Such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

The forward-looking statements contained in this Offering Memorandum are based on the beliefs of Finansbank's management, as well as the assumptions made by and information currently available to

Finansbank's management. Although Finansbank believes that the expectations reflected in such forward-looking statements are reasonable, Finansbank cannot assure you that such expectations will prove to be correct. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Important factors that could cause actual results to differ materially from Finansbank's expectations are contained in cautionary statements in this Offering Memorandum, including, without limitation, in conjunction with the forward-looking statements included in this Offering Memorandum and specifically under "Risk Factors". In addition, under no circumstances should the inclusion of such forward-looking statements in this Offering Memorandum be regarded as a representation or warranty by Finansbank, NBG, the Initial Purchasers or any other person with respect to the achievement of the results set out in such statements or that the underlying assumptions used will in fact be the case. If any of these risks and uncertainties materialize, or if any of Finansbank's underlying assumptions prove to be incorrect, Finansbank's actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected.

All subsequent written and oral forward-looking statements attributable to Finansbank are expressly qualified in their entirety by reference to these cautionary statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Finansbank and its Turkish subsidiaries maintain their books of accounts and prepare their statutory financial statements (the "**Statutory Financial Statements**") in Turkish Lira in accordance with the Turkish accounting standards as promulgated by the BRSA and also the requirements of the CMB, the Turkish Commercial Code and the Turkish tax legislation (collectively, "**Turkish GAAP**"). The Statutory Financial Statements are prepared both on an unconsolidated "Bank-only" basis and on a consolidated basis with its subsidiaries and are provided to the CMB, the BRSA and the Istanbul Stock Exchange (the "**ISE**") in accordance with applicable regulations. Finansbank's foreign branch in Bahrain maintains its books of accounts and prepares its statutory financial statements in accordance with the generally accepted accounting principles and the related rules applicable in Bahrain.

The audited consolidated financial statements of the Finansbank Group as at and for the years ended December 31, 2008, 2009 and 2010 included elsewhere in this Offering Memorandum have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") (the "**IFRS Financial Statements"**). Unless otherwise indicated, the financial information presented herein is derived from the IFRS Financial Statements.

Certain financial and other information presented in various tables in this Offering Memorandum, including certain tables in "Selected Statistical and Other Information", have been prepared on the basis of Finansbank's own internal accounts, statistics and estimates and have not been independently verified. Investors are cautioned against placing undue reliance upon such information.

Unless otherwise indicated, references to "**TL**" with respect to the IFRS Financial Statements are references to the Turkish currency rounded to the nearest thousand. Unless otherwise indicated, references to "**US$**", "**$**", "**U.S. Dollars**" or "**Dollars**" in this Offering Memorandum are to United States Dollars rounded to the nearest million. Unless otherwise indicated, references to "**EUR**", "**Euro**" and "**€**" are to the single currency of the participating member states of the European Union that was adopted pursuant to the Treaty of Rome of March 27, 1957, as amended by the Single European Act 1986 and the Treaty on European Union of February 7, 1992, as amended.

Certain figures included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Unless otherwise indicated, the sources for statements and data concerning the Bank and its business are based on best estimates and assumptions of the Bank's management. The Bank's management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Bank included herein, whether based on external sources or based on the Bank's management internal research, constitutes the Bank's management's best current estimates of the information described.

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 or entities 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 the United States or Turkey and 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 in the past 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 in the future. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based on the U.S. 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 had no actual relationship with the parties or the subject matter at hand.

In connection with the issuance of Notes, the Bank will designate Law Debenture Corporate Services Limited as its agent upon whom process may be served in connection with any proceedings in England.

AVAILABLE INFORMATION

For as long as the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will furnish, upon request of a holder of the Notes or a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) if, at the time of such request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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OVERVIEW OF FINANSBANK

This overview must be read as an introduction to this Offering Memorandum. Before making an investment decision regarding the Notes, investors should read the whole of this Offering Memorandum and not rely only upon key or summarized information, including this overview. Where a claim relating to the information contained in this Offering Memorandum is brought before a court in a member state of the EEA, the plaintiff investor may, under the national legislation of the member state where the claim is brought, have to bear the costs of translating this Offering Memorandum before the legal submissions are initiated. No civil liability will attach to responsible persons in any such member state of the EEA solely on the basis of this overview, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with other parts of this Offering Memorandum.

General

Finansbank is a Turkish private commercial bank which provides banking services to retail, corporate and commercial and small and medium enterprise ("**SME**") customers through a network of 502 branches, as at December 31, 2010, operating in major cities throughout Turkey. As at September 30, 2010, according to the most recent statistics published by the Banks Association of Turkey, Finansbank was ranked the fifth largest private bank in Turkey in terms of total assets, fifth in terms of profit before tax and fifth in terms of equity. Finansbank is a subsidiary of NBG, and NBG together with its subsidiaries and affiliates, is one of the leading financial groups in Greece and has a material presence internationally, particularly in southeastern Europe and the eastern Mediterranean. See "Share Capital and Ownership – National Bank of Greece".

Finansbank's branch network comprises 439 full-service branches, 16 corporate and commercial branches, one retail branch and 44 satellite and Easy Credit & Manhattan branches, located in 62 commercial centers in Turkey, mainly in Istanbul (199 branches), Izmir (39 branches), Ankara (55 branches) and Antalya (27 branches), in each case as at December 31, 2010. Finansbank also has one branch at the Atatürk Airport Free Trade Zone and one branch in Manama, Bahrain. The Finansbank Group, through its affiliates and subsidiaries, also maintains foreign banking, leasing, factoring, insurance and investment banking activities. As at December 31, 2010, the Finansbank Group had, on a consolidated basis, total assets of TL 39,580.1 million, total loans and advances to customers of TL 26,152.7 million and total equity of TL 6,099.0 million.

During the past 15 years, Finansbank has grown its branch network significantly in parallel with the expansion of its retail banking operations. All of Finansbank's 16 corporate banking branches include a retail banking unit; however, most branches are dedicated only to retail customers and are located primarily in upper-middle income residential areas. Since 1995, Finansbank has developed specially designed branches selling the full range of Finansbank's retail financial products dedicated exclusively to retail customers. In line with its growth strategy, Finansbank currently plans to open a total of 50 new branches in 2011 (including the new branches opened in 2011 prior to the date of this Offering Memorandum). Finansbank has also invested heavily in alternative delivery channels such as ATMs, internet banking and its call center. Finansbank's ATM network grew by 11.9% during the year of 2010 as the number of ATMs reached 1,574 as at December 31, 2010, compared with 1,406 ATMs as at December 31, 2009. Finansbank's call center, through which customers can contact Finansbank's operators for all of their banking needs (either by telephone or on-line and in real-time through the internet), is operational 24 hours a day, seven days a week.

Finansbank's goal is to maintain and strengthen its position among the leading private full-service banks in Turkey. The expansion of the Finansbank Group's banking operations has contributed to the growth in customer deposits as a proportion of total assets from 52.5% as at December 31, 2008 to 58.6% as at December 31, 2010, and Finansbank expects that retail banking operations will achieve an even greater importance over the coming years, particularly in light of its plans to continue the expansion of its branch network. Internationally, Finansbank expects to continue to support its branch in Bahrain and benefit from the synergies created within the NBG Group's international banks and branches in Albania, Bulgaria, Egypt, Cyprus, the former Yugoslav Republic of Macedonia, Romania, Serbia, South Africa and the United Kingdom. In order to fund longer maturities in its lending operation, Finansbank intends to increase its medium-term borrowings from banks and the international capital markets. Finansbank will continue to focus on borrowing in foreign currencies from international markets and on lending in foreign currencies and foreign currency indexed loans in Turkey.

Finansbank has two main business segments, namely retail banking and corporate and commercial banking:

- *Retail Banking*. Finansbank's retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits and investments, and insurance products. Finansbank's offerings to retail customers are divided into three main further sub-groups: private banking, which serves individuals with assets under management exceeding TL 500,000 through fully customized service offerings; the affluent segment, which serves individuals with assets under management between TL 75,000 and TL 500,000 offering features such as dedicated relationship managers, and a diverse set of banking and non-banking services and benefits; and the mass segment with more standardized offerings. Retail banking has been one of the principal drivers of Finansbank's growth during the past three years and Finansbank expects it to continue to maintain a central role in its strategy. Finansbank had approximately 8.5 million retail banking customers and the Finansbank Group had total outstanding retail loans of TL 16,406.4 million as at December 31, 2010.
- *Corporate and Commercial Banking (including SME)*. Finansbank's corporate and commercial banking activities include trade finance, traditional lending, project finance, cash management, corporate syndication and secondary market transactions, deposit taking and the issuance of certificated debt instruments. Corporate and commercial banking was Finansbank's original focus area and now serves a large number and wide range of customers. Finansbank's SME banking activities consist primarily of revolving credit lines, installment loans, overdrafts, business housing loans and demand deposits. As one the first banks in Turkey to focus on SME banking, Finansbank started its SME banking operations at the beginning of 2003 to support Turkish SMEs, which Finansbank defines as small and medium-sized enterprises with an annual turnover of up to TL 10 million. Finansbank Group's corporate and commercial and SME banking operations had total loans and advances to customers of TL 9,746.3 million as at December 31, 2010.

Risk Factors

Investing in the Notes entails certain risks. Before investing in the Notes, investors should carefully review "Risk Factors", which sets out certain risks relating to the Finansbank Group and its business, the Turkish banking sector in general, Finansbank's relationship with its principal shareholder, political, economic and legal circumstances in Turkey, and the Notes themselves. The risks discussed under "Risk Factors" are the ones that Finansbank believes are the principal risks facing the Finansbank Group. If any of these events occur, the value of the Notes could decline and an investor could lose all or part of its investment. Additional risks and uncertainties that do not currently exist or of which Finansbank is unaware or which Finansbank currently does not believe to be material may also become important factors that adversely affect the Finansbank Group and any investment in the Notes.

OVERVIEW OF THE CONDITIONS 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 Memorandum. See, in particular, "Conditions of the Notes".

Issue:	US$500,000,000 principal amount of 5.5% Notes due 2016.
Interest and Interest Payment Dates:	The Notes bear interest from and including May 11, 2011 (the **"Issue Date"**) at the rate of 5.5% per annum, payable semi-annually in arrear on May 11 and November 11 in each year (each an **"Interest Payment Date**").
Maturity Date:	May 11, 2016
Yield:	5.643% per annum
Issue Price:	99.384% of the principal amount
Fiscal Agent, Principal Paying Agent and Transfer Agent:	The Bank of New York Mellon, London Branch
Paying Agent:	The Bank of New York Mellon, New York Branch
Registrar:	The Bank of New York Mellon (Luxembourg) S.A.
Use of Proceeds:	The net proceeds will be used by the Issuer for general corporate purposes. See "Use of Proceeds".
Status:	The Notes are senior, 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. The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6762), the Capital Markets Law (Law No. 2499) and Articles 6 and 25 of the Communiqué.
Negative Pledge:	The Issuer agrees that 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 in Condition 4), 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: (i) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of not less than three-fourths of the votes cast) of the Noteholders, provided always that nothing 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 (as defined in Condition 4), 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 an issuance 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 consolidated total assets of the Issuer and its Subsidiaries (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS).

See "Conditions of the Notes – Condition 4".

Certain Covenants:

The Issuer will agree to certain covenants, including, without limitation, covenants limiting transactions with affiliates.

See "Conditions of the Notes – Condition 5".

Redemption for Taxation Reasons:

The Notes may be redeemed at the option of the Issuer 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, (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 May 11, 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.

Taxation; Payment of Additional Amounts:

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 the Relevant Jurisdiction (as defined in the Conditions of the Notes), 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.

See "Conditions of the Notes – Condition 9".

Events of Default:	The Notes will be subject to certain Events of Default (as defined in Condition 11) 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 on Regulation S will be represented by beneficial interests in the Unrestricted Global Certificate in registered form, without interest coupons attached, which will be deposited with a 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 Specialised Depositaries of Euroclear and Clearstream, Luxembourg, respectively. Notes offered and sold in reliance on Rule 144A will be represented by beneficial interests in the Restricted Global Certificate, in registered form, without interest coupons attached, which will be deposited with a custodian, and registered in the name of Cede & Co., as nominee for DTC. Except in limited circumstances, certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificates. See "Conditions of the Notes" and "The Global Certificates". Interests in the Restricted Global Certificate will be subject to certain restrictions on transfer. See "Global Certificates" and "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. See "Conditions of the Notes".
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with them shall 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 such Notes to be admitted to trading on the London Stock Exchange's Regulated Market.
Selling Restrictions:	The Notes have not been nor will 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 U.S. person (as defined in Regulation S under the Securities Act), except to qualified institutional buyers in reliance on 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 "Transfer Restrictions" and "Additional Selling Restrictions".

Regulation S Security Codes:	ISIN: USM4R36CAA80
	CUSIP: M4R36C AA8
	Common Code: 062540141
Rule 144A Security Codes:	ISIN: US31772FAA57
	CUSIP: 31772F AA5
	Common Code: 062540184
Representation of Noteholders:	There will be no trustee.

RISK FACTORS

An investment in the Notes involves risk. Prior to making an investment decision, you should carefully consider all of the information in this Offering Memorandum, including, without limitation, the risks described below. The risk factors set out below are the ones that Finansbank believes are the principal risks facing the Finansbank Group. If any of these events occur, the value of the Notes could decline and you could lose all or part of your investment. Additional risks and uncertainties that do not currently exist or of which Finansbank is unaware or which Finansbank currently does not believe to be material may also become important factors that adversely affect the Finansbank Group and any investment in the Notes.

You should also refer to the other information set out elsewhere in this Offering Memorandum, including the IFRS Financial Statements and the related notes thereto and the information in "Operating and Financial Review". For additional information concerning Turkey, its economy, its legal and regulatory environment and other related matters, see "Exchange Rates", "The Business of the Finansbank Group", "The Turkish Banking Market" and "Regulatory Framework".

Risk Factors Relating to the Finansbank Group

Negative economic developments and conditions in Turkey and elsewhere may adversely affect the Finansbank Group

From August 2007 through the early part of 2009, the global financial system experienced unprecedented credit and liquidity conditions and disruptions leading to a reduction in liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency in money and capital markets interest rates. Although financial markets have shown some degree of stabilization and economic recovery has continued since the latter part of 2009, the recovery has been fragile and uncertainty about future developments in the market remains. For example, there has been a perceived increase in sovereign risk in certain European countries, including Greece, Spain, Portugal, Italy and Ireland. Moreover, high current account deficits, weak economies and disruptions in the capital markets necessitated economic rescue packages in 2010 for Greece and Ireland and in April 2011 for Portugal. Any further turbulence in the global credit and liquidity markets, or a recovery of the business activity that is longer than expected, could have a material adverse effect on the Finansbank Group's ability to access capital and liquidity on financial terms acceptable to it. If the Finansbank Group were unable to access funds or to access the markets from which it raises funds, it may have an adverse effect on the Finansbank Group's business, financial condition and results of operations.

The global financial crisis and related economic slowdown have impacted the Turkish economy and economies that include the principal external markets for Turkish goods and services. For example, the Turkish GDP declined by 4.7% in 2009 as a result of the economic slowdown, which also had a negative impact on the business, financial condition and results of operations of the Finansbank Group. In response to the financial crisis, the Turkish government announced stimulus measures, in addition to which the Central Bank cut interest rates, reducing its overnight reference interest rate gradually from 15.0% as at December 31, 2008 to 6.5% as at December 31, 2010. 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 GDP grew by 8.9%.

However, although there have been indications of economic recovery, the recovery may not continue. Any relapse in the global or Turkish economies, or continued uncertainty around the potential for such relapse, could have a material adverse effect on the Finansbank Group's business and customers in a number of ways, including, among others, the income, wealth, liquidity, business or financial condition of the Finansbank Group's customers, which, in turn, could further reduce the Finansbank Group's credit quality and demand for the Finansbank Group's products and services. The Finansbank Group's business, financial condition and results of operations may also continue to be adversely affected by conditions in the global and Turkish financial markets as long as they remain volatile and subject to disruption and uncertainty.

Changes in interest rate levels may affect the value of the Finansbank Group's assets sensitive to interest rates and spread changes, as well as the Finansbank Group's net interest margins and borrowings costs

The Finansbank Group's results of operations depend significantly upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. The difference between average interest income and average interest expense is the net interest margin. Net interest income contributed 61.0%, 75.7%, and 74.0% of total operating income for the years 2008, 2009 and 2010, respectively and net interest margin was 6.1%, 7.4% and 6.5%, respectively, during the same periods. Interest rates are highly sensitive to many factors beyond

Finansbank's control, including monetary policies pursued by the Central Bank, domestic and international economic and political conditions and other factors. Income from financial operations is particularly vulnerable to interest rate volatility, as further illustrated below.

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby affect results of operations. An increase in interest rates, for instance, could cause interest expense on deposits (which are typically short-term and reset frequently) to increase more significantly and more quickly than interest income from loans (which are longer term and reset less frequently), resulting in a potential reduction in net interest income. In addition, an increase in interest rates may also reduce the demand for loans from the Finansbank Group, and its ability to originate loans. Further, a significant fall in average interest rates charged on loans and advances to customers that is not fully matched by a decrease in interest rates on funding sources, or a significant rise in interest rates on funding sources that is not fully matched by a rise in interest rates charged, to the extent such exposures are not hedged, could also result in a reduction in net interest income and any such reduction could have a material adverse effect on the Finansbank Group's business, financial condition and results of operations through, among other things, increased pre-payments on its loan portfolio and increased competition for deposits. See also "Operating and Financial Review – Factors Affecting Finansbank Group's Results of Operations – Interest Rates".

The Finansbank Group uses derivative instruments to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions and firm commitments, which could be affected by changes in interest rates. Further, there is a risk that these hedging arrangements will not be adequate to protect the Finansbank Group from the risks of changing interest rates or that hedging counterparties may default.

The Finansbank Group may be affected by liquidity risk, particularly if market conditions deteriorate

Liquidity risk comprises uncertainties in relation to the Finansbank Group's ability to access funding necessary to cover obligations to customers, meet the maturity of liabilities and to satisfy capital requirements. It includes both the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Finansbank Group's liabilities reasonably in line with assets, as well as the risk of not being able to meet payment obligations on time at a reasonable price due to liquidity pressures. The Finansbank Group's inability to meet its net funding requirements due to inadequate liquidity could materially adversely affect its business, financial conditions and results of operations.

Historically, the Finansbank Group's principal sources of funds have included individual deposits, which represented 60.6% of customer deposits and 41.9% of total liabilities as at December 31, 2010. The availability of individual deposit funding is dependent upon a variety of factors, such as general economic conditions, competition from other financial institutions, the confidence of individual depositors in the economy in general and the financial services industry specifically and the availability and extent of deposit guarantees. All individual deposits are effectively short-term deposits (the average maturity of individual deposits in 2010 was approximately 48 days), which could expose the Finansbank Group to liquidity problems if retail customers were to withdraw large amounts of their demand deposits or do not roll over their term deposits upon maturity. Any loss in consumer confidence in the Finansbank Group's banking business could significantly increase the amount of individual deposit withdrawals in a short space of time, or, result in higher interest rates on individual deposits, which could significantly increase the Finansbank Group's cost of funding. If the Finansbank Group's retail customers were to withdraw large amounts of deposits, this would have an adverse effect on its business, financial condition and results of operations.

The Finansbank Group also relies heavily upon other types of short-term liabilities in addition to individual deposits for its funding. As at December 31, 2010, 65.0% of the Finansbank Group's funds borrowed and debt securities issued were comprised of short-term borrowings having a maturity of less than one year. Given such reliance upon short-term liquidity, there can be no assurance that in the event of a sudden or unexpected shortage of funds in the banking system or otherwise the Finansbank Group will be able to maintain its levels of funding and at commercially reasonable terms.

In recent years, as a result of the general expansion of the Finansbank Group's business, the growth in long-term loans and advances to customers has been greater than the growth in shorter-term or customer demand deposits. In the past, the Finansbank Group has bridged most of this gap with its liquid assets and its securities portfolio. However, the Finansbank Group relies upon, among other things, its ability to obtain repurchase contracts, foreign borrowings (including syndicated loans and export-import facilities), its foreign currency reserves and its significant lines of credit with the Central Bank as additional funding sources to bridge any future gap. Although the Finansbank Group is generally a net lender, from time to time the Finansbank Group also borrows money in the money markets and has also increased its funds through share capital increases. These alternative sources of funding may be more expensive or in other ways less advantageous than customer deposits or, in some cases, not available at all, which could have an adverse effect on the Finansbank Group's business, financial condition and results of operations. Further, while the Finansbank Group has in the past been successful in extending the maturity profile of its funding base, there can be no assurance that this will continue in the future. Particularly in light of the volatility of the markets for emerging market financings, the Finansbank Group may have difficulty extending and/or refinancing its existing indebtedness in such a manner as to not have a material adverse effect on its business, financial condition and results of operations.

The Finansbank Group's credit portfolio has industry and customer concentration, which renders it susceptible to deterioration in the financial condition of such industries and customers

Loans and advances to customers to the Finansbank Group's 20 largest customers as at December 31, 2008, 2009 and 2010 represented 6.4%, 5.0% and 6.1%, respectively, of its total loans and advances to customers. In terms of sector concentration, the contracting; textile, fabrics, yarn; food and beverage, tobacco; and finance sectors, as at December 31, 2010, comprised 11.5%, 9.3%, 8.6% and 7.7%, respectively, of the Finansbank Group's exposure, to corporate and commercial customers. A downturn in any of these sectors, individually or in the aggregate, may adversely affect the financial condition of the companies operating in such sectors and may result in, among other things, a decrease in funds that such corporate customers hold on deposit with the Finansbank Group, defaults on their obligations owed to the Finansbank Group or a need for the Finansbank Group to increase provisions in respect of such obligations, any of which could have a material adverse effect on the Finansbank Group's business, financial condition and results of operations.

The Finansbank Group may be subject to increasing levels of impaired loans, particularly given its focus on retail customers

The global economic downturn has had an adverse effect on the financial condition of some of the Finansbank Group's corporate and retail customers and, in some instances, ultimately affected their ability to service and repay their obligations. This has led to an increase in the Finansbank Group's impaired loans and advances to customers that are more than 90 days overdue accompanied by increased allowance for impairment on loans and advances to customers. The Finansbank Group's total individually impaired loans as a percentage of total gross loans and advances to customers increased from 2.0% as at December 31, 2008 to 4.7% as at December 31, 2009, subsequently decreasing to 2.4% as at December 31, 2010. See also "Selected Statistical and Other Information – Credit Quality". Furthermore, the Finansbank Group has increased its exposure to retail customers, whose loans generally yield higher interest income but also tend to have higher levels of default than loans of corporate customers. Future changes in economic conditions may also result in the deterioration of the value of security held against lending exposures and increase the risk of loss in the event of default by borrowers or counterparties. There can be no assurance that continued weakness in consumer spending, high unemployment, decreased profitability of corporate businesses, increasing numbers of insolvencies and/or deterioration of the credit quality of corporate customers will not result in continued increases in the levels of the Finansbank Group's allowance for impairment on loans and advances to customers in the future, which could have a material adverse effect on the Finansbank Group's business, financial condition and results of operations.

The implementation of its growth strategy could adversely affect Finansbank Group's asset quality, profitability and capital ratios

The Finansbank Group has expanded its business primarily through organic growth, including the establishment of subsidiaries in business areas that are complementary to banking. In addition, the Finansbank Group has expanded its business lines, including the addition of a retail mortgage business and the expansion of its SME business, its leasing business through its subsidiary Finans Finansal Kiralama A.Ş. ("**Finans Leasing**"), its factoring business through it subsidiary Finans Faktoring Hizmetleri A.Ş. ("**Finans Factoring**") and its pension business through its subsidiary Finans Emeklilik ve Hayat A.Ş. ("**Finans Pension**"). The Finansbank Group aims to continue its expansion and intends to open a total of 50 new branches in 2011 (including the new branches opened in 2011 prior to the date of this Offering Memorandum). Risks associated with the implementation of the Finansbank Group's growth strategy include: higher than anticipated costs of opening new branches; an inability to profitably deploy assets acquired or developed through expansion; new business operations (including the deployment of new products) having less profit potential (or none at all) and demonstrating lower overall growth than Finansbank anticipates; a failure to identify and offer attractive new services in a timely fashion relative to competitors; and pressure on profits owing to the time lag between the incurrence of expansion costs and any related future increases in income, if any.

Any failure by the Finansbank Group to manage growth while at the same time ensuring that it maintains adequate focus on existing operations, including risk management systems and internal control processes, could have a material adverse effect on its asset quality, profitability and capital ratios, and in turn, on its business, financial condition and results of operations.

The Finansbank Group is exposed to fluctuations in the market prices of financial instruments

As part of the Finansbank Group's treasury operations, it trades securities and various other financial instruments and other assets, including debt, equity, fixed income, currency and related derivatives, as both agent and principal, and it derives a portion of its non-interest income from profits earned in such trades. Although management has put measures in place to limit the Finansbank Group's ultimate trading exposure and systematically monitors its risk profile, it still remains exposed to risks related to the movement of market prices in the underlying assets, including the risk of unfavorable market price movements relative to its long or short positions, a decline in the market liquidity of the related 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 Finansbank Group chooses to hedge certain positions do not track the market value of those positions. If the Finansbank Group incurs any losses from these exposures, then it could reduce the Finansbank Group's trading profits or cause it to suffer losses, either of which could have an adverse effect on the Finansbank Group's business, financial condition and results of operations. As at December 31, 2010, the available for sale investments reserve, net of tax amounted to TL 122.9 million, increasing the capital adequacy ratio by 0.15%.

The Finansbank Group's funding costs and its access to the debt capital markets may also be affected by credit ratings

A reduction in the current long-term ratings of Finansbank or any of its principal subsidiaries may increase its funding costs, limit access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. As a result, such a reduction could have a material adverse effect on the Finansbank Group's business, financial condition and results of operations. For Finansbank's ratings as at the date of this Offering Memorandum, see "Operating and Financial Review – Ratings". In addition, any deterioration in NBG's credit rating or any decrease in Turkey's sovereign credit rating could affect the Finansbank Group's ability to obtain financing and, in turn, its business, financial condition and results of operations.

Currency fluctuations may affect the Finansbank Group's business, financial condition and results of operations

A substantial part of the Finansbank Group's debt and other obligations is denominated in foreign currencies, in particular in U.S. dollar and in euro and fluctuations in exchange rates may have a material adverse effect on the Finansbank Group's business, financial condition and results of operations. As at December 31, 2010, the Finansbank Group's total foreign currency funds borrowed and debt securities issued amounted to TL 5,110.1 million and constituted 12.9% of its total assets. The corresponding Turkish private sector bank average was 9.6% as at September 30, 2010 (the latest date for which such figures are available). As at December 31, 2010, the Finansbank Group's foreign currency funds borrowed had an average maturity exceeding one year and accounted for 39.9% of its funds borrowed. Thus, the Finansbank Group is susceptible to depreciation of the Turkish Lira against the foreign currencies in which its indebtedness is denominated, in particular the U.S. dollar and the euro, as such depreciation would increase the amount of Turkish Lira payments that it would need to make on its foreign currency denominated obligations. Furthermore, the Finansbank Group translates assets and liabilities denominated in foreign currencies and gains or losses realized upon the sale of such assets to Turkish Lira in preparing its financial statements. As a result, its capital adequacy ratios and income are affected by changes in the value of the Turkish Lira with respect to foreign currencies.

The Finansbank Group uses derivative instruments to manage its exposure to foreign currency risks. However, there is a risk that these hedging arrangements will not be adequate to protect the Finansbank Group from such risks.

The Finansbank Group operates in a highly regulated industry and is exposed to frequent changes in the regulatory framework

The Finansbank Group is subject to a number of banking and other regulations, in particular those of the BRSA, designed to maintain the safety and soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations, regulations that are still being implemented (such as Basel II) as well as any future regulations may increase the cost of doing business or limit the Finansbank Group's activities. In addition, a breach of regulatory guidelines could expose the Finansbank Group to potential liabilities or sanctions. Violations of or changes in these regulations may have a material adverse effect on the Finansbank Group's business, financial condition and results of operations.

In 2011, various new laws and regulations have been adopted or proposed which affect the Finansbank Group's business. The Central Bank decided to continue not to pay interest on reserve accounts. Further, the Central Bank announced significant increases in reserve requirement ratios of approximately 400 basis points in March 2011 and approximately 100 basis points in April 2011 in order to slow down domestic demand and discourage loan growth. Additionally, Turkish authorities have reinstated a 15% tax on consumer loans and also limited mortgage loan-to-value ratios to 75% and imposed a ceiling on mutual fund fees and decreased ceiling rates on credit cards. Any failure by the Finansbank Group to adopt adequate responses to these or other future changes in the regulatory framework could have a material adverse effect on the Finansbank Group's business, financial condition and results of operations. See also "Regulatory Framework" and " – Risk Factors Relating to Turkey – The levels of inflation and the current account deficit in Turkey could adversely affect the Finansbank Group's business, financial condition and results of operations".

If the Finansbank Group is required to hold higher levels of capital than anticipated by the market, this could have a material adverse impact on the Finansbank Group's business, results of operations and financial condition

Banking institutions, including the Bank, are required to hold adequate capital at levels determined by regulatory requirements and market expectations. Under the Banking Law No. 5411 (the "**Banking Law**"), a bank's capital adequacy ratio must be greater than or equal to 8% within the framework of the Regulation regarding the Measurement and Evaluation of Capital Adequacy of Banks. Despite the 8% minimum capital adequacy ratio requirement, the BRSA has declared in the press that its approach is, and will continue to be, to prohibit banks having a capital adequacy ratio of less than 12% from opening new branches. In accordance with these guidelines, because Finansbank intends to open new branches from time to time, it must maintain a capital adequacy ratio in excess of 12%. Pending changes derived from Basel II implementation in Turkey and, if implemented by the BRSA in Turkey, potential changes relating to Basel III, as well as any uncertainty in financial markets may change regulations or market expectations, which could have the result of banks having to hold Tier I Capital at levels higher than currently expected. Definitions of capital tiers may also be subject to change. Any such changes could require the Bank to maintain a capital adequacy ratio of greater than the 12% that is currently required by the BRSA. This could adversely impact the Bank's operational flexibility or ability to implement its growth strategy and could reduce income growth, which, in turn, could have a material adverse effect on the Finansbank Group's business, financial condition and results of operations.

The Finansbank Group faces intense competition in the Turkish banking sector against private banks and Government-owned financial institutions

The Turkish banking sector is highly competitive and has in recent years undergone a period of consolidation. As at December 31, 2010, there were a total of 45 banks (excluding the Central Bank and four "participation banks" (*i.e.*, interest-free banking institutions)) licensed to operate in Turkey. A small number of these banks have a significant presence in the industry. According to the Banks Association of Turkey's published reports, as at September 30, 2010 (the latest date for which such figures are available), the top five banks in Turkey held approximately 56.6% of the banking sector's total loan portfolio and approximately 62.6% of the total bank assets in Turkey.

The intense competition may increase the pressure for the Finansbank Group to expand the range and sophistication of its products and services currently offered as well as reducing its margins. Increased pricing competition in the Turkish banking markets through the offering of products at significantly lower prices may also impact customer behavior patterns and loyalty. Any failure to maintain customer loyalty or to offer customers a wide range of high quality, competitive products with consistently high levels of service could have a material adverse effect on the Finansbank Group's business, financial condition and results of operations. In addition, state-owned 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.

The Finansbank Group's increased exposure to intense competition in each of its key areas of operation, may, among other things, limit the Finansbank Group's ability to increase its customer base, maintain customer loyalty, expand its operations, reduce its asset growth rate and profit margins on services it provides and increase competition for investment opportunities. There can be no assurance, therefore, that the continuation of existing levels of competition or increased competition will not have a material adverse effect on the Finansbank Group's business, financial condition and results of operations.

The Finansbank Group faces competition for qualified personnel

The Finansbank Group's continuing success and ability to grow its business will depend, to a large extent, upon its ability to recruit, retain and motivate qualified and experienced personnel. Competition for qualified personnel in the Turkish banking sector has increased due to the improved market conditions and business environment, and competition for qualified personnel may become even more intense in the future. Even though its human resources policy is aimed at achieving these goals, Finansbank Group's inability to attract and retain suitably qualified and experienced personnel, may limit or delay the execution of the Finansbank Group's strategy, which could have a material adverse effect on its business, financial condition and results of operations.

The Finansbank Group's risk management strategies and techniques may leave it exposed to unidentified or unanticipated risks

Although the Finansbank Group invests substantial time and effort in risk management strategies and techniques, it may nevertheless fail to adequately manage risk under some circumstances, particularly when it is confronted with risks that it has not identified or anticipated, including operational risks, (*i.e.*, the risk of loss resulting from inadequacy or failure of internal control processes or systems or from external events including strategic and reputational risks).

The Finansbank Group's growth strategy will require it to continue to strengthen and adapt its risk management strategies and techniques, including internal control processes, to respond to the increasing demands of its business activities. The Finansbank Group is susceptible to, among other things, fraud by employees or outsiders, including unauthorized transactions, and operational errors, including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems. Given the Finansbank Group's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. If the Finansbank Group's measures to assess and mitigate risk prove insufficient, it may experience unexpected losses resulting from unauthorized transactions and errors, which, in turn, could have a material adverse effect on the Finansbank Group's business, financial condition and results of operations.

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

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-owned banks. 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.

The Finansbank 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 Finansbank Group are not guaranteed or otherwise supported by the Turkish or any other government. Investors in the Notes should not place any reliance on the possibility of the Finansbank Group being supported by any governmental entity at any time, including to provide liquidity or help to maintain the Finansbank Group's operations during periods of significant market volatility.

The Finansbank Group is subject to risks associated with anti-money laundering and know-your-customer policies and procedures

The Finansbank Group has implemented internal measures to prevent it from being used as a conduit for money laundering or terrorist financing. Finansbank believes that the Finansbank Group is in compliance with applicable anti-money laundering and anti-terrorist financing laws and regulations. However, such measures, procedures and compliance may not be completely effective in preventing third parties from using members of the Finansbank Group and their correspondent banks as a conduit for money laundering (including illegal cash operations) or terrorist financing without the Finansbank Group's knowledge. Furthermore, while the Finansbank Group reviews its correspondent banks' internal policies and procedures with respect to such matters, the Finansbank Group to a large degree relies upon its correspondent banks to maintain and properly apply their own appropriate anti-money laundering and antiterrorist financing procedures. If the Finansbank Group is associated with money laundering (including illegal cash operations) or terrorist financing, then its reputation could suffer and/or it could become subject to fines, sanctions and/or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Finansbank Group), which could have a material adverse effect on its business, financial condition and results of operations.

Any interruption of the Finansbank Group's information systems and technology may have a material adverse effect on its business, financial condition and results of operations

The Finansbank Group relies heavily upon information systems to conduct its business and the performance and reliability of technology are critical to its ability to attract and retain customers and its ability to compete effectively. Any failure, interruption or breach in security of these systems could result in failures or interruptions in its risk management, credit analysis and reporting, general ledger, deposit servicing, loan organization and/or other important systems. If the Finansbank Group's information systems failed, even for a short period of time, it could be unable to serve some or all of its customers' needs on a timely basis and could thus lose business. Likewise, a temporary shut-down of the Finansbank Group's information systems could result in additional costs. In addition, despite its investments in IT infrastructure, the Finansbank Group may fail to update and develop its existing information systems as effectively as its competitors. Although the Finansbank Group has developed business continuity plans including back-up systems, a disaster recovery center and experts to continue some of its operations through branches in case of emergency, there can be no assurance that such failures or interruptions will not occur or that the Finansbank Group will adequately address them if they do occur. Accordingly, the occurrence of any failures or interruptions could have a material adverse effect on the Finansbank Group's business, financial condition and results of operations.

Risk Factors Relating to Finansbank's Relationship with NBG

Finansbank is controlled by NBG whose interests may not be aligned with the interests of the Noteholders

NBG directly and indirectly owns 94.8% of Finansbank's outstanding shares, and has the voting power to significantly influence Finansbank's strategy and business through actions that require approval of the shareholders, including by controlling the election of Finansbank's Board of Directors. See "Share Capital and Ownership". The interests of NBG may differ from those of the Noteholders and NBG may prevent Finansbank from making certain decisions or taking certain actions that would benefit Finansbank or protect the interests of Noteholders, and there can be no assurance that Finansbank's decisions will not negatively affect the Noteholders.

The Hellenic Republic may seek to exert influence over NBG, which could have an adverse impact on the NBG Group, including Finansbank

In 2008, the Greek Parliament approved the Hellenic Republic bank support plan, in response to the difficult funding conditions in 2008. The Greek Parliament originally approved for EUR 28 billion in 2008 and augmented the support plan by EUR 40 billion in 2010. The Hellenic Republic bank support plan, as amended, comprised three tranches or pillars:

- up to EUR 5 billion in non-dilutive preference share capital designed to increase Tier I ratios of participating banks;
- up to EUR 55 billion in guarantees for short-term borrowings of participating banks (originally only EUR 15 billion); and
- up to EUR 8 billion in short-term debt floating rate notes issued to the participating banks by the Public Debt Management Agency.

As at the date of this Offering Memorandum, the Hellenic Republic directly owns all 70 million non-transferable redeemable preference shares issued by NBG under the capital facility of the Hellenic Republic bank support plan. This direct stake in NBG provides the Hellenic Republic with voting rights at the general meeting of preferred shareholders and requires the participation on the Board of Directors of NBG of a Government appointed representative, who attends the general meeting of ordinary shareholders of NBG. This representative has the ability to veto actions relating to the distribution of dividends and the remuneration of certain of NBG's directors and senior management in certain circumstances. NBG also participates in the second and third pillars of the Hellenic Republic bank support plan.

In addition, the Hellenic Republic may exercise a degree of indirect influence on NBG through certain state related entities (primarily pension funds, most of whose boards of directors are appointed by the Hellenic Republic). As at December 31, 2010, domestic pension funds owned approximately 16.5% of NBG's share capital, and other domestic public sector related legal entities (including the Church of Greece) owned approximately 7.5%. If there is not a full voting participation by all of NBG's shareholders at a given shareholders' meeting, these state related entities, despite holding a non controlling level of NBG's total shares, may have a voting majority at such meeting.

As at December 31, 2010, the Finansbank Group had a total of TL 2,144.4 million in funds borrowed from the NBG Group, and the NBG Group maintained total deposits of TL 1.8 million with the Finansbank Group. If the Hellenic Republic disagrees with certain decisions of NBG's management relating to dividend distributions, benefits policies and other commercial decisions, including but not limited to lending to or placing deposits with Finansbank or participating in future capital increases of Finansbank, it might seek to exert influence over NBG, which may ultimately limit the operational flexibility of NBG and could have an adverse impact on the NBG Group, including Finansbank.

Furthermore, the Hellenic Republic also has interests in other Greek financial institutions and an interest in the health of the Greek banking industry and other industries generally, and those interests may not always be aligned with the commercial interests of NBG or Finansbank. There can be no assurance that, if economic conditions do not improve or continue to deteriorate and/or if the financial position of NBG deteriorates, further government intervention will not take place and that such intervention will not have a material adverse effect on the Finansbank Group's business, financial condition and results of operations.

Risk Factors Relating to Turkey

A substantial portion of the Finansbank Group's operations are conducted, and most of Finansbank's customers and destinations are located, in Turkey. In recent years Turkey has undergone significant political and economic transformation which has increased stability and led to economic growth. International investors nevertheless continue to view Turkey as an emerging market. In general, investing in the securities of issuers like Finansbank that have operations primarily in emerging markets involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, EU countries or other similar jurisdictions. Summarized below are a number of risks relating to operating in Turkey. Additional risks and uncertainties relating to Turkey of which Finansbank is unaware or which may emerge in the future may also become important factors that could materially adversely affect the Finansbank Group's business, financial condition and results of operations and your investment. As with debt securities of many emerging market issuers, the value of the Notes may be subject to significant fluctuation, which may not necessarily be related to the Finansbank Group's financial performance.

Economic instability in Turkey may have a material adverse effect on the Finansbank Group's business, financial condition and results of operations

Since the mid-1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a more open market system. Although the Turkish economy has responded well to this transformation, it has continued to experience severe macroeconomic imbalances, including significant balance of payment deficits, substantial budget deficits, high rates of inflation, high rates of interest (which are nominal rates adjusted to remove the effects of inflation) and a considerable level of unemployment. As a result, Turkey entered into a stand-by agreement with the International Monetary Fund (the "**IMF**") at the end of 1999, to stabilize its financial condition. However, liquidity crises in the banking sector in November 2000 and February 2001 triggered a severe economic crisis and led to increased interest rates on Government borrowings. These factors contributed to a decline of 5.7% in Turkey's real GDP in 2001 compared to 2000. Following the almost 50% devaluation of the Turkish Lira on average in 2001, average inflation based on the Turkish wholesale price index rose to 61.6%, and year-end inflation was 88.6%. The combination of the significant depreciation of the Turkish Lira, high real interest rates and the high cost of the bank restructurings caused the ratio of net public debt to GDP to increase from 45.8% at the end of 2000 to 70.6% at the end of 2001.

In 2001, Turkey implemented a macroeconomic program, backed by a US$19 billion stand-by agreement with the IMF. The goal of this program was to bolster the Turkish economy and reduce its volatility in the short-term, as well as to achieve sustainable growth through fundamental structural reforms in the medium- to long- term. GDP grew by 5.1% in 2003, 9.4% in 2004, 8.4% in 2005, 6.9% in 2006, 4.7% in 2007 and 0.7% in 2008. The Government signed a three-year stand-by agreement with the IMF in 2005 which ended in 2008. The program set macroeconomic targets such as an annual economic growth rate of 5% during the three-year period, decreasing the ratio of net public debt stock to GDP to 28.6% in 2008 and decreasing the Consumer Price Index ("**CPI**") to 4% by the end of 2007 and 7.5% by the end of 2008. Although there were continuous negotiations on the conditions of a new stand-by agreement between Turkey and the IMF in 2009, the negotiations were unsuccessful and the Government has refrained from signing a new agreement with the IMF citing disagreement over issues such as funding for local government.

In spite of its economic development since 2001, Turkey has experienced recent economic difficulties and remains vulnerable to both external and internal shocks, including escalating oil prices and terrorist activity, as well as potential domestic political uncertainty and changing investor sentiment. High Government debt levels and a substantial current account deficit (US$41.9 billion in 2008, US$14.0 billion in 2009 and US$48.6 billion in 2010 (Treasury)) may also contribute to economic vulnerability. Turkey was also negatively affected by the global economic downturn, which resulted in a negative GDP growth rate of 4.7% in 2009. Following the decline in 2009 however, GDP increased by 8.9% in 2010 compared to 2009. (Source: Turkstat).

There can be no assurance that Turkey and the IMF will reach a mutual understanding over new macroeconomic targets and, even if agreed upon, there can be no assurance that any such agreement would help Turkey to remain economically stable during any current or future macroeconomic imbalances or that IMF support for Turkey will continue. Furthermore, there can be no assurance that Turkey will be able to remain economically stable during any periods of renewed global economic weakness. Future negative developments in the Turkish economy could impair the Finansbank Group's business strategies and have a materially adverse effect on the Finansbank Group's business, financial condition and results of operations.

Political developments in Turkey may have a material adverse effect on the Finansbank Group's business, financial condition and results of operations in the future

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 in 1960, 1971 and 1980. At the end of April 2007, the military indicated that it might intervene in presidential elections to protect Turkey's secular values. Unstable coalition governments have been common, and in the 87 years since its formation, the Republic of Turkey has had 60 governments with political controversies frequently resulting in early elections. After the November 2002 elections, the Justice and Development Party (*Adalet ve Kalkınma Partisi*) ("**AKP**") declared that it would continue to implement the then current IMF program and the economic policies introduced by the former government, with minor revisions. The most recent national elections held on July 22, 2007, resulted in the victory of AKP, which is led by Recep Tayyip Erdoğan. AKP received 46.58% of the votes cast in the July 2007 election and formed a single party Government in the Grand National Assembly (the "**GNA**"). The AKP's economic policies complied with the 2005-2008 IMF program and have been successful in bringing relative stability to the Turkish economy, as discussed above. The next general elections are scheduled to be held on June 12, 2011 and uncertainty regarding the upcoming elections may create volatility in the Turkish financial markets. In addition, changes in fiscal or monetary policies after the election may create additional risks for the Turkish banking sector.

The Government has also proposed changes to the Constitution affecting the judicial system in Turkey. With the law that was published in the Official Gazette on May 13, 2010, 23 articles of the Constitution were amended, one provisional article was deleted and two provisional articles were inserted. Subsequently, 111 members of the GNA applied to the Constitutional Court for the cancellation of the law amending the Constitution. On July 7, 2010, the Constitutional Court passed the majority of the amendments, but with several sentences of the amendments cancelled. The reasoned decision of the Constitutional Court was published in the Official Gazette on August 1, 2010 and took effect at that time. The remaining sections of the constitutional amendments were subject to a public referendum which was held on September 12, 2010. Pursuant to the final decision of the High Commission on Election (*Yüksek Seçim Kurulu*) published on September 14, 2010, 57.88% of the votes cast were in favor of the amendments, resulting in the approval of the constitutional amendments by the public.

Any negative changes in the political environment, including additional conflicts among senior politicians in Turkey, the failure of the Government to devise or implement appropriate economic programs, may individually or in the aggregate adversely affect the Turkish economy and, in turn, the Finansbank Group's business, financial condition and results of operations.

Terrorism within Turkey or conflicts in neighboring countries may have a material adverse effect on the Finansbank Group's business, financial condition and results of operations in the future

Political uncertainty within Turkey and in certain neighboring countries, such as Iran, Iraq, Armenia and Syria, has historically been one of the risks associated with investment in Turkish companies. In the past 10 years, there have been bombings in several Turkish cities, including in Istanbul, Ankara and Diyarbakır and in the coastal holiday resorts of Antalya, Marmaris, Mersin, Çeşme and Kuşadası, as well as attacks against the Turkish armed forces in the south-eastern part of Turkey. In October 2007, the GNA passed a resolution permitting the Turkish armed forces to organize armed attacks against the terrorist groups located in Northern Iraq.

These bombings and the threat of future terrorism have adversely affected, and could continue to adversely affect, the Turkish economy. If similar attacks occur in the future, Turkey's capital markets, as well as the levels of foreign direct investment and tourism in Turkey, may suffer, which could materially adversely affect Finansbank Group's business, financial condition or results of operations.

The levels of inflation and the current account deficit in Turkey could adversely affect the Finansbank Group's business, financial condition and results of operations

The Turkish economy has experienced significant inflationary pressures. Over the six-year period ended December 31, 2001, the Turkish economy experienced annual inflation averaging approximately 70.8% per year (Turkstat). In line with the stand-by agreements with the IMF in 2000, 2002 and 2005, the Government implemented certain austerity measures to reduce public sector debt and to control inflation. The annual inflation rate decreased to 6.5% in 2009, and was 6.4% in 2010 (Turkstat, State Planning Organization). Although recent Central Bank policies have had some success in reducing inflation, there can be no assurance that they will continue to be successful in the future, especially given Turkey's substantial current account deficit and the global liquidity conditions. Inflation-related measures that may be taken by the Turkish Government could have an adverse effect on the Turkish economy. Any 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.

Moreover, the state of the current account deficit in Turkey could lead to exchange rate adjustments and higher inflation, which could have a material adverse effect on the Finansbank Group's business, financial condition and results of operations. The current account deficit widened significantly from US$14.0 billion (2.3% of GDP) in 2009 to US$48.6 billion in 2010. This rapid acceleration has raised concerns regarding financial stability in Turkey, and in recent months 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 widening of the current account deficit by controlling the rate of loan growth.

As at the date of this Offering Memorandum, 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. Unless there is a decline in credit growth, the Minister of Finance has stated that bank-specific actions might be implemented, including restrictions on annual growth in bank loan portfolios. These measures may reduce economic growth and could adversely affect the Finansbank Group's business, financial condition and results of operations. There can be no assurance 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 Finansbank Group's business, financial condition and results of operations. See also "– Risk Factors Relating to the Finansbank Group – The Finansbank Group operates in a highly regulated industry and is exposed to frequent changes in the regulatory framework".

The level of foreign direct investment in Turkey is also strongly linked to Turkey's prospects of entering the EU and any setback in its EU accession prospects could lead to certain problems typically associated with a high current account deficit. See also "– Uncertainties relating to EU membership may adversely affect the Finansbank Group's results of operations".

If the level of inflation in Turkey were to fluctuate significantly as a result of Turkey's current account deficit, global interest rates or other factors, the Finansbank Group's business, financial condition and results of operations, as well as the value of the Notes, could be adversely affected. Further, the implementation of certain austerity measures proposed by the Government to control inflation could have an adverse effect on the Turkish economy and on the value of Turkish debt securities. Although the rate of inflation has decreased in recent years, there can be no assurance that this trend will continue, particularly if the Turkish Government fails to continue its current economic policies or if those policies cease to be effective.

Uncertainties relating to EU membership may adversely affect the Finansbank Group's results of operations

Turkey has had a long-term relationship with the EU. In 1963, it signed an association agreement with the predecessor of the EU, and in 1970 a supplementary agreement was signed providing for a transitional second stage of Turkey's integration into the EU. The EU resolved on December 17, 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 a range of political, legislative and economic reforms to be implemented. Negotiations for Turkey's accession to the EU commenced on October 3, 2005. During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol dated July 2005 relating to the Customs Union and the recognition of Cyprus. In December 2006, the EU Council passed a resolution setting forth that border taxation would be frozen until the EU Commission verifies that Turkey has fulfilled its commitments related to the additional protocol and that Turkey be closely monitored for a period of three years. The EU Commission has not fully verified Turkey's fulfillment of these commitments. Although negotiations concerning one new chapter relating to food safety, veterinary medicine and plant health were commenced in 2010, these negotiations may not be sufficient to overcome of the EU's stance on Turkey's non-fulfillment of commitments related to the additional protocol. There can be no assurance that Turkey will be able to meet the criteria applicable to becoming a member state of the EU, that the negotiations will be successfully completed, or that the EU will maintain its current approach regarding the candidacy of Turkey. Uncertainties relating to Turkey's admission to the EU may adversely affect the Turkish economy in general, which, in turn, could have a material adverse effect on the Finansbank Group's business, financial condition and results of operations.

Turkey is subject to earthquakes

Almost all of Turkey is classified by seismologists as being in a high risk earthquake zone. Istanbul is located in a first-degree earthquake risk zone (*i.e.*, a zone with the highest level of risk of damage from earthquakes). Turkey has experienced severe earthquakes in the recent past. On August 17, 1999, an earthquake measuring 7.4 on the Richter scale struck the area surrounding İzmit. On November 12, 1999, another earthquake occurred in the city of Düzce, between Ankara and Istanbul, resulting in significant damage to Turkey. More recently, on March 8, 2010, an earthquake measuring 6.0 on the Richter scale struck the Elazığ province in the eastern part of Turkey, causing the property damage and loss of several lives. The occurrence of a severe earthquake in or around any of the cities in which the Finansbank Group's properties and assets are located or of an earthquake affecting the Turkish economy in general could adversely affect the Finansbank Group's business, results of operations and financial condition.

Risk Factors Relating to the Notes

The Notes constitute unsecured obligations of Finansbank

Finansbank's obligations under the Notes will constitute unsecured obligations of the Bank. Accordingly, any claims against Finansbank under the Notes would be unsecured claims. The ability of Finansbank 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 the circumstances described below.

Claims of Noteholders under the Notes are effectively junior to those of certain other creditors of Finansbank

The Notes are unsecured and unsubordinated obligations of the Bank. Subject to statutory preferences, the Notes will rank equally with any of the Bank's other unsecured and unsubordinated indebtedness. However, the Notes will be effectively subordinated to all of the Bank's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other 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). As at December 31, 2010, the book value of the Finansbank Group's consolidated assets pledged as collateral in connection with its obligations was TL 2,074.0 million, including income accruals.

Credit ratings may not reflect all risks and may be withdrawn at any time

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Exchange rate risks and exchange controls

The Bank will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Bank's or the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Modification, waivers and substitution

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

Adverse change of law may affect Notes

The Conditions of the Notes are based on English law in effect as at the date of this Offering Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to Turkish and English law or administrative practice after the date of this Offering Memorandum.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

There may not be an active trading market for the Notes

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Finansbank. Although application has been made for the Notes to be admitted to listing and to trading on the Regulated Market of the London Stock Exchange, there can be no assurance that such application will be accepted or that an active trading market will develop. Accordingly, Finansbank can give no assurance as to the development or liquidity of any trading market for the Notes.

The market price of the Notes may be volatile

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

The market for Turkish securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries

The market for securities issued by Turkish companies is influenced by economic and market conditions in Turkey, as well as, to varying degrees, market conditions in other emerging market countries, and the United States. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or economic conditions in developed and 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 Finansbank's, which could adversely affect the market price of Finansbank's securities.

The Bank will have the right to redeem the Notes upon the occurrence of certain legislative changes requiring it to pay additional taxes if the withholding increases above current levels, if any, applicable to such Notes

The withholding tax rate on interest payments in respect of Turkish bonds issued outside of Turkey varies depending on the original maturity of such bonds as specified under the Decree. Pursuant to the Decree, with respect to bonds with a maturity of between 3 years and 4 years 364 days, the withholding tax rate on interest is 3% and for bonds with a maturity of 5 years or more the withholding tax rate is 0%. Accordingly, the withholding tax rate on interest on the Notes is 0%. The Bank will have the right to redeem the Notes, on any Interest Payment Date prior to the maturity date of the Notes, if (a) upon the occurrence of such change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or (b) any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction which change or amendment becomes effective after May 11, 2011 on the next Interest Payment Date the Bank would be required: (i) to pay additional amounts of Taxes (as defined in Condition 9); and (ii) to make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the rate currently applicable to such bonds and such requirement cannot be avoided by the Bank taking reasonable measures available to it. The Bank cannot assure Noteholders that, upon such a redemption, they will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Notes.

The Notes may not be a suitable investment 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:

(i) 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 Memorandum or any applicable supplement;

(ii) 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;

(iii) 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 (dollar) is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behavior of the financial markets in which they participate; and

(v) 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.

Investors may have difficulty enforcing foreign judgments against Finansbank or its management

Substantially all of Finansbank's directors and executive officers are residents of Turkey and a substantial portion of the assets of Finansbank and such persons are located in Turkey. As a result, it may be difficult for investors to effect service of process upon Finansbank or such persons outside Turkey, or to enforce judgments or arbitral awards obtained against such parties outside Turkey.

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 have recognized 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. See "Enforcement of Judgments and Service of Process" for detailed information.

Transfers of the Notes may 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 Turkey, the Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Prospective investors may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective investors should read the discussion under the heading "Transfer Restrictions" for further information about these transfer restrictions. It is their obligation to ensure that their offers and sales of the Notes within the United States and other countries comply with any applicable securities laws.

Investors in the Notes must rely on DTC, Euroclear and Clearstream procedures

The Regulation S Notes will be represented on issue by a Regulation S Global Certificate that will be deposited with a custodian and registered in the name of Cede & Co. as a nominee for DTC. Except in the circumstances described in the Regulation S Global Certificate, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the Regulation S Global Certificate. While the Notes are represented by the Regulation S Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

The Rule 144A Notes will be represented on issue by a Rule 144A Global Certificate that will be deposited with a custodian and registered in the name of Cede & Co. as a nominee for DTC. Except in the circumstances described in the Rule 144A Global Certificate, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the Rule 144A Global Certificate. While the Notes are represented by the Rule 144A Global Certificate, investors will be able to trade their beneficial interests only through DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

While the Notes are represented by the Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. Finansbank has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in either Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

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 prepared certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer 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 Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

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.

USE OF PROCEEDS

The estimated total expenses relating to the admission of the Notes to trading are US$12,000. The Bank will use the net proceeds for general corporate purposes.

CAPITALIZATION OF THE FINANSBANK GROUP

The following table sets forth the consolidated capitalization of the Finansbank Group as at December 31, 2010 on an actual basis. The table below should be read in conjunction with "Operating and Financial Review" and the IFRS Financial Statements and notes thereto included elsewhere in this Offering Memorandum.

	As at December 31, 2010
	(TL thousands)
SHAREHOLDERS' EQUITY	
Share capital issued	2,205,000
Share premium	665
Available for sale investments reserve, net of tax	122,930
Net losses on cash flow hedges	(21,176)
Non-controlling interest	145,248
Reserves and retained earnings	3,646,329
Total equity	**6,098,996**
Funds borrowed (medium/long-term)(1)	1,661,175
Debt securities issued (medium/long-term)(1)	325,815
Total capitalization	**7,760,171**

(1) Funds borrowed and debt securities issued do not include short-term (less than one year) borrowed funds and debt securities issued.

Except for the issuance of the Notes and as disclosed in this Offering Memorandum, including under "Operating and Financial Review – Liquidity and Capital Resources", there has been no significant change in the capitalization since December 31, 2010.

EXCHANGE RATES

The Federal Reserve Bank of New York does not report a noon buying rate for Turkish Lira. The official Turkish Lira ask rate announced by the Central Bank on April 26, 2011 for euro and U.S. dollars (the "**Central Bank exchange rate**") was TL 2.21 = EUR 1.00 and TL 1.51 = US$1.00, respectively. Finansbank does not make any representation that the Turkish Lira, euro or U.S. dollar amounts in this Offering Memorandum have been, could have been or could be converted into any currency at any particular rate or at all. For a discussion of the effects on Finansbank of fluctuating exchange rates, see "Risk Factors – Risk Factors Relating to Turkey – The levels of inflation and the current account deficit in Turkey could adversely affect the Finansbank Group's business, financial condition and results of operations".

The Turkish Lira has historically been and continues to be a highly volatile currency. Although until February 2001 it was a stated policy of the Central Bank to devalue the Turkish Lira in line with the domestic inflation rate, the Central Bank since then has adopted a floating exchange rate policy, resulting in increased volatility in the value of the Turkish Lira.

The following table sets forth the high, low, period average and period end exchange rates for U.S. dollars announced by the Central Bank, expressed as the number of Turkish Lira per U.S. dollar, for the periods indicated.

Year ended December 31,	High	Low	Period average(1)	Period end(2)
2005	1.4000	1.2541	1.3442	1.3495
2006	1.6934	1.2964	1.4345	1.4199
2007	1.4498	1.1626	1.2948	1.1703
2008	1.6956	1.1449	1.2929	1.5196
2009	1.7958	1.4365	1.5491	1.5130
2010	1.5978	1.3884	1.4983	1.5460
2011 (through April 26)	1.6092	1.4955	1.5584(3)	1.5123

Source: Central Bank.

(1) Represents the average of the daily Central Bank exchange rates for the relevant period. Averages were computed by using the average of the Central Bank's U.S. dollar buying rates on the last business day of each month during the relevant period.

(2) Represents the Central Bank's exchange rate on the last business day for the relevant period.

(3) The period average for 2011 is a daily average of the Central Bank's U.S. dollar buying rates and footnote (1) does not apply to this.

The following table sets forth the high and low exchange rates for U.S. dollars announced by the Central Bank, expressed as the number of Turkish Lira per U.S. dollar for the periods indicated (based on the Turkish Lira amounts per U.S. dollar prevailing therein).

	High	Low
2010		
April	1.5157	1.4685
May	1.5871	1.4739
June	1.5978	1.5438
July	1.5770	1.5031
August	1.5253	1.4815
September	1.5209	1.4512
October	1.4434	1.3921
November	1.4301	1.3884
December	1.5567	1.4733
2011		
January	1.5833	1.5376
February	1.6008	1.5694
March	1.6092	1.5433
April (through April 26)	1.5363	1.4955

Source: Central Bank.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE FINANSBANK GROUP

The following tables present selected consolidated financial and other data of the Bank and its subsidiaries as at and for the years ended December 31, 2008, 2009 and 2010. You should read this selected consolidated financial information along with "Operating and Financial Review" and the IFRS Financial Statements included elsewhere in this Offering Memorandum. The selected financial information provided below has been derived from the IFRS Financial Statements. The IFRS Financial Statements have been prepared in accordance with IFRS.

On February 23, 2009, Finansbank transferred its shares in its subsidiary, Finans Malta Holdings Ltd., to NBG International Holdings B.V., a subsidiary of NBG, in exchange for EUR 185 million in cash. NBG International Holdings B.V. subsequently renamed the subsidiary to NBG Bank Malta Limited ("**NBG Malta**") with effect from March 15, 2010. The results of operations of NBG Malta have been treated as discontinued operations for the years ended December 31, 2008 and 2009. The gain on the disposal before tax of TL 43.3 million resulting from the transfer of NBG Malta was recorded in the consolidated income statement of Finansbank for the year ended December 31, 2009. Also in accordance with IFRS, the assets of NBG Malta, including loans and advances to customers of TL 2,032.5 million, due from banks of TL 9.3 million, cash and balances with T.R. Central Bank of TL 28.4 million, and liabilities including due to other banks of TL 2,295.3 million and customer deposits of TL 971.6 million, were included in the consolidated balance sheet of the Finansbank Group as at December 31, 2008. As a result, the consolidated balance sheet of the Finansbank Group as at December 31, 2008 is not directly comparable to the consolidated balance sheets of the Finansbank Group as at December 31, 2009 and 2010.

Consolidated Statement of Financial Position

	As at December 31,		
	2008	2009	2010
	(TL thousands)		
ASSETS			
Cash and balances with T.R. Central Bank	1,603,060	1,792,445	2,394,476
Due from banks	730,259	1,418,769	1,020,904
Loans and advances to customers	20,182,607	19,636,587	26,152,685
Finance lease receivables	1,268,142	959,048	918,424
Factoring receivables	—	37,046	221,065
Financial assets at fair value through profit or loss and available for sale investments	5,075,985	5,564,327	7,438,022
Summary other assets[(1)]	1,418,860	1,377,294	1,434,523
Total assets	**30,278,913**	**30,785,516**	**39,580,099**
LIABILITIES AND EQUITY			
Due to other banks	3,813,200	1,644,886	2,037,579
Customer deposits	15,904,327	18,451,224	23,176,517
Debt securities issued	1,018,023	628.470	417,340
Funds borrowed	4,419,611	3,781,033	5,237,439
Summary other liabilities[(2)]	1,352,212	1,646,984	2,612,228
Total liabilities	**26,507,373**	**26,152,597**	**33,481,103**
Total equity (including non-controlling interest)	**3,771,540**	**4,632,919**	**6,098,996**
Total liabilities and equity	**30,278,913**	**30,785,516**	**39,580,099**

(1) "Summary other assets" comprises: (i) derivative financial assets, (ii) investments in associates, (iii) intangible assets, (iv) property and equipment, (v) deferred tax assets, (vi) insurance related assets and receivables, (vii) current tax assets and (viii) other assets.

(2) "Summary other liabilities" comprises: (i) derivative financial liabilities, (ii) insurance related reserves and liabilities, (iii) deferred tax liabilities, (iv) retirement benefit obligations, (v) current tax liabilities and (vi) other liabilities.

Consolidated Income Statement

	For the year ended December 31,		
	2008	2009	2010
	(TL thousands)		
Net interest income	1,402,374	2,014,196	2,082,434
Net fee and commission income	529,087	495,717	516,091
Earned premium net of claims and commissions	16,341	34,694	57,720
Non-interest income(1)	351,150	115,999	158,760
Total operating income	2,298,952	2,660,606	2,815,005
Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables	(208,212)	(492,205)	(272,935)
Non-interest expenses(2)	(1,143,848)	(1,228,415)	(1,410,158)
Profit before tax from continuing operations	**946,892**	**939,986**	**1,131,912**
Income tax expense	(198,612)	(157,044)	(218,715)
Profit for the year from continuing operations	**748,280**	**782,942**	**913,197**
Net profit from discontinued operations (net of income tax)	54,170	13,908	—
Gain on disposal of discontinued operations (net of income tax)	—	33,469	—
Profit for the year	**802,450**	**830,319**	**913,197**
Attributable to:			
Equity holders of the Parent	784,572	813,254	898,405
Non-controlling interest	17,878	17,065	14,792
Statement of comprehensive income			
Profit for the year	802,450	830,319	913,197
Other comprehensive income for the year, net of tax(3)	22,759	57,820	22,920
Total comprehensive income for the year	**825,209**	**888,139**	**936,117**
Attributable to:			
Equity holders of the parent	807,331	871,074	921,325
Non-controlling interest	17,878	17,065	14,792

(1) "Non-interest income" comprises: (i) dividend income, (ii) net trading income and results from investment securities and (iii) other operating income.

(2) "Non-interest expenses" comprises: (i) personnel expenses, (ii) general and administrative expenses, (iii) depreciation, amortization and impairment charges, (iv) share of gains/(losses) of associates and (v) other operating expenses.

(3) "Other comprehensive income for the year, net of tax" comprises: (i) available for sale investments reserve, (ii) currency translation reserve, (iii) net losses on cash flow hedges and (iv) income tax expense relating to components of other comprehensive income.

NBG Malta Statement of Financial Position

In order to provide an understanding of the impact of the disposal of NBG Malta, the following table sets forth the balances of NBG Malta included in the IFRS consolidated statement of financial position of the Finansbank Group as at December 31, 2008.

	As at December 31, 2008
	(TL thousands)
ASSETS	
Cash and balances with T.R. Central Bank	28,413
Due from banks	9,296
Loans and advances to customers	2,032,543
Finance lease receivables	—
Factoring receivables	—
Financial assets at fair value through profit or loss and available for sale investments	367,479
Summary other assets	30,029
Total assets	**2,467,760**
LIABILITIES	
Due to other banks	2,295,306
Customer deposits	971,570
Debt securities issued	—
Funds borrowed	—
Summary other liabilities	14,248
Total liabilities	**3,280,809**

Selected Financial Ratios

	As at and for the year ended December 31,		
	2008	**2009**	**2010**
Profitability ratios			
Net interest margin(1)	6.1%	7.4%	6.5%
Net interest income as % of total operating income	61.0%	75.7%	74.0%
Fee income as % of total operating income(2)	23.7%	19.9%	20.4%
Efficiency ratio(3)	49.8%	46.2%	50.1%
Cost of Risk(4)	1.2%	2.4%	1.1%
Non-interest expenses as a % of total average assets(5)	(4.6%)	(4.2%)	(4.0%)
Return on average total assets(6)	3.2%	2.8%	2.6%
Return on average equity(7)	24.9%	20.5%	17.2%
Balance Sheet Ratios:			
Customer deposits and due to other banks to total assets	65.1%	65.3%	63.7%
Loans and advances to customers (net) to total assets	66.7%	63.8%	66.1%
Liquid assets ratio(8)	13.8%	17.1%	14.4%
Liquidity ratio			
Loan to deposit ratio(9)	126.9%	106.4%	112.8%
Capital ratios			
Tier I ratio(10)	11.4%	13.0%	13.8%
Total capital (Tier I and Tier II) ratio(11)	16.2%	18.9%	17.3%
Average total equity/average total assets	12.5%	13.8%	15.3%
Risk Weighted Assets (including market and operational risk), (TL millions)	27,926	28,061	36,466
Credit quality data			
Non-performing loans ratio(12)	3.2%	6.5%	6.1%
Provision coverage(13)	64.1%	63.0%	66.8%
Allowances for impairment on loans and advances to customers to total gross loans and advances to customers	2.1%	4.1%	4.0%
Non-performing loans to total equity (including non-controlling interest)	17.6%	29.0%	27.1%
Earning per share from continuing operations	0.0337	0.0367	0.0429
Book value of equity per share	0.0232	0.0284	0.0270

(1) Net interest income divided by the average of interest earning assets from continuing operations.

(2) Fee income includes net fee and commission income and earned premium net of claims and commissions.

(3) Total non-interest expenses for the period divided by total operating income for the period.

(4) Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables for the period divided by average of gross loans and advances to customers, finance lease receivables and factoring receivables from continuing operations.

(5) Non-interest expenses as a percentage of total average assets from continuing operations.

(6) Profit for the year attributable to equity holders of the Parent, divided by average of total assets from continuing operations.

(7) Profit for the year attributable to equity holders of the Parent, divided by average of equity attributable to owners of the Group.

(8) Cash and balances with T.R. Central Bank, due from banks and financial assets at fair value through profit and loss divided by customer deposits and due to other banks.

(9) Loans and advances to customers divided by amounts of customer deposits.

(10) Tier I capital divided by total Risk Weighted Assets (Tier I capital and Risk Weighted Assets as defined by the BRSA).

(11) Total capital (Tier I and Tier II) divided by total Risk Weighted Assets (Total capital and Risk Weighted Assets as defined by the BRSA).

(12) Non-performing loans (loans past due more than 90 days) divided by gross loans and advances to customers at the end of the period.

(13) Allowance for impairment on loans and advances to customers divided by non-performing loans at the end of the period.

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the IFRS Financial Statements and the notes thereto included in this Offering Memorandum beginning on page F-1. For a description of the IFRS Financial Statements, see "Presentation of Financial and Other Information". In addition, the following discussion contains certain forward-looking statements that reflect the Finansbank Group's plans, estimates and beliefs. The Finansbank Group's actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in the Offering Memorandum, including under "Risk Factors" and "Forward-Looking Statements".

The Finansbank Group's financial condition and results of operations depend significantly upon the macroeconomic conditions prevailing in Turkey and prospective purchasers of Notes should (among other things) consider the factors set forth under "Risk Factors – Risk Factors Relating to the Finansbank Group" and "– Risk Factors Relating to Turkey".

Introduction

The Finansbank Group provides a wide variety of consumer, corporate and investment banking products and services, primarily to upper-middle income Turkish consumers, medium-sized and large-sized Turkish corporations and foreign multinational corporations with operations in Turkey, and generates income primarily from retail banking, corporate and commercial banking and SME activities, securities transactions, foreign exchange dealing and fees and commissions from, among other activities, the plastic cards business. The Finansbank Group's profit for the year in 2010 was TL 913.2 million, a 10.0% increase compared to TL 830.3 million in 2009, and its total assets were TL 39,580.1 million as at December 31, 2010, an increase of 28.6% compared to total assets of TL 30,785.5 million as at December 31, 2009. As at December 31, 2010, according to the most recent statistics published by the Banks Association of Turkey and the BRSA, Finansbank was ranked the fifth largest private bank in Turkey in terms of total assets.

While Finansbank historically focused on trade financing activities for large Turkish corporations, it has since 1995 developed its retail and general corporate banking activities. As at December 31, 2010, Finansbank had 502 branches consisting of 439 full service branches, 16 corporate and commercial branches, one retail-only branch, 44 satellite and Easy Credit & Manhattan branches, and one branch at the Atatürk Airport Free Trade Zone in Istanbul, as well as one branch in Bahrain.

Finansbank has two main business segments: retail banking and corporate and commercial banking. Finansbank's offerings to retail customers are divided into three main further sub-groups: private banking; the affluent segment; and the mass segment with more standardized offerings. Retail banking has been one of the principal drivers of Finansbank's growth during the past three years and Finansbank expects it to continue to maintain a central role in its strategy. Finansbank had approximately 8.5 million retail banking customers and had total outstanding net retail loans (including mortgage, credit card and consumer loans) of TL 16,406.4 million as at December 31, 2010. Finansbank's corporate and commercial banking activities include trade finance, traditional lending, SME banking, project finance, cash management, corporate syndication and secondary market transactions, deposits and the issuance of certificated debt instruments. The Finansbank Group's corporate, commercial and SME banking operations had total loans and advances to customers of TL 9,746.3 million as at December 31, 2010. See also "The Business of the Finansbank Group".

Factors Affecting Finansbank Group's Results of Operations

Numerous factors affect the Finansbank Group's profit for the year, some of which are outside of the Finansbank Group's control. The following discussion identifies the most significant of such factors.

Turkish Economic and Political Environment

The Finansbank Group operates primarily in Turkey. Accordingly, its results of operations and financial condition are and will continue to be significantly affected by Turkish political and economic factors, including the economic growth rate, the rate of inflation and fluctuations in exchange rates and interest rates.

The following table sets forth key Turkish economic indicators for the years 2008, 2009 and 2010.

	As at and for the year ended December 31,		
	2008	2009	2010
GDP (TL billions)	950.5	954.0	1,105.0
GDP (US$ billions)	742.1	617.6	736.0
GDP growth (%)	0.7	(4.7)	8.9
GDP per capita (US$)	10,440.0	8,590.0	9,984.0
Unemployment (%)	11.0	14.0	11.9
Central Bank policy rate (year-end, %)	15.0	6.5	6.5
Benchmark yield (year-end, %)	16.5	8.9	7.08
Inflation (%)	10.1	6.5	6.4
Exports (US$ billions)	132.0	102.1	113.9
Imports (US$ billions)	202.0	140.9	185.5
Trade deficit (US$ billions)	69.9	38.8	71.6
Current account deficit (US$ billions)	41.9	14.0	48.6
Budget deficit (TL billions)	17.1	52.2	39.6

Source: Central Bank of Turkey, Turkish Statistical Institute and other public sources.

As economic activity generally remained strong in Turkey throughout 2007 and into 2008, the Turkish economy saw favorable results in terms of GDP growth and trade volume. During the comparable period, Finansbank Group achieved growth in its total assets, with total assets of TL 30,278.9 million as at December 31, 2008, as well as growth in its loans and advances to customers, with total loans and advances to customers of TL 20,182.6 million as at December 31, 2008. As economic activity in Turkey slowed in the latter part of 2008 and in 2009, Turkish unemployment rose, trade volumes and interest rates declined and the Turkish budget deficit increased sharply as a sign of Government-sponsored economic growth efforts. The decline in economic activity was also, to some extent, reflected in the Finansbank Group's operations. The Finansbank Group's loans and advances to customers decreased to TL 19,636.6 million as at December 31, 2009 from TL 20,182.6 million as at December 31, 2008, due primarily to the disposal in February 2009 of NBG Malta, which had a total loans and advances to customers of TL 2,032.5 million. The size of the Finansbank Group's debt securities portfolio (from available for sale investments and financial assets at fair value through profit or loss, which includes mainly Government securities) increased from TL 4,929.3 million as at December 31, 2008 to TL 5,471.4 million as at December 31, 2009 further increasing to TL 7,294.2 million as at December 31, 2010. As the Finansbank Group expanded its Government securities holdings and its loans and advances to customers portfolio, this expansion contributed to an increase in its total assets from TL 30,278.9 million (which included TL 2,467.8 million of assets of NBG Malta) as at December 31, 2008 to TL 30,785.5 million as at December 31, 2009 and to TL 39,580.1 million as at December 31, 2010.

Global Economic Conditions

Since mid-2008, the global banking industry has been severely impacted by the worldwide financial crisis, which has contributed to significant write-downs of asset values by financial institutions, including Government-sponsored organizations and major commercial and investment banks. The effects of the global financial crisis in Turkey during this period have been relatively moderate compared to the effects in the United States and in certain other European countries. The primary effect of the global crisis on the Turkish banking system was an increase in loan delinquency rates. At the same time, the Turkish market experienced a shift in deposits to larger private financial institutions, including Finansbank, that were perceived as having greater financial stability. Reflecting this shift, as at December 31, 2010 the Finansbank Group's customer deposits reached TL 23,176.5 million, an increase of 25.6% from TL 18,451.2 million as at December 31, 2009, which, in turn, represented an increase of 16.0% (or 23.6% excluding deposits of NBG Malta in the amount of TL 971.6 million as at December 31, 2008) compared to customer deposits of TL 15,904.3 million as at December 31, 2008.

During the past three years, the Finansbank Group put in place enhancements to its risk management systems, tightened its lending criteria, and increased required collateral levels with a view to limiting the potentially adverse effects on its loan portfolio of the challenging global economic conditions. The Finansbank Group's non-performing loan ratio increased to 6.5% at year-end 2009 from 3.2% at year-end 2008, but decreased to 6.1% at December 31, 2010.

Despite the recent global downturn, Finansbank's net interest income contributed favorably to profit for the year over this period. Net interest income increased by 43.6% to TL 2,014.2 million in 2009 from TL 1,402.4 million in 2008. The growth in net interest income was the result of increased interest income due primarily to the loan portfolio growth and, for 2009, also decreased interest expense. For the year ended December 31, 2010, net interest income increased by 3.4%, to TL 2,082.4 million, from TL 2,014.2 million in 2009. In addition, the Finansbank Group took active steps to reduce costs during 2009. However, due to the expansion of the branch network, non-interest expense grew by 7.4% to TL 1,228.4 million for the year ended December 31, 2009 compared to TL 1,143.8 million for the year ended December 31, 2008. In 2010, the Finansbank Group's ratio of non-interest expenses to total average assets decreased to 4.0%, compared to 4.2% in 2009 and 4.6% in 2008. For the years ended December 31, 2008, 2009 and 2010, the efficiency ratio was 49.8%, 46.2% and 50.1%, respectively.

Although the effects of the global financial crisis have begun to subside, Finansbank and its customers operating in Turkey remain susceptible to other external financial and economic events such as the widespread concern with levels of public sector debt around the world and the stability of numerous banks in certain European countries including Greece, Spain, Portugal, Italy and Ireland. Finansbank's performance will continue to be influenced by conditions in the global economy. See "Risk Factors – Risk Factors Relating to the Finansbank Group – Negative economic development and conditions in Turkey and elsewhere may adversely affect the Finansbank Group". The outlook for the global economy over the near to medium term remains challenging, with the consequent impact on prospects for stabilization and improvement of economic and financial conditions in Turkey. Despite recent adverse developments in the global economy, Finansbank's corporate and commercial loan portfolio continues to be fairly diversified across various sectors of economic activity.

Finans Malta (NBG Malta)

On February 23, 2009, Finansbank transferred its shares in its subsidiary, Finans Malta, to NBG International Holdings B.V., a subsidiary of NBG, in exchange for EUR 185 million in cash. NBG International Holdings B.V. subsequently renamed the subsidiary to NBG Bank Malta Limited (NBG Malta) with effect from March 15, 2010. The results of operations of NBG Malta have been treated as discontinued operations for the years ended December 31, 2008 and 2009. The gain on the disposal before tax of TL 43.3 million resulting from the transfer of NBG Malta was recorded in the consolidated income statement of the Finansbank Group for the year ended December 31, 2009. Also in accordance with IFRS, the assets of NBG Malta, including loans and advances to customers of TL 2,032.5 million and due from banks of TL 9.3 million, cash and balances with T.R. Central Bank of TL 28.4 million, and liabilities including due to other banks of TL 2,295.3 million and customer deposits of TL 971.6 million, were included in the consolidated statement of financial position of the Finansbank Group as at December 31, 2008. As a result, the consolidated statement of financial position of the Finansbank Group as at December 31, 2008 is not directly comparable to the consolidated statements of financial position of the Finansbank Group as at December 31, 2009 and 2010.

Loan Portfolio Growth

Since 2001, the Finansbank Group has pursued a policy of increasing its loan portfolio, in particular with an emphasis on the higher-yielding business segments of corporate and commercial, SME and retail customers. Particularly as the rate of inflation has decreased in Turkey and per capita income among Finansbank's targeted customer base has increased since 2005, the demand for commercial, small business and retail credit has grown. Since the start of 2007, this policy has resulted in an overall increase in the Finansbank Group's loans and advances to customers. The Finansbank Group's loans and advances to customers were TL 26,152.7 million as at December 31, 2010, representing an increase of 33.2% compared to loans and advances to customers of TL 19,636.6 million as at December 31, 2009, and an increase of 44.1% compared to loans and advances to customers of TL 18,150.1 million as at December 31, 2008 (excluding the loans and advances to customers of NBG Malta of TL 2,032.5 million). Loans and advances to customers have increased during the first quarter of 2011, but at a rate lower than that achieved for the full year 2010. Since the beginning of 2010, the Finansbank Group has re-focused on increasing its lending growth in all areas where it believes the effects of the global economic downturn have begun to subside and the signs of economic recovery have strengthened.

Interest Rates

In general, increases in interest rates allow Finansbank to increase its interest income from loans and advances to customers due to higher interest rates that Finansbank is able to charge. When interest rates increase, the Bank also benefits from a higher return on its free capital. However, such increases may adversely affect Finansbank's profit for the year as a result of reduced overall demand for loans and increased inability of customers to meet their obligations. In addition, increased interest rates affect Finansbank's funding costs and can adversely affect the Finansbank Group's profit for the year if the Finansbank Group is unable to pass on the increased funding costs to its customers. On the other hand, a decrease in interest rates can reduce the Finansbank Group's revenue from loans and advances to customers as a result of lower rates on loans. This reduction of revenue may however be offset by an increase in the volume of loans resulting from increased demand for loans as well as by a decrease in funding costs.

For Finansbank, the recent low interest rate environment in Turkey has had a favorable effect on profit for the year due to lower cost of funding originating from customer deposits. On average, due to the short-term nature of the majority of customers' time deposits, reductions in interest rates are repriced into Finansbank's liabilities after approximately 1.5 months. At the same time, the repricing of loans and advances to customers and securities is slower, approximately six months, due to their longer maturities, resulting in a short-term widening of the net interest margin earned. See also "Risk Factors – Risk Factors Relating to the Finansbank Group – Changes in interest rate levels may affect the value of the Finansbank Group's assets sensitive to interest rates and spread changes, as well as the Finansbank Group's net interest margins and borrowing costs".

Key Components of Results of Operations

The Finansbank Group generates income primarily from retail banking, corporate and commercial banking and SME activities, securities transactions, foreign exchange dealing and fees and commissions from, among other activities, the plastic cards business.

Net Interest Income

The Finansbank Group's net interest income amounted to TL 2,082.4 million as at December 31, 2010, an increase of 3.4% compared to TL 2,014.2 million for 2009. For the year ended December 31, 2010, the Finansbank Group's interest expense and interest income decreased by 9.2% and 3.1%, respectively, compared to 2009.

The Finansbank Group's net interest income amounted to TL 2,014.2 million for the year ended December 31, 2009, an increase of 43.6% compared to TL 1,402.4 million for 2008. In 2009, the Finansbank Group's interest expense decreased by 18.3% while interest income increased by 3.2%, in both cases compared to 2008.

Growth in Assets

As at December 31, 2010, the Finansbank Group's total assets were TL 39,580.1 million, an increase of 28.6% compared to total assets of TL 30,785.5 million as at December 31, 2009. Total assets as at December 31, 2009 increased by 10.7% compared to TL 27,811.1 million as at December 31, 2008 (excluding the assets of NBG Malta in the amount of TL 2,467.8 million as at December 31, 2008). The increase in total assets (excluding the assets of NBG Malta in the amount of TL 2,467.8 million as at December 31, 2008) from December 31, 2008 to December 31, 2010 was 42.3%.

The largest element of the growth in the assets of the Finansbank Group was its loan portfolio (excluding the loans and advances to customers of NBG Malta in the amount of TL 2,032.5 million as at December 31, 2008) which increased by 44.1%, to TL 26,152.7 million as at December 31, 2010 compared to TL 18,150.1 million as at December 31, 2008. In addition, the available for sale investments portfolio (excluding the available for sale investments of NBG Malta in the amount of TL 367.5 as at December 31, 2008) was TL 7,230.4 million as at December 31, 2010, representing an increase of 67.5% compared to TL 4,316.3 million as at December 31, 2008.

Non-Performing Loans

The Finansbank Group's non-performing loan ratio increased from 3.2% as at December 31, 2008 to 6.5% as at December 31, 2009, but subsequently decreased to 6.1% as at December 31, 2010. The Finansbank Group has provided impairment for non-performing loans as at December 31, 2010 in accordance with the Finansbank Group's provisioning policy and after taking into account any collateral with respect to such loans. The Finansbank Group has also provided for other probable losses inherent in the portfolio to the extent such losses are reasonably estimable. See "Selected Statistical and Other Information – Credit Quality – Allowance for Impairment on Loans and Advances to Customers – Methodology".

Critical Accounting Policies, Estimates and Judgments

The preparation of the IFRS Financial Statements requires the Finansbank Group's management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Management believes that the judgments, estimates and assumptions used in the preparation of the IFRS Financial Statements are appropriate given the factual circumstances at the dates and for the periods presented therein. The most significant area, for which judgments, estimates and assumptions are required in applying Finansbank Group's accounting policies, is the following.

Allowance for Impairment on Loans and Advances to Customers

The amount of the allowance set aside for loan losses is based upon the Finansbank Group's management's ongoing assessments of the probable estimated losses inherent in the loan portfolio. Assessments are conducted by members of the management responsible for various types of loans employing a methodology and guidelines that are continually monitored and improved. The Finansbank Group's management assesses whether objective evidence of impairment exists for all loans that are individually significant and collectively for loans that are not considered individually significant.

Individually significant loans are subject to an impairment test when interest and/or capital is in arrears for a certain period and/or qualitative indications exist, at the assessment date, which demonstrate that the borrower will not be able to meet its obligations. Usually such indications include, but are not restricted to, significant financial difficulty, deterioration of credit rating and the probability of bankruptcy, renegotiation or other financial reorganization procedures. A specific impairment loss is recognized for loans evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows which are expected to be received.

This methodology has two primary components: specific allowances and collective allowances and is described in Note 2.14 of the IFRS Financial Statements.

Applying this methodology requires the Finansbank Group's management to make estimates regarding the amount and timing of the cash flows, which are expected to be received. In estimating these cash flows, the Finansbank Group's management makes judgments about the counterparty's financial situation and the net realizable value of any underlying collateral or guarantees in favor of the Finansbank Group. Each impaired loan is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed.

In assessing the need for collective allowance for impairment, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made both to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances for impairment the Finansbank Group makes depends on how well it can estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances. While this necessarily involves judgment, the Finansbank Group's management believes that the allowances and provisions that have been recorded are reasonable and supportable. As the process for determining the adequacy of the allowance requires subjective and complex judgment by management about the effect of matters that are inherently uncertain, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in changes in the allowance for impairment on loans and advances to customers.

Group Consolidated Companies

The following table indicates the individual companies within the Finansbank Group and its participation in each company as at December 31, 2008, 2009 and 2010.

Name	Place of incorporation	Participation (%) As at December 31, 2008	2009	2010
Finans Faktoring Hizmetleri A.Ş. (Finans Factoring)	Turkey	—	99.99%	99.99%
Finans Emeklilik ve Hayat A.Ş. (Finans Pension)	Turkey	99.99%	99.99%	99.99%
Finans Tüketici Finansmanı A.Ş. ("Finans Consumer Finance")	Turkey	99.99%	99.99%	99.99%
Finans Yatırım Menkul Degerler A.Ş. (Finans Invest)	Turkey	100.00%	100.00%	100.00%
Finans Portfoy Yonetimi A.Ş. ("Finans Portfolio Asset Management")	Turkey	100.00%	100.00%	100.00%
Finans Finansal Kiralama A.Ş. (Finans Leasing)	Turkey	59.24%	59.24%	64.32%
Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş. ("Ibtech")	Turkey	99.91%	99.91%	99.91%
Finans Yatırım Ortaklığı A.Ş. ("Finans Investment Trust")	Turkey	82.13%	81.00%	70.28%
Bosphorus Financial Services[(2)]	Cayman Islands	100.00%	100.00%	100.00%
Istanbul Bond Company[(2)]	Luxembourg	100.00%	100.00%	100.00%
Finans Malta Holdings Limited[(1)]	Malta	100.00%	—	—
Finansbank Malta Limited[(1)]	Malta	100.00%	—	—

(1) In 2008, the Bank included Finans Malta, of which the Bank owned 100% of the shares and its subsidiary Finansbank Malta Limited in consolidation; from the year 2009 on, due to the disposal of these subsidiaries to NBG International Holdings B.V. on February 23, 2009 the Bank excluded these subsidiaries from consolidation. On March 15, 2010, the subsidiary was renamed to NBG Bank Malta Limited (NBG Malta).

(2) Special purpose entities.

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

Overview

The Finansbank Group's profit for the year ended December 31, 2010 was TL 913.2 million, a 10.0% increase compared to TL 830.3 million in 2009. The increased profit for the year in 2010 compared to 2009 primarily was a result of the lower impairment losses on loans and advances to customers, finance lease receivables and factoring receivables offset by an increase in non-interest expenses of 14.8%. Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables decreased by 44.5% in 2010 compared to 2009.

The Finansbank Group's profit for the year ended December 31, 2009 was TL 830.3 million, a 3.5% increase compared to TL 802.5 million in 2008. The increased profit in 2009 compared to 2008 was primarily a result of the increase in interest rates and corresponding increase in net interest income. This increase was partially offset by the decrease in net trading income and results from investment securities and higher impairment losses on loans and advances to customers, finance lease receivables and factoring receivables.

Return on average total assets in 2010 was 2.6%, compared to 2.8% in 2009 and 3.2% in 2008. Return on average equity attributable to the owners of the Finansbank Group in 2010 was 17.2%, compared to 20.5% in 2009 and 24.9% in 2008.

Net Interest Income

The following table shows net interest income details for 2008, 2009 and 2010.

	For the year ended December 31,			Change 2009 vs. 2008 (%)	Change 2010 vs. 2009 (%)
	2008	**2009**	**2010**		
	(TL thousands)				
Interest earned on:					
Loans and advances to customers	3,105,718	3,396,729	3,460,414	9.4	1.9
Securities[1]	655,484	574,454	406,232	(12.4)	(29.3)
Due from banks	126,150	76,096	73,626	(39.7)	(3.2)
Finance lease receivables	140,670	110,598	75,430	(21.4)	(31.8)
Factoring receivables	—	398	13,199	—	—
Interest income	**4,028,022**	**4,158,275**	**4,028,901**	**3.2**	**(3.1)**
Interest payable on:					
Customer deposits	(1,518,272)	(1,281,082)	(1,288,336)	(15.6)	0.6
Debt securities issued and funds borrowed	(874,975)	(733,418)	(558,531)	(16.2)	(23.8)
Due to other banks	(232,401)	(129,579)	(99,600)	(44.2)	(23.1)
Interest expense	**(2,625,648)**	**(2,144,079)**	**(1,946,467)**	**(18.3)**	**(9.2)**
Net interest income	**1,402,374**	**2,014,196**	**2,082,434**	**43.6**	**3.4**

(1) Securities include available for sale investments and financial assets at fair value through profit or loss

The Finansbank Group's net interest income for the year ended December 31, 2010 amounted to TL 2,082.4 million, an increase of 3.4% compared to TL 2,014.2 million in 2009. In 2010, the Finansbank Group's interest expense decreased by 9.2% compared to 2009, whereas interest income for 2010 decreased by 3.1% compared to 2009. The smaller percentage increase in net interest income in 2010 than 2009 resulted from a slower decline in interest rates for interest-bearing liabilities than for interest-earning assets and Finansbank has experienced continued pressure on net interest margins during the first quarter of 2011. The Finansbank Group's net interest income amounted to TL 2,014.2 million in 2009, an increase of 43.6% compared to TL 1,402.4 million in 2008. In 2009, the Finansbank Group's interest expense decreased by 18.3% compared to 2008, whereas interest income in 2009 increased by 3.2% compared to 2008. Net interest income was positively affected in 2009 due to decreasing interest rates paid to the Finansbank Group's customer deposits in 2009 compared to 2008. The increase in net interest income by 43.6% in 2009 resulted from a faster decline in interest rates for interest-bearing liabilities than for interest-earning assets.

The Finansbank Group's net interest income as a percentage of average interest-earning assets was 6.1% for 2008, 7.4% for 2009 and 6.5% for 2010.

Interest Income

The Finansbank Group's interest income decreased by 3.1%, to TL 4,028.9 million, for the year ended December 31, 2010 from TL 4,158.3 million in 2009. Interest earned on loans and advances to customers in 2010 increased by 1.9% compared to 2009. Interest earned on loans and advances to customers in 2009 increased by 9.4% compared to 2008 mainly due to an increase in retail and corporate lending activities. Although there was an increase in the amount of the securities book in 2009 and 2010, interest earned on securities decreased by 12.4% and 29.3% in 2009 and 2010, respectively, due to the declining yields on bonds based on downward trend of interest rates.

Interest Expense

The Finansbank Group's interest expense decreased by 9.2%, to TL 1,946.5 million, for the year ended December 31, 2010 from TL 2,144.1 million in 2009. Interest payable on customer deposits increased by 0.6% in 2010 compared to 2009 mainly due to decreasing interest rates in 2010. The decrease in rates was, however, offset by an increase in the volume of customer deposits of 25.6% during the year. The Finansbank Group's interest expense decreased by 18.3%, to TL 2,144.1 million, in 2009 from

TL 2,625.6 million in 2008. Interest payable on customer deposits decreased by 15.6% in 2009 compared to 2008 mainly due to decreasing interest rates in 2009.

Net Fee and Commission Income

The table below sets forth the components of the Finansbank Group's net fee and commission income for each of 2008, 2009 and 2010.

	For the year ended December 31,			Change 2009 vs. 2008 (%)	Change 2010 vs. 2009 (%)
	2008	**2009**	**2010**		
	(TL thousands)				
Fee and commission income:					
Banking	526,511	491,469	510,710	(6.7)	3.9
Brokerage and fund management	30,436	38,335	39,944	26.0	4.2
Other	1,787	1,268	1,404	(29.0)	10.7
Total	**558,734**	**531,072**	**552,058**	**(5.0)**	**4.0**
Fee and commission expense:					
Banking	(26,429)	(31,678)	(31,573)	19.9	(0.3)
Other	(3,218)	(3,677)	(4,394)	14.3	19.5
Total	**(29,647)**	**(35,355)**	**(35,967)**	**19.3**	**1.7**
Net fee and commission income	**529,087**	**495,717**	**516,091**	**(6.3)**	**4.1**

Net fee and commission income for the year ended December 31 2010 amounted to TL 516.1 million, an increase of 4.1% compared to TL 495.7 million in 2009. The increase in net fee and commission income in 2010 was due primarily to the increase in credit card fees, which increased by 11.6% as compared to 2009. Net fee and commission income in 2009 amounted to TL 495.7 million, a decrease of 6.3% compared to TL 529.1 million in 2008. The decrease in net fee and commission income in 2009 was due primarily to the decrease in credit card fees and non-cash loan fees. In 2009, fees and commissions from credit cards decreased by 11.1% and from non-cash loans by 6.9% compared to 2008.

Earned Premium Net of Claims and Commissions

The table below sets forth the components of the Finansbank Group's earned premium net of claims and commissions for each of 2008, 2009 and 2010.

	For the year ended December 31,			Change 2009 vs. 2008 (%)	Change 2010 vs. 2009 (%)
	2008	**2009**	**2010**		
	(TL thousands)				
Gross written premium	47,900	48,782	79,726	1.8	63.4
Change in unearned premium reserve	2,020	25,927	1,993	—	(92.3)
Other	7,320	4,885	6,565	(33.3)	34.4
Earned premium net of reinsurance	**57,240**	**79,594**	**88,284**	**39.1**	**10.9**
Paid claims	(3,133)	(8,774)	(11,922)	180.1	35.9
Change in mathematical reserve	(26,061)	(29,376)	(16,193)	12.7	(44.9)
Change in outstanding claims	(1,314)	(2,517)	(1,699)	91.6	(32.5)
Other	(10,391)	(4,233)	(750)	(59.3)	(82.3)
Net claims incurred	**(40,899)**	**(44,900)**	**(30,564)**	**9.8**	**(31.9)**
Earned premium net of claims and commissions	**16,341**	**34,694**	**57,720**	**112.3**	**66.4**

The Finansbank Group generates premium income primarily through its life insurance operations. Earned premium net of claims and commissions increased by 66.4% for the year ended December 31, 2010 compared to 2009 as a result of the continued growth of the Finansbank Group's life insurance operations. Earned premium net of claims and commissions increased by 112.3% from 2008, the first full year of life insurance operations, to TL 34.7 million for the year ended December 31, 2009 as a result of growth in the Finansbank Group's life insurance operations.

Non-Interest Income

The table below sets forth a breakdown of the Finansbank Group's non-interest income for the each of 2008, 2009 and 2010.

	For the year ended December 31,			Change 2009 vs. 2008 (%)	Change 2010 vs. 2009 (%)
	2008	2009	2010		
	(TL thousands)				
Dividend income	6,090	1,479	326	(75.7)	(78.0)
Gains on foreign exchange	49,681	26,430	41,805	(46.8)	58.2
Realized gains from investment securities	20,435	319,562	369,912	—	15.8
Other trading income[(1)]	253,169	(250,212)	(304,110)	(198.8)	21.5
Other operating income	21,775	18,740	50,827	(13.9)	171.2
Total non-interest income	**351,150**	**115,999**	**158,760**	**(67.0)**	**36.9**

(1) Other trading income includes "realized gains / (losses) on equity shares under fair value through profit and loss", "unrealized gains/(losses) on securities designated at fair value through profit and loss" and "unrealized gains/(losses) on interest rate instruments".

Non-interest income for the year ended December 31, 2010, amounted to TL 158.8 million, an increase of 36.9% when compared to TL 116.0 million in 2009. The increase in 2010 was due primarily to an increase in trading gains in foreign exchange contracts and realized gains from investment securities. Non-interest income in 2009 amounted to TL 116.0 million, a decrease of 67.0% when compared to TL 351.2 million in 2008. The decrease in 2009 was due primarily to a decrease in other trading income as a result of trading losses in foreign exchange contracts.

Impairment Losses on Loans and Advances to Customers, Finance Lease Receivables and Factoring Receivables

The table below sets forth a breakdown of impairment losses on loans and advances to customers, finance lease receivables and factoring receivables as at and for the three years ended December 31, 2008, 2009 and 2010.

	For the year ended December 31,			Change 2009 vs. 2008 (%)	Change 2010 vs. 2009 (%)
	2008	2009	2010		
	(TL thousands)				
Impairment losses on loans and advances to customers	213,255	463,107	264,165	117.2	(43.0)
Collection from loans written off	(32,114)	(29,450)	(37,579)	(8.3)	27.6
Legal expenses	9,528	18,249	34,175	91.5	87.3
Impairment losses on loans and advances to customers	**190,669**	**451,906**	**260,761**	**137.0**	**(42.3)**
Impairment losses on finance lease receivables	17,543	40,299	11,214	129.7	(72.2)
Impairment losses on factoring receivables	—	—	960	—	—
Total	**208,212**	**492,205**	**272,935**	**136.4**	**(44.5)**

Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables amounted to TL 272.9 million for the year ended December 31, 2010, a decrease of 44.5% compared to TL 492.2 million in 2009 due primarily to a decrease in new impairment losses on loans and advances to customers and better collection performance in 2010 compared to 2009. During the first quarter of 2011, Finansbank has continued to experience a decrease in the rate of generation of new impairment losses. In 2009, impairment losses on loans and advances to customers and finance lease receivables amounted to

TL 492.2 million, an increase of 136.4% compared to TL 208.2 million in 2008, as impairment losses on loans and advances to customers more than doubled in 2009 to 2008.

The table below sets forth a breakdown of allowances for impairment on loans and advances to customers as at and for the three years ended December 31, 2008, 2009 and 2010.

	For the year ended December 31,			Change 2009 vs. 2008 (%)	Change 2010 vs. 2009 (%)
	2008	2009	2010		
	(TL thousands)				
Movement in allowance for impairment on loans and advances to customers:					
Balance as at January 1	**429,191**	**424,596**	**845,616**	**(1.1)**	**99.2**
Impairment losses on loans and advances	213,255	463,107	264,165	117.2	(43.0)
Loans written off	(195,102)	(12,878)	(4,724)	(93.4)	(63.3)
Unwinding of the interest	(20,918)	(19,328)	(3,718)	(7.6)	(80.8)
Net impairment losses on loans from discontinued operations	(1,830)	—	—	(100.0)	—
Effect of disposed subsidiary	—	(9,881)	—	—	(100.0)
Balance as at December 31	**424,596**	**845,616**	**1,101,339**	**99.2**	**30.2**

As at December 31, 2010, the allowance for impairment losses on loans and advances to customers of the Finansbank Group amounted to TL 1,101.3 million, an increase of 30.2% from TL 845.6 million as at December 31, 2009. As at December 31, 2009, the allowance for impairment losses on loans and advances to customers amounted to TL 845.6 million, an increase of 99.2% from TL 424.6 million as at December 31, 2008. The impairment losses on loans and advances to customers in 2008, 2009 and 2010 arose mainly from the credit card and consumer businesses.

As at December 31, 2008, 2009 and 2010, allowances for impairment losses on loans and advances to customers as a percentage of total non-performing loans were 64.1%, 63.0% and 66.8%, respectively.

Non-Interest Expenses

The table below sets forth the components of the Finansbank Group's non-interest expenses for each of 2008, 2009 and 2010.

	For the year ended December 31,			Change 2009 vs. 2008 (%)	Change 2010 vs. 2009 (%)
	2008	2009	2010		
	(TL thousands)				
Personnel expenses	(489,998)	(557,618)	(632,790)	13.8	13.5
General and administrative expenses	(495,934)	(515,602)	(619,174)	4.0	20.1
Depreciation, amortization and impairment charges	(76,532)	(92,051)	(108,245)	20.3	17.6
Share of gains/(losses) of associates	—	(409)	576	—	(240.8)
Other operating expenses	(81,384)	(62,735)	(50,525)	(22.9)	(19.5)
Total non-interest expenses	**1,143,848**	**1,228,415**	**1,410,158**	**7.4**	**14.8**

Non-interest expenses for the year ended December 31, 2010 amounted to TL 1,410.2 million, an increase of 14.8% compared to TL 1,228.4 million in 2009. The increase in 2010 primarily resulted from an increase in general and administrative expenses and personnel expenses due to the increase in the average number of employees in 2010. In 2009, non-interest expenses amounted to TL 1,228.4 million, an increase of 7.4% when compared to TL 1,143.8 million in 2008. The increase in 2009 primarily resulted from a 13.8% increase in personnel expenses due to the increase in the average number of employees in 2009. The increase in the average number of employees reflected the expansion of Finansbank's branch network.

Income Tax Expense

Income tax expense for the year ended December 31, 2010 amounted to TL 218.7 million, TL 157.0 million in 2009 and TL 198.6 million in 2008. The income tax expense in 2008 included the tax amount of TL 38.9 million paid to the Turkish tax authority in 2008 due to a settlement which was accounted for under income tax expense for the year ended December 31, 2008 and resulted in higher income tax.

Segmental Information

The tables below present the Finansbank Group's profit before tax from continuing operations by operating segment for the years ended December 31, 2008, 2009 and 2010. A complete segment report is also included in Note 5 of the IFRS Financial Statements.

	For the year ended December 31, 2008									
				Reconciling Items						
	Retail Banking	Corporate and Commercial Banking	Total	Fee income	Recoveries on loans and advances to customers written-off	Other activities	Disposal of subsidiary	Operating expenses	Other	Total
					(TL thousands)					
External operating income	1,090,906	636,337	1,727,243	(16,238)	(32,114)	655,183	(50,684)	—	15,562	2,298,952
Net interest income	461,269	438,063	899,332	307,720	—	222,188	(47,784)	—	20,918	1,402,374
Net fee and commission income	612,502	176,518	789,020	(323,958)	—	66,925	(2,900)	—	—	529,087
Earned premium net of claims and commissions	—	—	—	—	—	16,341	—	—	—	16,341
Net other income	17,135	21,756	38,891	—	(32,114)	349,729	—	—	(5,356)	351,150
Revenues from other segments	27,333	22,350	49,683	—	—	(49,683)	—	—	—	—
Total operating income	**1,118,239**	**658,687**	**1,776,926**	**(16,238)**	**(32,114)**	**605,500**	**(50,684)**	**—**	**15,562**	**2,298,952**
Total operating expenses and provisions	(579,437)	(267,614)	(847,051)	16,238	—	(117,401)	—	(214,533)	18,899	(1,143,848)
Impairment losses on loans and advances to customers, finance lease receivables	(134,663)	(119,048)	(253,711)	—	32,114	22,915	—	—	(9,530)	(208,212)
Profit before tax from continuing operations	**404,139**	**272,025**	**676,164**	**—**	**—**	**511,014**	**(50,684)**	**(214,533)**	**24,931**	**946,892**

	For the year ended December 31, 2009								
				Reconciling Items					
	Retail Banking	Corporate and Commercial Banking	Total	Fee income	Recoveries on loans and advances to customers written-off	Other activities	Operating expenses	Other	Total
					(TL thousands)				
External operating income	1,664,420	576,604	2,241,024	(19,739)	(38,677)	461,706	—	16,292	2,660,606
Net interest income	922,557	394,241	1,316,798	390,842	—	287,228	—	19,328	2,014,196
Net fee and commission income	717,858	141,070	858,928	(410,581)	—	47,370	—	—	495,717
Earned premium net of claims and commissions	—	—	—	—	—	34,694	—	—	34,694
Net other income	24,005	41,293	65,298	—	(38,677)	92,414	—	(3,036)	115,999
Revenues from other segments	42,858	43,469	86,327	—	—	(86,327)	—	—	—
Total operating income	**1,707,278**	**620,073**	**2,327,351**	**(19,739)**	**(38,677)**	**375,379**	**—**	**16,292**	**2,660,606**
Total operating expenses	(664,530)	(235,826)	(900,356)	19,739	—	(45,477)	(322,277)	19,956	(1,228,415)
Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables	(307,125)	(135,450)	(442,575)	—	38,677	(70,059)	—	(18,248)	(492,205)
Profit before tax from continuing operations	**735,623**	**248,797**	**984,420**	**—**	**—**	**259,843**	**(322,277)**	**18,000**	**939,986**

	For the year ended December 31, 2010							
				Reconciling Items				
	Retail Banking	Corporate and Commercial Banking	Total	Fee income	Other activities	Operating expenses	Other	Total
				(TL thousands)				
External operating income	2,031,676	489,680	2,521,356	(25,582)	315,513	—	3,718	2,815,005
Net interest income	1,154,889	324,727	1,479,616	481,651	117,449	—	3,718	2,082,434
Net fee and commission income	837,937	108,064	946,001	(507,233)	77,323	—	—	516,091
Earned premium net of claims and commissions	—	—	—	—	57,720	—	—	57,720
Net other income	38,850	56,889	95,739	—	63,021	—	—	158,760
Revenues from other segments	47,251	31,940	79,191	—	(79,191)	—	—	—
Total operating income	**2,078,927**	**521,620**	**2,600,547**	**(25,582)**	**236,322**	**—**	**3,718**	**2,815,005**
Total operating expenses	(930,304)	(279,413)	(1,209,717)	25,582	(114,024)	(111,999)	—	(1,410,158)
Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables	(256,623)	(23,378)	(280,001)	—	7,066	—	—	(272,935)
Profit before tax from continuing operations	**892,000**	**218,829**	**1,110,829**	**—**	**129,364**	**(111,999)**	**3,718**	**1,131,912**

Segment Analysis

The Finansbank Group has identified operating segments in a manner consistent with the internal reporting provided to the Board of Directors and manages its business through two main business segments, retail banking and corporate and commercial banking. The business segment "other activities" is mainly comprised of consolidated subsidiaries and treasury operations.

The increase in profit before tax from continuing operations in the Finansbank Group's retail banking segment for the year ended December 31, 2010 was due primarily to higher net interest income and net fee and commission income. Net interest income was positively affected by the decreased rates paid for deposits during 2010 as interest rates decreased in 2010 compared to 2009. In the retail banking segment, impairment losses on loans and advances to customers, finance lease receivables and factoring receivables decreased to TL 256.6 million for the year ended December 31, 2010 from TL 307.1 million in 2009, reflecting better collection performance in 2010. The increase in profit before tax from continuing operations of the Finansbank Group's retail banking segment for the year ended December 31, 2009 was also due primarily to higher interest income and net fee and commission income. Net interest income was positively affected by the decreased rates paid during 2009 as interest rates decreased in 2009 compared to 2008. In the retail banking segment, impairment losses on loans and advances to customers, finance lease receivables and factoring receivables increased to TL 307.1 million in 2009 from TL 134.7 million in 2008, reflecting growth in the non-performing loan portfolio and negatively affecting the segment's profitability.

Profit before tax from continuing operations of the corporate and commercial banking segment decreased for the year ended December 31, 2010 compared to 2009 primarily as a result of decreased net interest income and net fee and commission income. The decrease in the net interest income and net fee and commission income was partially offset by the decrease of 82.7% in impairment losses on loans and advances to customers, finance lease receivables and factoring receivables in the corporate and commercial banking segment, positively affecting the segment's profitability. Profit before tax from continuing operations of the corporate and commercial banking segment also decreased in 2009 compared to 2008, primarily as a result of decreased net interest income and net fee and commission income. Moreover, impairment losses on loans and advances to customers, finance lease receivables and factoring receivables in the corporate and commercial banking segment increased to TL 135.5 million in 2009 from TL 119.0 million in 2008 negatively affecting the segment's profitability.

Financial Condition as at December 31, 2008, 2009 and 2010

Total Assets

As at December 31, 2010, the Finansbank Group's total assets were TL 39,580.1 million, an increase of 28.6% when compared to TL 30,785.5 million as at December 31, 2009. Total assets as at December 31, 2009 were generally stable when compared to TL 30,278.9 million as at December 31, 2008. Excluding the assets of NBG Malta in the amount of TL 2,467.8 million as at December 31, 2008, total assets increased by 10.7% at the end of 2009 compared to the end of 2008.

The main driver behind the Finansbank Group's total assets growth was the increasing loan portfolio which, excluding the loans and advances of NBG Malta in the amount of TL 2,032.5 million as at

December 31, 2008, increased by 44.1% to TL 26,152.7 million as at December 31, 2010 from TL 18,150.1 million as at December 31, 2008. Loans and advances to customers, net of allowance for impairment on loans and advances to customers increased 33.2% to TL 26,152.7 million as at December 31, 2010 from TL 19,636.6 million as at December 31, 2009. Loans and advances to customers (excluding loans of NBG Malta in the amount of TL 2,032.5 million as at December 31, 2008), net of allowance for impairment on loans and advances to customers, of TL 19,636.6 million as at December 31, 2009 reflected an 8.2% increase from TL 18,150.1 million as at December 31, 2008. For analysis of the loans and advances to customers type of loan and the borrower's principal economic activity, see "Selected Statistical and Other Information – Assets – Loans and Advances to Customers and Finance Lease Receivables".

Total Liabilities

As at December 31, 2010, customer deposits amounted to TL 23,176.5 million, an increase of 25.6% from TL 18,451.2 million as at December 31, 2009, which, in turn, represented an increase of 16.0% (or 23.6% excluding deposits of NBG Malta in the amount of TL 971.6 million as at December 31, 2008) compared to customer deposits of TL 15,904.3 million as at December 31, 2008. Funds borrowed and debt securities issued as at December 31, 2010 totaled TL 5,654.8 million, an increase of 28.2% compared to TL 4,409.5 million as at December 31, 2009, which, in turn, represented a decrease of 18.9% compared to funds borrowed and debt securities issued as at December 31, 2008 of TL 5,437.6 million. The decrease in 2009 was due primarily to the maturity of Finansbank's dual tranche term loan facilities of US$182.5 million and EUR 226.0 million, while the increase in 2010 was attributable primarily to the issuance of a dual tranche term loan facility amounting to US$333.0 million and EUR 352.0 million with a one-year maturity.

Total Equity

As at December 31, 2008, 2009 and 2010, total equity was TL 3,771.5 million (including equity of TL 168.1 million of NBG Malta), TL 4,632.9 million and TL 6,099.0 million, respectively. The changes in the total equity were due primarily to profit for the year and changes in the unrealized gain on available for sale investments. There were no cash contributions to capital in 2008 and 2009. In 2010, the paid in capital issued of the Bank was increased from TL 1,653.8 million to TL 2,205.0 million within the registered capital ceiling. Of the total increase of TL 551.2 million, TL 4.1 million was provided from extraordinary general reserves in the form of bonus shares and the remaining amount of TL 547.1 million was increased through a rights issue and collected in cash.

Liquidity and Capital Resources

Funding Structure

Overview

The Finansbank Group's primary funding sources are deposits and funds from international capital markets.

As at December 31, 2010, customer deposits amounted to TL 23,176.5 million, an increase of 25.6% compared to customer deposits of TL 18,451.2 million as at December 31, 2009, which in turn represented an increase of 23.6% compared to customer deposits of TL 14,932.8 million as at December 31, 2008 (excluding the deposits of NBG Malta in the amount of TL 971.6 as at December 31, 2008). Deposits, including customer deposits and deposits due to other banks, constituted 74.4%, 76.8% and 75.3% of total liabilities as at December 31, 2008, 2009 and 2010, respectively. As at December 31, 2010, demand deposits constituted 8.8% of the total deposits of the Finansbank Group. As at the same date, time deposits represented 91.2% of total deposits, with Turkish Lira denominated time deposits constituting 92.3% of the total Turkish Lira denominated deposits. Finansbank believes that deposits provide a stable funding base.

As at December 31, 2010, funds borrowed and debt securities issued amounted to TL 5,654.8 million, an increase of 28.2% compared to December 31, 2009. The increase in 2010 was primarily attributable to the issuance of a dual tranche term loan facility amounting to US$333.0 million and EUR 352.0 million with a one-year maturity. Moreover, Finansbank proceeded with the payment of a US$325.0 million subordinated loan which was obtained from NBG in 2008 (see also below " – Source of Financing". Funds borrowed and debt securities issued as at December 31, 2009 decreased by 18.9% to TL 4,409.5 million as at December 31, 2009 from TL 5,437.6 million on December 31, 2008. The decrease in 2009 was mainly due to the maturity of Finansbank's dual tranche term loan facilities of US$182.5 million and EUR 226.0 million.

The following table sets forth the allocation of the Finansbank Group's funding as at December 31, 2008, 2009 and 2010.

	As at December 31,		
	2008	**2009**	**2010**
Customer time deposits	53.6%	63.3%	62.7%
Turkish Lira denominated	36.0%	44.1%	48.2%
Foreign currency denominated	17.6%	19.2%	14.5%
Customer's demand deposits	6.4%	7.2%	6.6%
Turkish Lira denominated	3.7%	4.3%	4.3%
Foreign currency denominated	2.7%	2.9%	2.3%
Borrowings	16.7%	14.5%	15.6%
Subordinated notes	4.9%	5.6%	3.0%
Syndicated loan facility	4.1%	—	—
Secured loans	1.2%	1.2%	0.9%
Other	6.5%	7.7%	11.7%
Due to other banks	14.4%	6.3%	6.1%
Debt securities issued	3.8%	2.4%	1.2%
Others	5.1%	6.3%	7.8%
Total	**100.0%**	**100.0%**	**100.0%**

Source of Financing

On April 24, 2008, Finansbank obtained a subordinated loan amounting to US$650 million from NBG. The first tranche of the loan amounting to US$200 million was disbursed on April 29, 2008. The remaining US$450 million was disbursed on October 30, 2008. The maturity date of each tranche is 10 years from the date of disbursement, with an option to prepay the tranches on the date that is five years from the date of disbursement. Interest is paid semi-annually on both tranches and the principal is due on the maturity dates of the respective tranches. On July 19, 2010 Finansbank repaid part of this subordinated loan in the amount of US$325 million. Finansbank made this payment in order to receive TL 495.8 million, which was the TL equivalent of US$325 million as at the transaction date, as a capital advance from NBG on August 3, 2010. As at December 13, 2010, this capital advance was included in the share capital of Finansbank.

On October 8, 2009, Finansbank obtained a subordinated loan of USD 200 million from NBG. The loan bears interest until (and including) the optional prepayment date at Libor plus 3.20% per annum and thereafter interest at Libor plus 3.70% per annum. The loan matures on October 7, 2019, with an optional repayment date on October 7, 2014.

On December 30, 2009, Finansbank obtained a subordinated loan amounting to US$125 million from NBG. The maturity date of the loan is 10 years from the date of disbursement, with an option to prepay the loan on the date that is five years from the date of disbursement. Interest is paid semi-annually and the principal is due on the maturity date.

On December 7, 2009, Finansbank obtained a money market placement of US$740 million from NBG. The loan, which had a maturity of one year, has been repaid.

On November 29, 2010, Finansbank signed a dual tranche term loan facility amounting to US$333.0 million and EUR 352.0 million for a term of one year (with an option to extend for one year in accordance with the agreement). The facility carries interest at a rate equal to three months Libor plus 0.7% per annum.

On January 20, 2011, Finansbank obtained the required permissions from the BRSA regarding the issuing of bank bonds with maturity of up to one year in the domestic market valued up to TL 1,000.0 million. Finansbank is required to get the approval of the CMB to issue Turkish Lira denominated bonds in the domestic market under the BRSA permissions.

In September 2010, the NBG Group announced, as part of a comprehensive capital strengthening plan, its intention to pursue an offering of a minority stake in the share capital of Finansbank. The proposed offering may comprise an offering of both new ordinary shares issued by Finansbank and existing ordinary shares sold by NBG. According to NBG's announcement, the offering is expected to be completed as soon as practicable, subject to market conditions.

See also "Capitalization of the Finansbank Group".

Capital Expenditure

The Finansbank Group's capital expenditure requirements have been principally related to substantial investments in expanding its operations, primarily the expansion of its branch network. In particular, in 2008 and 2009 the Finansbank Group expanded its branch network and renovated its existing branches. This expansion continued in 2010, but at a substantially lower pace. These investments were entirely funded with Finansbank Group's own funds. In line with its growth strategy, Finansbank currently plans to open a total of 50 new branches in 2011 (including the new branches opened in 2011 prior to the date of this Offering Memorandum).

The table below sets out the Finansbank Group's principal items of capital expenditure for the periods indicated.

	For the year ended December 31,		
	2008	**2009**	**2010**
	(TL thousands)		
Type of capital expenditure			
Land and buildings	15,633	3,707	3,063
Vehicles and equipment	62,079	56,897	48,770
Leasehold improvements	35,521	26,253	22,699
Purchased software	14,574	13,729	20,300
Internally generated software	20,712	26,073	46,569
Capital expenditure	**148,519**	**126,659**	**141,401**

Contractual Obligations

The contractual obligations of the Finansbank Group as at December 31, 2010 are set forth in the following table.

	Payment due by period						
	Demand	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	(TL thousands)						
Due to other banks	21,707	1,926,312	89,379	2,352	—	—	**2,039,750**
Customer deposits	2,194,438	14,802,908	5,866,765	382,488	26,619	—	**23,273,218**
Debt securities issued	—	—	151,794	152,813	143,046	—	**447,653**
Funds borrowed	—	170,607	664,850	2,677,830	1,701,033	324,608	**5,538,928**
Insurance liabilities	—	2,496	—	—	—	—	**2,496**
Retirement benefit obligations	—	4,167	76	545	3,640	34,469	**42,897**
Operating lease obligations	—	6,617	12,803	55,996	235,467	98,171	**409,054**
Total contractual obligations	**2,216,145**	**16,913,107**	**6,785,667**	**3,272,024**	**2,109,805**	**457,248**	**31,753,996**

As a result of the relatively short maturity of deposits in Turkey generally, the Finansbank Group uses the financings described above to extend the maturity of its funding sources.

Off-Balance Sheet Arrangements

In the normal course of business, the Finansbank Group enters into various contractual commitments on behalf of its customers and is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These contractual commitments consist of commitments to extend credit, commercial letters of credit and standby letters of credit and guarantees. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of the conditions established in the contract. Commercial letters of credit ensure payment by a bank to a third party for a customer's foreign or domestic trade transactions, generally to finance a commercial contract for the shipment of goods. Standby letters of credit and financial guarantees are conditional commitments issued by the Finansbank Group to guarantee the performance of a customer to a third party. All of these arrangements are related to the normal lending activities of the Finansbank Group.

The Finansbank Group's exposure to credit loss in the events of non-performance by the other party to the financial instrument for commitments to extend credit and commercial and standby letters of credit is represented by the contractual notional amount of those instruments.

The following table summarizes the Finansbank Group's off-balance sheet financial instruments, which represent credit risk, as at December 31, 2008, 2009 and 2010.

	As at December 31,					
	2008	(%)	2009	(%)	2010	(%)
	(TL thousands, except percentages)					
Letters of guarantee	4,038,169	73.7%	3,945,226	75.6%	4,554,985	75.5%
Acceptance credits	1,026,512	18.7%	664,139	12.7%	721,538	12.0%
Letters of credit	346,071	6.3%	539,923	10.3%	722,850	12.0%
Other guarantees	64,801	1.3%	68,653	1.4%	36,309	0.5%
Total non-cash loans	**5,475,553**	**100.0%**	**5,217,941**	**100.0%**	**6,035,682**	**100.0%**
Other commitments	1,519,115		2,530,358		2,616,912	
Credit card limits	5,781,982		7,764,698		11,731,035	
Total commitments	**12,776,650**		**15,512,997**		**20,383,629**	

Ratings

As at the date of this Offering Memorandum, Finansbank has been assigned the following ratings by Fitch and Moody's.

	Rating agency	
	Fitch	Moody's
Long-term foreign currency	BBB–	Ba3
Short-term foreign currency	F3	—
Long-term local currency deposit	BBB–	Baa2
Short-term local currency deposit	F3	P–2
Long-term national rating	AAA	—
Individual rating	C	—
Support	3T	—
Bank financial strength	—	C–
Outlook	Positive	Stable

The ratings set forth above are accurate only as at the date of this Offering Memorandum and are subject to change at any time. A rating only reflects the views of the relevant rating agency and is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

RISK MANAGEMENT

Finansbank considers effective risk management to be crucial to its success. Finansbank allocates substantial resources to upgrading its policies, methods and infrastructure to ensure compliance with best international practices and the guidelines of the Basel Committee.

Risk Management Governance

Risk management governance at the Bank starts with the Board of Directors. The Board Risk Committee ("**BRC**"), Assets and Liabilities Committee (the "**ALCO**"), Corporate and Retail Credit Policy Committee ("**CPC**"), Operational Risk Committee ("**ORC**") and Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Bank. The BRC defines risk policies and strategies, reviews the types of risks the Bank is exposed to in its monthly meetings, monitors the implementation of the risk management strategies and brings the important risk issues to the attention of the Board. The ALCO, meeting bi-weekly, is responsible for monitoring and managing the structural asset-liability mismatches of the Bank, as well as monitoring and controlling liquidity risk and foreign currency exchange risk. The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORC meets every three months and is responsible for reviewing operational risk issues of the Bank and defining the necessary actions to be taken to minimize these risks. The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under four groups as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Finansbank Group aims to adopt best practices regarding risk management governance, taking into account all relevant guidelines and regulatory requirements, as set by the Basel Committee, the BRSA and the CMB, as well as any decisions of the competent authorities supervising the Finansbank Group's entities.

The Internal Audit Division, which reports directly to the Board of Directors through the Audit Committee, complements the risk management framework and acts as an independent reviewer, focusing on the effectiveness of the risk management framework and control environment.

The Finansbank Group's risk management structure is designed to ensure the existence of clear lines of responsibility, the efficient segregation of duties and the prevention of conflicts of interest at all levels.

Board Risk Committee

The Finansbank Group's risk management policies are approved by the BRC, the members of which are the Chairman of the Board of Directors, and three members of the Board of Directors who are adequately qualified and experienced in the field of risk management. According to its internal regulation, the BRC is responsible for all strategic risk management decisions including, for example, the approval and review of risk strategy, policies and capital adequacy and allocation as well as oversight of the CPC and the ORC.

For a further description of the BRC and a list of its current members, see "Management – Executive Committees of Finansbank – Board Risk Committee".

Finansbank Group Risk Management Department

The Finansbank Group's Risk Management Department is responsible for monitoring and managing all potential risks for the Bank in a centralized and efficiently coordinated manner. The primary goal of the Risk Management Department is to provide the business lines with appropriate capital allocation (economic capital) for risks they are exposed to and to increase value-added by maximizing risk adjusted return on capital.

The Risk Management Department seeks to protect the Finansbank Group against unforeseen losses and to maintain earnings stability through the independent identification and assessment of risks. It uses a framework for evaluating risks under best banking practices for risk management, producing transparent, objective and consistent risk management information as the basis for organizing the Finansbank Group structure. Its role in maximizing the Finansbank Group's earnings potential involves measuring performance on a risk-adjusted basis and allocating capital accordingly. In addition, it is responsible for providing the BRC and the Executive Committee with accurate data and analysis required for measuring, monitoring and managing risks and for supporting the implementation of risk management decisions. Group risk management policies are approved by the BRC.

The Risk Management Department undertakes to do the following:

- analyze, measure, monitor, control, mitigate and report to management all significant on- and off-balance sheet risks undertaken at the Bank and the Finansbank Group level;
- adopt risk management policies with regard to significant credit, market, operational and other risks undertaken by the Bank and the Finansbank Group;
- evaluate the internal capital that is required in respect of all aforementioned risks and estimate all relevant capital ratios of the Bank and the Finansbank Group;
- establish a framework for undertaking risk applicable to all levels of management and collective bodies of the Bank and the Finansbank Group;
- establish early warning systems and perform stress tests on a regular basis; and
- guide decision-making processes at the Finansbank Group level by providing the necessary risk management related evaluation.

Asset and Liability Management

The ALCO proposes asset and liability management procedures and policies to the Board of Directors which are compatible with prevailing laws and regulations. The ALCO is responsible for executing these policies and managing structural interest rate risk within the limits defined by the Board of Directors. The ALCO meets twice a month. At these meetings, the ALCO reviews critical risk issues and determines the strategies for asset and liability management. The members of the ALCO are as follows:

General Manager and Member of Board of Directors:	Temel Güzeloğlu
Financial Control and Planning Executive Vice President:	Adnan Menderes Yayla
Treasury Executive Vice President:	Köksal Çoban
International Banking and International Affairs Executive Vice President:	Özlem Cinemre
Chief Risk Officer:	M. Oya Güvercinci

Internal Audit Division

The Internal Audit Division (the "**IAD**") in the Finansbank Group has an independent and advisory role, the objective of which is to conduct assurance and consulting activities designed to add value and improve operations. Internal audit contributes to the achievement of corporate objectives by: (a) bringing a systematic, disciplined approach to the evaluation of the effectiveness of risk management, internal controls and corporate governance, (b) recommending appropriate measures to improve their efficiency and effectiveness, and (c) monitoring the implementation of corrective actions.

The IAD of the Bank and the Finansbank Group is administratively independent from other Bank and Group units. The head of IAD is assigned or discharged exclusively by the Bank's Board of Directors, on the recommendation of the Audit Committee and the Bank's Chief Executive Officer. The Chief Audit Executive reports on the IAD's activities directly to the Audit Committee on a quarterly basis and to the Bank's Board of Directors, through the Audit Committee, on a quarterly basis.

Management of Specific Risks

Finansbank's risk management processes distinguish among the types of risks set out below. See also Note 5 of the IFRS Financial Statements included elsewhere in this Offering Memorandum.

Credit Risk

Credit risk represents the risk arising from a counterparty not fulfilling its responsibilities stated in the agreement either partially or totally. The Credit Policies Committees and Credit Divisions are responsible for managing credit risk of the Group.

The total limit amount which is imposed on debtors individually or as a group is determined according to the size of the loan and the assessment of different allocation parties in Finansbank. Beside total limit, product base limits are also exist.

The creditworthiness of the debtors of the Finansbank Group is continuously monitored as long as the credit relation exists. Updated financial statements and intelligence are periodically collected by credit departments. The limits for loan customers are revised periodically based on the most recent information in line with the Finansbank Group's procedures.

The Finansbank Group analyses the creditworthiness of the customers and requires collaterals within the framework of its credit policies.

The Finansbank Group has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations. The Finansbank Group monitors regularly risks of forward transactions, options and other similar agreements and reduces the risk if necessary.

Indemnified non-cash loans are weighted in the same risk group with the non-performing loans.

The restructured and rescheduled loans are monitored by Finansbank according to its Credit Risk Policy. The customer's financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments. Grades for companies having restructured and rescheduled loans are updated based on the analysis and credit performance of the company.

The principles behind Finansbank's management of its loan portfolio are in line with globally accepted techniques. Finansbank has formed internal scoring and rating systems by using statistical methods to follow the creditworthiness of customers. These systems classify customers according to their default risk from highest to lowest degree. Internal scoring systems are used effectively to allocate loans, to monitor loan portfolio quality, and to take the necessary actions. The chosen scoring and rating methodologies for corporate customers are based on the size of the company. For different types of retail products, various application and behavioral scorecards are used for assessing of the creditworthiness of the customers. The predictive powers of those models are monitored regularly in line with globally accepted techniques and methodologies.

Finansbank's rating and scoring systems do not cover guarantees and collaterals received for the loans. The rating and scoring systems are used to estimate expected default rate of the customers. The final recoveries on defaulted loans depend on the collateral arrangement related to loans.

Finansbank has established a Basel II program to migrate to Basel II. Within this program the development of infrastructure and modeling of probability of default, exposure at default and loss given default (which are referred to as credit risk parameters) has also commenced. The infrastructure development and the modeling phase of probability of defaults have been achieved and the models are being used in decision processes. The infrastructure development for loss given default and exposure at default has been completed. The modeling phase will be started after sufficient data are collected.

Credit Cards

The credit card portfolio is the largest component of Finansbank's retail business (total exposure TL 3,510.8 million as at December 31, 2008, TL 4,588.3 million as at December 31, 2009 and TL 6,593.7 million as at December 31, 2010). Due to the weight of credit card loans in Finansbank's statement of financial position, the portfolio is subject to close monitoring and high-level analysis on an ongoing basis.

Finansbank monitors its credit card portfolio's recovery trend closely. Due to the accelerated collection of delinquent credit card loans, the performance of the credit card loans portfolio is improving. Finansbank believes the debt recovery ratio for credit cards is satisfactory. This trend will be the basis for prospective loss given default ("**LGD**") modeling.

Mortgage Lending

The mortgage lending portfolio is the second largest components of Finansbank's retail business (total exposure TL 4,330.1 million as at December 31, 2008, TL 5,122.8 million as at December 31, 2009 and TL 6,510.6 million as at December 31, 2010). Accordingly, it is subject to close monitoring and high-level analysis on an ongoing basis. Despite a young portfolio which was started after 2007, Finansbank believes the evolution of each recovery trend to be satisfactory.

Counterparty Risk

The Finansbank Group faces counterparty risk from the over-the-counter transactions and the repurchase agreements in which it is involved. Counterparty risk is the risk arising from an obligor's failure to meet its contractual obligations. For the efficient management of counterparty risk, the Bank has established a framework of counterparty limits. The financial institution department is responsible for setting and monitoring the limits.

Counterparty limits are set based on the credit ratings of the financial institutions. The credit ratings are provided by internationally recognized ratings agencies, in particular by Moody's and Standard & Poor's. According to the Bank's policy, if agencies disagree on the creditworthiness of a financial institution, only the lowest rating will be taken into consideration. In cases where a financial institution is not rated by the above agencies, its rating is given by the Bank's internal rating model.

The counterparty limits apply to all financial instruments which the Treasury department actively trades in the interbank market. The limits framework is revised according to the business needs of the Bank and prevailing conditions in international financial markets. A similar limit structure for the management of counterparty risk is enforced across all of the Finansbank Group's subsidiaries.

The Finansbank Group seeks to reduce counterparty risk by standardizing relationships with counterparties through International Swaps and Derivatives Association ("**ISDA**"), Global Master Repurchase Agreement ("**GMRA**") and Global Master Securities Lending Agreement ("**GMSLA**") contracts that include all necessary closeout netting clauses and margining agreements. Additionally, for the most active counterparties in over-the-counter derivatives, credit support annexes have been put in effect so that on the basis of daily valuations, net current exposures are managed through margin accounts where cash collaterals can be reciprocally posted.

The Bank avoids taking positions in derivative contracts where the values of the underlying assets are highly correlated with the credit quality of the counterparty.

To calculate capital requirements, Finansbank measures the exposure amount by applying a methodology that includes:

- data gathering via risk management systems;
- performance of quantitative and qualitative checks; and
- application of the market-to-market methodology according to the BRSA.

Interest Rate Risk

Interest rate risk is the risk related to the potential losses on the Finansbank Group's portfolio due to adverse movements in interest rates. A principal source of interest rate risk exposure arises from Finansbank Group's trading and available-for-sale bond portfolios and its interest rate exchange-traded and over-the-counter transactions.

The Finansbank Group has to manage the interest rate risk that derives from the positions it retains in Turkish government bonds, denominated mostly in Turkish Lira. In addition, the Finansbank Group enters into swap transactions either for hedging purposes, or for proprietary reasons. As a means of hedging, the Finansbank Group enters into swap transactions in order to hedge the interest rate risk of its Eurobond portfolio, which consists of Turkish government bonds denominated in foreign currency.

The Finansbank Group also obtains liquidity in U.S. dollars which are then converted into Turkish Lira through cross currency interest rate swaps in order to offer loans to its customers. Furthermore, these cross currency interest rate swaps act as a hedge to the interest rate risk that derives from the Finansbank Group's loan portfolio.

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is the current or prospective risk to earnings (net interest income) and capital due to adverse movements in interest rates affecting the banking book positions. Exposure to interest rate risk in the banking book arises from re-pricing mismatches between assets and liabilities. The Finansbank Group's banking book consists mainly of loans and advances to customers, leasing and factoring receivables, cash and balances with central banks, amounts due from banks, customer deposits, amounts due to banks, debt securities issued and funds borrowed that are measured at amortized cost. The Finansbank Group believes that it maintains adequate measurement, monitoring, and control functions for interest rate risk in the banking book, including:

- measurement systems for interest rate risk that capture all material sources of interest rate risk and that assess the effect of interest rate changes in ways that are consistent with the scope of the Finansbank Group's activities;
- measurement of vulnerability to loss under stressful market conditions;

- processes and information systems for measuring, monitoring, controlling, and reporting interest rate risk exposures in the banking book; and
- a documented policy regarding the management of interest rate risk in the banking book.

Interest rate risk that would arise from the changes in interest rates depending on the Group's position is managed by the ALCO.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the ALCO meetings held every two weeks by taking market developments into consideration.

The Management of Finansbank Group follows the interest rates in the market on a daily basis and revises interest rates of the Group when necessary.

The assets and liabilities of the Bank, carrying a positive interest yield, are re-priced within an average period of six months, after excluding the fixed rate assets and liabilities.

In addition to customer deposits, the Bank funds its long-term fixed interest rate Turkish Lira denominated installment loan portfolio with long-term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank swaps the foreign currency denominated liquidity obtained from the international markets to Turkish Lira denominated liquidity with long-term swap transactions (fixed TL interest rate and floating foreign currency interest rate).

Even though the Bank is exposed to structural interest rate risk on its balance sheet due to the nature of its existing activities, the Bank's policy aim to ensure that this risk stays within the pre-defined limits. The ALCO aims to protect the economic value of equity, while sustaining a stable earnings profile. Duration / gap analyses, which relies on calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk.

The Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins, so as to calculate their impact on net economic value. Beside the Basel standard interest rate shock scenario, 2001 crisis, May 2004 and June 2006 scenarios are also simulated. As at December 31, 2010, the expected change in net economic value under the Basel scenario (which is defined so that market conditions in Turkey are reflected), was TL 628.1 million (11.4% of equity) which is well below the 20% limit advised by the Basel Committee (Principles for the Management and Supervision of Interest Rate Risk / July 2004).

The following table sets forth Finansbank Group's "re-pricing" gap as at December 31, 2010.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest-bearing	Total
				(TL thousands)			
Assets							
Cash and balances with T.R. Central Bank	—	—	—	—	—	2,394,476	**2,394,476**
Due from banks	509,519	303,244	4,322	—	—	203,819	**1,020,904**
Financial assets at fair value through profit or loss	94,319	16,187	30,338	40,778	8,544	17,417	**207,583**
Derivative financial assets	53,045	129,624	26,104	33,466	3,473	175,306	**421,018**
Loans and advances to customers	7,225,841	2,827,561	7,106,475	7,035,386	1,957,422	—	**26,152,685**
Factoring receivables	0	112,737	99,054	9,274	—	—	**221,065**
Finance lease receivables	146,994	55,603	231,376	379,439	8,891	96,121	**918,424**
Available for sale investments	1,053,420	414,493	2,123,015	2,472,176	1,040,739	126,596	**7,230,439**
Other assets	—	—	—	—	—	179,331	**179,331**
Total assets	**9,083,138**	**3,859,449**	**9,620,684**	**9,970,519**	**3,019,069**	**3,193,066**	**38,745,925**
Liabilities							
Due to other banks	1,924,604	89,021	2,247	—	—	21,707	**2,037,579**
Customer deposits	14,766,506	5,816,977	371,419	27,177	—	2,194,438	**23,176,517**
Derivative financial liabilities	19,178	49,921	173,267	348,919	49,386	161,644	**802,315**
Debt securities issued	—	309,956	—	107,384	—	—	**417,340**
Funds borrowed	1,169,219	1,960,460	1,954,093	80,382	73,285	—	**5,237,439**
Other liabilities	—	—	—	—	—	1,174,516	**1,174,516**
Total liabilities	**17,879,507**	**8,226,335**	**2,501,026**	**563,862**	**122,671**	**3,552,305**	**32,845,706**
Total interest sensitivity gap	**(8,796,369)**	**(4,366,886)**	**7,119,658**	**9,406,657**	**2,896,398**	**(359,239)**	**5,900,219**

Equity Risk

Equity risk is the risk related to potential losses that Group might incur due to adverse movements in the prices of stocks and equity indices. The Finansbank Group holds a limited portfolio of stocks, the majority of which are traded on the ISE, and also retains positions in stock and equity index derivatives traded in the Turkish and international exchanges.

Foreign Exchange Risk

General

Foreign exchange risk is the risk related to the potential loss due to adverse movements in foreign exchange rates. The foreign exchange risk derives from the Group's Open Currency Position ("**OCP**").

The Group trades in all major currencies holding mainly short-term positions for trading purposes and for servicing its institutional, corporate, domestic and international clients. According to the Bank's strategy, the end of day OCP should comply with the regulatory limits.

The Group evaluates its exposure for the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group enters into foreign currency forward transactions and swap transactions to decrease foreign currency position risk. The Group also engages in foreign option transactions. The position limit of the Group related to currency risk is determined according to the Foreign Currency Net Position Standard ratio determined by the BRSA.

Turkish banking authorities regulate and monitor the net open position maintained by banks, as discussed in "Regulatory Framework". Finansbank's net foreign currency position is closely monitored by the Treasury Department with respect to a limit set by the ALCO.

Consolidated subsidiaries and associates determine position limit related with currency risk as determined by regulatory bodies. The Bahrain branch conducts its operations in the local currency of Bahrain.

The following table sets forth Finansbank Group's net foreign currency position after including off-balance sheet positions (notional values of derivatives) as at December 31, 2008, 2009 and 2010.

	Net foreign currency position
	(TL millions)
As at December 31, 2008	239.6
As at December 31, 2009	(18.5)
As at December 31, 2010	(422.6)

Foreign Exchange Risk Concentration

The Finansbank Group's exposure to foreign exchange risk, before taking into consideration the effect of hedging, is presented in the following table. As described above, the end of day Bank's OCP should comply with the regulatory limits. Compliance is achieved by entering into appropriate offsetting positions. Consequently, the net exposure to each foreign currency is maintained at low levels and within the limits.

The Finansbank Group's foreign exchange risk concentration as at December 31, 2010 was as follows:

	As at December 31, 2010				
	TL	**US$**	**EUR**	**Other**	**Total**
			(TL thousands)		
Assets					
Cash and balances with T.R. Central Bank	1,146,497	1,136,699	78,763	32,517	**2,394,476**
Due from banks	83,810	579,922	352,182	4,990	**1,020,904**
Financial assets at fair value through profit or loss	183,479	21,715	2,389	—	**207,583**
Derivative financial assets	280,776	136,450	3,792	—	**421,018**
Loans and advances to customers	22,478,213	2,032,773	1,443,865	197,834	**26,152,685**
Factoring receivables	155,040	34,921	31,104	—	**221,065**
Finance lease receivables	160,306	210,712	539,319	8,087	**918,424**
Available for sale investments	6,554,279	591,105	85,055	—	**7,230,439**
Other assets, property and equipment	846,751	5,317	2,580	39	**854,687**
Total assets	**31,889,151**	**4,749,614**	**2,539,049**	**243,467**	**39,421,281**
Liabilities					
Due to other banks	1,327,620	486,833	204,280	118,846	**2,037,579**
Customer deposit	17,569,790	3,380,209	2,143,293	83,225	**23,176,517**
Derivative financial liabilities	664,134	131,326	6,855	—	**802,315**
Debt securities issued	—	417,340	—	—	**417,340**
Funds borrowed	544,703	2,849,996	1,842,740	—	**5,237,439**
Other liabilities	1,379,939	26,497	85,575	8,328	**1,500,339**
Total liabilities	**21,486,186**	**7,292,201**	**4,282,743**	**110,399**	**33,171,529**
Net on balance sheet position	**10,402,965**	**(2,542,587)**	**(1,743,694)**	**133,068**	**6,249,752**
Net off-balance sheet position	**(4,089,324)**	**2,329,951**	**1,524,949**	**(124,310)**	**(358,734)**
Net position including TL	**6,313,641**	**(212,636)**	**(218,745)**	**8,758**	**5,891,018**

Market Risk

General

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity and bond prices and foreign exchange rates) and their levels of volatility. In recent years, Finansbank has expanded its trading activities to include a wide variety of financial products in order to enhance its profitability and its service to clientele. These trading activities require Finansbank to assume market risk, which Finansbank seeks to identify, estimate, monitor and manage effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of the Finansbank Group's transactions. The capital required for General Market Risk and Specific Risk is calculated and reported monthly in accordance with the Standard Method defined in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" issued by the BRSA. The most significant types of market risk for the Finansbank Group are interest rate risk and foreign exchange risk.

Value-at-Risk

The Bank estimates the market risk of its trading and Available for Sale ("**AFS**") portfolios by applying a Value-at-Risk ("**VaR**") methodology. In particular, the Bank has adopted a historical simulation methodology with a 99% confidence interval and a one day holding period. The system used is Risk Watch. VaR is calculated with 'Historical Simulation' method. An overall "Bank Risk Tolerance" and VaR limits for each risk factor are determined in order to manage the market risk efficiently and to keep the market risk within the desired limits. The Group Risk Management Department monitors VaR balances daily for compliance with the limits. Periodic stress tests and scenario analyses are used to support the results of VaR.

The limits have been determined by reference to worldwide best practices; they refer not only to specific types of market risk, such as interest rate, foreign exchange and equity risk, but also to the overall market risk of the Bank's trading and AFS portfolios.

The tables below present the Bank's VaR for 2008, 2009 and 2010.

	As at and for the year ended December 31, 2008			
	Total VaR	Interest rate VaR	Equity VaR	Foreign exchange risk VaR
VaR	(TL thousands)			
As at December 31	33,636	35,273	262	4,669
Average	17,577	17,468	542	2,112
Maximum	42,712	38,501	1,263	13,742
Minimum	3,854	4,083	25	160

	As at and for the year ended December 31, 2009			
	Total VaR	Interest rate VaR	Equity VaR	Foreign exchange risk VaR
VaR	(TL thousands)			
As at December 31	7,964	7,599	91	2,569
Average	13,974	13,281	242	1,762
Maximum	46,501	47,708	1,843	7,551
Minimum	4,970	4,308	8	81

	As at and for the year ended December 31, 2010			
	Total VaR	Interest rate VaR	Equity VaR	Foreign exchange risk VaR
VaR	(TL thousands)			
As at December 31	25,065	25,581	513	1,015
Average	16,937	16,602	182	2,471
Maximum	28,031	29,052	672	9,557
Minimum	5,778	5,943	0	212

The increase in total VaR from December 31, 2009 to December 31, 2010 is mostly attributable to the increase in the interest rate VaR.

In addition, the Bank performs back testing in order to verify the predictive power of its VaR model. The calculations refer only to the Bank's trading and available for sale portfolios positions, in accordance with the guidelines from the BRSA, and involve the comparison of "hypothetical" daily gains and losses with the respective estimates of the VaR model used for regulatory purposes.

Stress test analysis is also performed by the Bank on its trading and available for sale portfolios on a monthly basis. The scenarios refer to extreme movements of interest rates and foreign exchange prices and are based on the latest financial crises which have taken place in Turkey.

Limitations of the VaR model

The VaR model is based on certain theoretical assumptions, which under extreme market conditions might not capture the maximum loss the Bank will suffer. The restrictions of Finansbank's methodology are summarized as follows:

- The use of historical data series as predictive measures for the behavior of risk factors in the future might prove insufficient in periods of intense volatility in financial markets.
- The one-day holding period for VaR calculations (or 10 days for regulatory purposes) implies that the Bank will be able to liquidate all its trading assets within this length of time. This assumption might underestimate market risk in periods of insufficient liquidity in financial markets or in cases where certain assets in the Bank's portfolio cannot be easily liquidated.

- VaR refers to the plausible loss on the Bank's portfolio for a 99% confidence interval, not taking into account any losses beyond that level.
- All calculations are based on the Bank's positions at the end of each business day, ignoring the intra-day exposures and any realized losses that might have been incurred.
- VaR estimates rely on small changes in the prices of risk factors. For bigger movements, the methodology would not fully capture the effect on the value of the portfolio.

Liquidity Risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the institution's inability to meet its liabilities when they come due without incurring unacceptable losses. It reflects the potential mismatch of payment obligations to incoming payments, taking into account unexpected delays in repayments (term liquidity risk) or unexpectedly high payment outflows (withdrawal/call risk). Liquidity risk involves both the risk of unexpected increases in the interest expense the portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

The primary objectives of the Finansbank Group asset and liability management are to ensure that sufficient liquidity is available to meet Finansbank's commitments to its customers in respect of repayment of deposits and ATM transactions, to satisfy Finansbank's other liquidity needs and to ensure compliance with capital adequacy and other applicable Central Bank regulations. Liquidity risk arises in the general funding of Finansbank's financing and trading activities and in the management of investment positions. It includes the risk of increases in funding costs and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

The ALCO is responsible for forming and overseeing the implementation of the asset and liability management strategy of Finansbank. The objective of Finansbank's asset and liability management strategy is to structure Finansbank's balance sheet in view of liquidity risk, maturity risk, interest rate risk and foreign exchange risk, while ensuring that Finansbank has adequate capital and is using capital to maximize net interest income. The ALCO sets Finansbank's policies for interest rate levels and terms for loans and deposits and makes decisions regarding maturities and pricing of loans and deposits. In addition, members of the Treasury Department, including the group managers, managers, assistant managers and fixed income and foreign exchange traders, meet on a daily basis to monitor the risk exposure of Finansbank, particularly Finansbank's net foreign currency short position and the daily interest rate gap and duration.

Finansbank's Treasury Department is responsible for managing and implementing Finansbank's asset and liability positions on a day-to-day basis and ensuring the availability of funds for all of Finansbank's products and services distributed through Finansbank's branch network. The Treasury department measures and evaluates on a daily basis Finansbank's risk exposure and unfavorable changes in market conditions and regularly monitors the short-term mismatches between assets and liabilities.

Finansbank Group's primary funding source is total deposits (customer deposits and due to other banks), which constituted 74.4%, 76.8% and 75.3% of total liabilities as at December 31, 2008, 2009, 2010, respectively. Finansbank's management believes that total deposits provide it with a stable funding base.

As at December 31, 2010, demand deposits, of which 65.4% were Turkish Lira denominated, constituted 8.8% of Group's total deposits. As at the same date, time deposits represented 91.2% of total deposits with Turkish Lira-denominated deposits playing a dominant role constituting 75.9% of the total time deposits.

The following table sets forth the deposit breakdown by currencies as at each of December 31, 2008, 2009 and 2010.

	As at December 31,		
	2008	**2009**	**2010**
Demand deposits	**9.2%**	**9.7%**	**8.8%**
Turkish Lira denominated	9.0%	8.9%	7.7%
Foreign currency denominated	9.4%	11.0%	12.1%
Time deposits	**90.8%**	**90.3%**	**91.2%**
Turkish Lira denominated	91.0%	91.1%	92.3%
Foreign currency denominated	90.6%	89.0%	87.9%
Total deposits[(1)]	**100.0%**	**100.0%**	**100.0%**
Turkish Lira denominated	56.7%	63.7%	74.9%
Foreign currency denominated	43.3%	36.3%	25.1%

(1) Total deposits includes customer deposits and due to other banks.

The following table sets forth the maturity profile of deposits as at each of December 31, 2008, 2009 and 2010.

	As at December 31,		Change	As at December 31,	Change
	2008	**2009**	**2008/2009**	**2010**	**2009/2010**
	(TL thousands)		(%)	(TL thousands)	(%)
Demand deposits	**1,809,648**	**1,944,283**	**7.4**	**2,216,145**	**14.0**
Turkish Lira denominated	1,003,792	1,140,445	13.6	1,450,033	27.1
Foreign currency denominated	805,856	803,838	(0.3)	766,112	(4.7)
Up to 1 month	**12,684,505**	**12,822,232**	**1.1**	**16,691,110**	**30.2**
Turkish Lira denominated	7,126,850	8,599,796	20.7	12,581,264	46.3
Foreign currency denominated	5,557,655	4,222,437	(24.0)	4,109,846	(2.7)
1 to 3 months	**4,709,349**	**3,987,961**	**(15.3)**	**5,905,998**	**48.1**
Turkish Lira denominated	2,823,886	2,986,953	5.8	4,597,740	53.9
Foreign currency denominated	1,885,463	1,001,008	(46.9)	1,308,257	30.7
3 to 12 months	**492,122**	**1,307,977**	**165.8**	**373,666**	**(71.4)**
Turkish Lira denominated	210,342	48,697	(76.8)	250,896	415.2
Foreign currency denominated	281,780	1,259,280	346.9	122,770	(90.3)
1 to 5 years	**11,802**	**33,657**	**185.2**	**27,177**	**(19.3)**
Turkish Lira denominated	10,170	17,585	72.9	17,476	(0.6)
Foreign currency denominated	1,632	16,071	884.7	9,701	(39.6)
Over 5 years	**10,101**	**—**	**(100.0)**	**—**	**—**
Turkish Lira denominated	156	—	(100.0)	—	—
Foreign currency-denominated	9,945	—	(100.0)	—	—
Total deposits[(1)]	**19,717,527**	**20,096,110**	**1.9**	**25,214,096**	**25.5**
Turkish Lira denominated	11,175,196	12,793,477	14.5	18,897,410	47.7
Foreign currency denominated	8,542,331	7,302,633	(14.5)	6,316,686	(13.5)

(1) Total deposits includes customer deposits and due to other banks.

Insurance Risk

The insurance policies issued by the Finansbank Group carry a degree of risk. The risk under any insurance policy is the possibility of the insured event resulting in a claim. By the very nature of an insurance policy, risk is based on fortuity and is therefore unpredictable.

The principal risk that the Finansbank Group may face under its insurance policies is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This could occur because the frequency or severity of claims is greater than estimated.

The above risk exposure is mitigated, to some extent, by diversification across a large portfolio of insurance policies. The variability of risks is also improved by the careful selection and implementation of the Finansbank Group's underwriting policy, reinsurance strategy and internal guidelines, within an overall risk management framework. Pricing is based on assumptions and statistics with regard to trends, current market conditions and past experience.

Reinsurance arrangements include proportional, optional facultative, excess of loss and catastrophic coverage.

Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people or systems or from external events.

Operational risk is managed based on a framework for identifying, measuring, monitoring and managing all risks within the scope of the definition of operational risk. Activity-based operational risks are identified through Risk Control Self Assessment and categorized by cause, event and effect categories as proposed by Basel II and action has been taken for severe risks. Operational loss data collection, which started in January 2005, continues to enable Finansbank to be compliant with Basel II Advanced Approaches. While loss data is accumulated to provide meaningful statistical data, business processes, where improvements are required, are defined based on the results. Finansbank's Operational Risk Committee defines necessary improvement actions.

The Business Continuity Management Plan, prepared in order to minimize losses due to business disruption, has been implemented. Comprehensive annual tests of Disaster Recovery Center are completed with the participation of business units and IT.

Model Validation

The Model Validation Unit is responsible for assessing the predictive ability of Finansbank's risk estimates and its use of ratings in credit processes. The unit's main goal is to attain the maximum benefit from the employment of these models while staying in compliance with regulatory requirements. Initial validations of credit cards, retail loans, and SME application and behavioral scorecards have been completed. Also the performances of existing scorecards are monitored. Moreover, the models of the treasury control unit and market risk management were examined and results were reported. The implementation of the IT and database infrastructure for periodic monitoring of the scorecard performances is ongoing.

Capital Adequacy

Overview

The Finansbank 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, off-balance sheet exposures, market and other risk positions. The Finansbank Group's total capital ratio is calculated by dividing its Tier I capital, which comprises its share capital, reserves, retained earnings and profit for the period for the current period, plus its Tier II capital, which comprises general provisions and secondary subordinated loans, by the aggregate of its risk-weighted assets, risk-weighted off-balance sheet exposures, market and other risk positions. See "Regulatory Framework – Capital Adequacy" for additional information.

The following table sets forth the Finansbank Group's consolidated capital adequacy ratios as at December 31, 2010, calculated based on the Statutory Financial Statements in accordance with the "Regulations on Measurement and Assessment of Capital Adequacy of Banks" issued by the BRSA.

	As at December 31, 2010
	(TL thousands)
Capital Adequacy	
Capital:	
Tier I capital	**5,036,795**
Tier II capital(1)	1,324,270
Total capital	6,361,065
Deductions(2)	(40,894)
Net total capital	**6,320,171**
Risk Weighted Assets (including market & operational risk)	**36,466,099**
Capital Adequacy Ratios:	
Tier I ratio	13.8%
Total capital ratio(3)	17.3%

(1) Revaluation reserve plus general provisions, foreign exchange differences and valuation of marketable securities.

(2) Loans to banks, financial institutions (domestic/foreign) or qualified shareholders in the form of secondary subordinated debts and debt instruments purchased from such parties qualified as primary or secondary subordinated debts and net book values of properties exceeding 50% of the capital and of assets acquired against overdue receivables and held for sale as per the Article 57 of the Banking Law but retained more than five years after foreclosure.

(3) Net total capital as a percentage of risk-weighted assets including market and operational risk.

The Finansbank Group maintains regulatory capital ratios on both a bank-only and consolidated basis in excess of the regulatory minimum required of 12%. The Finansbank Group's Tier I ratio and the total capital ratio were 13.8% and 17.3% as at December 31, 2010, 13.0% and 18.9% as at December 31, 2009 and 11.4% and 16.2% as at December 31, 2008, respectively.

Basel II Program

Finansbank's Basel II Program has been designed to comply with the requirements of Basel II and EU Directive on Capital Adequacy, while also significantly enhancing the risk management capabilities of the Bank and thereby delivering substantial business benefits across the organization. The scope of the program is focused on Finansbank and its subsidiaries, and is linked to other major projects undertaken by the Bank and the NBG Group. The program covers the period from January 2007 to mid-2012, consisting of 62 interdependent projects. Some of the projects within the program focus on implementation of risk-related software as well as risk strategy, policy revision and model developments. Out of these 62 projects, as at December 2010, 38 projects were completed, seven projects were in execution phase and 17 projects were in preliminary phase waiting for execution. As a result of these projects, Finansbank became Basel II advanced approaches compliant by 2008 in market risk, and aims to be compliant with advanced approaches by 2012 in retail portfolios in credit risk and by 2013 in operational risk.

See also Regulatory Framework – Capital Adequacy".

SELECTED STATISTICAL AND OTHER INFORMATION

Information included in this section, except where otherwise stated, relates to the Bank and its subsidiaries. The statistical information presented below has been derived from the IFRS Financial Statements. As used in this Selected Statistical and Other Information section, the term "average balances" means the average of the beginning and end period balances as presented in the IFRS Financial Statements.

Average Balances and Interest Rates

As used in this "Selected Statistical and Other Information" section, the term "average balances" means the average of the beginning and end of period balances, as presented in the IFRS Financial Statements.

	For the year ended December 31, 2008			For the year ended December 31, 2009			For the year ended December 31, 2010		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	(TL thousands, except percentages)								
Interest-earning assets from continuing operations									
Cash and balances with T.R. Central Bank	987,361	17,356	1.8%	1,421,962	3,693	0.3%	747,049	37,973	5.1%
Due from banks	809,933	108,794	13.4%	907,655	72,403	8.0%	1,050,437	35,653	3.4%
Securities[(1)]	3,807,312	655,484	17.2%	5,013,507	574,454	11.5%	6,382,698	406,232	6.4%
Loans and advances to customers, finance lease receivables and factoring receivables	17,720,109	3,246,388	18.3%	20,690,816	3,507,725	17.0%	24,949,334	3,549,043	14.2%
Allowance for impairment on loans and advances to customers, finance lease receivables and factoring receivables	(423,078)	—	—	(665,373)	—	—	(1,034,967)	—	—
Total interest-earning assets from continuing operations	**22,901,637**	**4,028,022**	**17.6%**	**27,368,567**	**4,158,275**	**15.2%**	**32,094,551**	**4,028,901**	**12.6%**
Non-interest-earning assets from continuing operations	**1,767,368**			**1,929,725**			**3,088,257**		
Assets from discontinued operations	**2,483,535**			**1,233,923**			**—**		
Total assets	**27,152,540**			**30,532,215**			**35,182,808**		
Interest-bearing liabilities from continuing operations									
Due to other banks	1,312,960	232,401	17.7%	1,501,057	129,579	8.6%	1,805,084	99,600	5.5%
Customers deposits	11,374,624	1,518,272	13.3%	14,895,358	1,281,082	8.6%	18,769,805	1,288,336	6.9%
Debt securities issued and funds borrowed	4,668,089	874,975	18.7%	4,678,892	733,418	15.7%	4,787,465	558,531	11.7%
Total interest-bearing liabilities from continuing operations	**17,355,673**	**2,625,648**	**15.1%**	**21,075,307**	**2,144,079**	**10.2%**	**25,362,354**	**1,946,467**	**7.7%**
Non-interest-bearing liabilities from continuing operations	**3,546,212**			**3,614,274**			**4,454,496**		
Liabilities from discontinued operations	**2,869,635**			**1,640,404**			**—**		
Total liabilities	**23,771,520**			**26,329,985**			**29,816,850**		

(1) Securities include (i) "Financial assets at fair value through profit or loss" and (ii) "Available for sale investments".

Analysis of Changes in Net Interest Income – Volume and Rate Analysis

The following tables analyze the change in interest income and interest expense (net interest income) attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective interest rates for the periods presented from the Finansbank Group's continuing operations. Amounts due to changes in volume have been calculated by multiplying the change in volume during the year times the average rate for the preceding year. Amounts due to changes in rates have been calculated by multiplying the change in the current year average rate times the volume of the current year. The net change attributable to changes in both volume and rate has been allocated proportionately to the change due to average volume and the change due to average rate. The changes are calculated on the basis of the average yearly balance sheets set forth in the preceding table. For further information on changes to net interest income, see "Operating and Financial Review – Results of Operations for the Years Ended December 31, 2008, 2009 and 2010".

	For the year ended December 31, 2009 vs. 2008			For the year ended December 31, 2010 vs. 2009		
	Total change in interest	**Due to change in volume**	**Due to change in rate**	**Total change in interest**	**Due to change in volume**	**Due to change in rate**
	(TL thousands)					
Interest-earning assets from continuing operations						
Cash and balances with T.R. Central Bank	(13,664)	66,032	(79,695)	34,280	(84,723)	119,003
Due from banks	(36,390)	14,848	(51,238)	(36,750)	17,924	(54,674)
Securities[(1)]	(81,030)	183,265	(264,295)	(168,222)	171,878	(340,100)
Loans and advances to customers	261,337	414,543	(153,207)	41,318	488,184	(446,866)
Total	**130,253**	**678,688**	**(548,435)**	**(129,374)**	**593,263**	**(722,637)**
Interest-bearing liabilities from continuing operations						
Due to other banks	(102,822)	19,136	(121,958)	(29,979)	23,333	(53,312)
Customers deposit	(237,190)	358,179	(595,369)	7,254	297,350	(290,096)
Debt securities issued and funds borrowed	(141,556)	1,099	(142,655)	(174,887)	8,332	(183,220)
Total	**(481,569)**	**378,414**	**(859,982)**	**(197,612)**	**329,015**	**(526,627)**

(1) Securities include (i) "Financial assets at fair value through profit or loss" and (ii) "Available for sale investments".

Interest-Earning Assets – Net Interest Margin

The following table sets forth the levels of average interest-earning assets and interest income and net interest income of the Finansbank Group and the net interest margin for each of the periods indicated. These data are derived from the table of average balances and interest rates above and are based upon information in the IFRS Financial Statements. For further information on changes to net interest income, see "Operating and Financial Review – Results of Operations for the Years Ended December 31, 2008, 2009 and 2010".

	For the year ended December 31,		
	2008	2009	2010
	(TL thousands, except percentages)		
Average interest-earning assets from continuing operations	22,901,637	27,368,567	32,094,551
Interest income	4,028,022	4,158,275	4,028,901
Average interest-bearing liabilities from continuing operations	17,355,673	21,075,307	25,362,354
Interest expense	2,625,648	2,144,079	1,946,467
Net interest income	1,402,374	2,014,196	2,082,434
Net interest margin(1)	6.1%	7.4%	6.5%

(1) Net interest margin represent net interest income divided by average interest-earning assets.

Interest-bearing Customer Deposits and Due to Other Banks

The following table sets forth certain information relating to interest-bearing customer deposits and amounts due to other banks for the periods indicated.

	As at December 31,		
	2008	2009	2010
	(TL thousands)		
TL	**615,304**	**119,155**	**1,317,963**
Foreign currency			
U.S. dollar	1,696,898	1,410,406	484,005
Euro	1,386,890	64,735	201,683
Other	4,033	—	12,221
Total foreign currency	**3,087,821**	**1,475,141**	**697,909**
Total	**3,703,125**	**1,594,296**	**2,015,872**

Return on Equity and Interest-earning Assets

The following table sets forth certain selected financial information and ratios related to equity and interest-earning assets.

	For the year ended December 31,		
	2008	2009	2010
	(TL thousands, except percentages)		
Net interest income	1,402,374	2,014,196	2,082,434
Profit for the year attributable to equity holders of the Parent	784,572	813,254	898,405
Average interest-earning assets from continuing operations	22,901,637	27,368,567	32,094,551
Average equity attributable to owners of the Parent(1)	3,151,819	3,979,268	5,219,568
Net interest income as a percent of:			
Average interest-earning assets from continuing operations	6.1%	7.4%	6.5%
Average equity attributable to Finansbank shareholders(1)	44.5%	50.6%	39.9%
Profit for the year attributable to equity holders of the Parent as a percent of:			
Average interest-earning assets from continuing operations	3.4%	3.0%	2.8%
Average equity attributable to owners of the Parent(1)	24.9%	20.5%	17.2%
Average equity attributable to owners of the Parent to average interest-earning assets	13.8%	14.5%	16.3%

(1) Average equity attributable to equity holders of the Parent is calculated as the arithmetical average of equity attributable to owners of the Parent at the beginning of the year and the end of the year.

Assets

Debt Securities Portfolio

As at December 31, 2010, the Finansbank Group's debt securities had a carrying value of TL 7,294.2 million, representing 18.4% of total assets. Sovereign securities (Turkish government bonds and treasury bills) amounted to TL 7,004.2 million, or 96.0% of the Finansbank Group's debt securities portfolio. Such investments are held in the available for sale and fair value through profit or loss portfolio; therefore the carrying value also represents the fair value as at each date.

The following table sets forth the carrying value of the Finansbank Group's debt securities portfolio as at each of December 31, 2008, 2009 and 2010.

	As at December 31,		
	2008	2009	2010
	(TL thousands)		
Turkish government bonds and Treasury bills	4,779,353	5,389,090	7,004,249
Corporate bonds	149,935	82,296	289,913
Total	**4,929,288**	**5,471,386**	**7,294,162**

Equity Securities and Mutual Funds Portfolio

The Finansbank Group's equity securities portfolio is comprised of both listed and non-listed equity securities. The following table sets forth the fair value of the Finansbank Group's equity securities and mutual funds portfolio as at each of December 31, 2008, 2009 and 2010.

	As at December 31,		
	2008	**2009**	**2010**
	(TL thousands)		
Listed equity securities	140,246	16,195	24,065
Non-listed equity securities	4,128	6,378	6,131
Mutual fund units	2,323	70,368	113,664
Total	146,697	92,941	143,860

The carrying amount of the Finansbank Group's portfolio of equity securities that are not listed is determined at cost.

As at December 31, 2010, the carrying amount of the Finansbank Group's debt securities by repricing date was as follows.

	Within one year or less	**After one year through five years**	**After five years**	**Total**
	(TL thousands)			
Financial assets at fair value through profit or loss[1]	140,857	40,778	8,544	190,179
Available-for-sale investment securities[2]	3,591,068	2,472,176	1,040,739	7,103,983
Total	**3,731,925**	**2,512,954**	**1,049,283**	**7,294,162**

(1) Financial assets at fair value through profit or loss do not include the equity securities and the mutual funds.

(2) Available-for-sale investment securities do not include the equity securities and the mutual funds.

Loans and Advances to Customers and Finance Lease Receivables

The Finansbank Group offers a wide range of credit instruments to entities and individuals, including letters of credit and short-term and long-term loans.

The following table provides details of loans and advances to customers made by the Finansbank Group, classified by type of loan and the borrower's principal economic activity, as at December 31, 2008, 2009 and 2010.

	As at December 31,					
	2008		2009		2010	
	Amounts	(%)	Amounts	(%)	Amounts	(%)
	(TL thousands, except percentages noted below)					
Private individuals[1]	9,818,418	48.6	12,287,281	62.6	16,388,044	62.7
Small scale industry[2]	1,282,814	6.4	942,444	4.8	1,273,414	4.9
Construction and real estate development[3]	1,009,223	5.0	558,295	2.8	532,768	2.0
Transportation and telecommunications	906,325	4.5	696,449	3.5	678,931	2.6
Tourism[4]	545,463	2.7	325,339	1.7	375,157	1.4
Factoring[5]	216,325	1.1	153,751	0.8	425,058	1.6
Trade and services (excl. tourism)[6]	2,111,059	10.5	1,899,543	9.7	2,523,482	9.6
Energy	301,951	1.5	73,910	0.4	153,519	0.6
Industry and mining[7]	2,509,726	12.4	1,752,789	8.9	2,352,147	9.0
Leasing[5]	83,984	0.4	12,041	0.1	42,660	0.2
Shipping[8]	9,481	—	771	—	3,591	—
Other[9]	1,387,838	6.9	933,974	4.8	1,403,914	5.4
Total loans and advances to customers	**20,182,607**	**100.0**	**19,636,587**	**100.0**	**26,152,685**	**100.0**

(1) Private individuals include mortgages, credit cards, auto-financing and other consumer loans.

(2) Small-scale industry loans are made to commercial ventures that generally employ fewer than 50 people and such a loan is secured by assets owned by the company or its shareholders.

(3) Construction and real estate development loans are made for large-scale infrastructure or commercial projects undertaken by private entities on their own behalf or on behalf of government public works offices. Construction loans for commercial projects are typically secured by mortgages.

(4) Tourism loans are made primarily to developers and operators of hotel and resort properties and secured by interests in those properties.

(5) Factoring and leasing loans include credit extensions to factoring and leasing companies.

(6) Trade and services (excl. tourism) loans are made to ventures which do not manufacture goods but import, export, distribute and sell goods. Such loans are typically secured by inventory or assets of the company's shareholders.

(7) Industry and mining loans include credit extensions primarily made to corporations involved in textile, food and beverage, chemical, and metals mining ventures. Such loans are generally secured by interests in the customers' real property and operating assets.

(8) Shipping loans are advanced primarily for shipbuilding and, to a lesser extent, shipyard construction and vessel acquisitions and are secured by interests in the vessels or other property and the future revenues generated by the vessels.

(9) In 2010, category "Other" is further detailed and classifications made from this category to "Trade and Services (excl. tourism)" and "Industry and mining".

The following table provides information relating to the composition of the Finansbank Group's finance lease receivables and as at December 31, 2008, 2009 and 2010.

	As at December 31,					
	2008		2009		2010	
	Amounts	(%)	Amounts	(%)	Amounts	(%)
	(TL thousands, except percentages)					
Small scale industry	910,773	71.8	688,106	71.7	641,052	69.8
Industry and mining	143,367	11.3	118,822	12.4	161,736	17.6
Construction and real estate development	34,269	2.7	29,002	3.0	33,784	3.7
Transportation and telecommunications	15,429	1.2	11,843	1.2	6,557	0.7
Trade and services (excl. tourism)	11,739	0.9	8,053	0.8	5,234	0.6
Tourism	1,432	0.1	2,117	0.2	940	0.1
Other	151,133	11.9	101,105	10.5	69,121	7.5
Total finance lease receivables	**1,268,142**	**100.0**	**959,048**	**100.0**	**918,424**	**100.0**

The following tables provide details of loans and advances to customers made by the Finansbank Group by maturity as well as the breakdown of domestic and foreign loans as at December 31, 2009 and 2010.

	As at December 31, 2009			
	Within one year or less	After one year through five years	After five years	Total
	(TL thousands)			
Domestic loans	15,179,424	4,906,878	364,280	20,450,582
Foreign loans	31,621	—	—	31,621
Total gross	**15,211,045**	**4,906,878**	**364,280**	**20,482,203**
Less: allowance for impairment on loans and advances to customers	(845,616)	—	—	(845,616)
Total loans and advances to customers	**14,365,429**	**4,906,878**	**364,280**	**19,636,587**

	As at December 31, 2010			
	Within one year or less	After one year through five years	After five years	Total
	(TL thousands)			
Domestic loans	18,791,018	7,019,973	1,407,366	27,218,357
Foreign loans	35,667			35,667
Total gross	**18,826,685**	**7,019,973**	**1,407,366**	**27,254,024**
Less: allowance for impairment on loans and advances to customers	(1,101,339)	—	—	(1,101,339)
Total loans and advances to customers	**17,725,346**	**7,019,973**	**1,407,366**	**26,152,685**

The following table sets forth the allocation of the Finansbank Group's loans and advances to customers, non-cash loans, finance lease receivables, factoring receivables and various securities as at the indicated dates.

	As at December 31,		
	2008	**2009**	**2010**
Loans and advances to customers	61.7%	59.8%	62.6%
Turkish Lira-denominated	42.3%	50.3%	53.8%
Foreign currency-denominated	19.4%	9.5%	8.8%
Non-cash loans(1)	16.7%	15.9%	14.4%
Turkish Lira-denominated	6.7%	6.9%	7.1%
Foreign currency-denominated	10.0%	9.0%	7.3%
Finance lease receivables	3.9%	2.9%	2.2%
Factoring receivables	—	0.1%	0.5%
Due from banks	2.2%	4.3%	2.4%
Turkish government securities	14.6%	16.4%	16.8%
Corporate securities	0.5%	0.3%	0.7%
Other securities	0.4%	0.3%	0.3%
Total	**100.0%**	**100.0%**	**100.0%**

(1) Non-cash loans include letters of guarantee, acceptance credits, letters of credits and other guarantees.

Credit Quality

Risk Management – Loan Approval Process

Finansbank's Board of Directors has the right to grant loans within the limits set by the Turkish Banking Law and may assign its credit granting authority to the Credit Committee and the Head Office for up to 10% and 1% of capital, respectively. The Head Office may use this credit granting authority in its units, regional offices and branches. Head Office and regions are currently empowered to approve exposures up to TL 49.5 million.

Loans between TL 49.5 million and TL 300.0 million are approved by the Credit Committee, which consists of the General Manager and four members of the Finansbank Board of Directors.

Extensions of credit in excess of TL 300.0 million are approved by the Board of Directors.

Risk Management – Credit Review Policies

Retail and SME Banking

Finansbank's retail loan and SME loan credit approval process requires a customer loan to be reviewed and approved by at least two authorized officers, in each case with requisite credit approval authority. Overall policies are set by the Board of Directors, as recommended by the Credit Committee. See also "Management – Board Committees". The following tables set forth the various authorities to allocate credit based on the size of credit.

Retail Loans and Credit Cards Limits

Credit approval required, based upon the size of credit – Retail loans	Lending limit TL
Board of Directors	Legal outstanding limits
	Up to 300,000,000
	Up to 300,000,000 – Cash Collateral
Credit Committee	Up to 300,000,000. – Gov. Bonds and T-Bills
	Up to 30,000,000
	Up to 50,000,000 – Cash Collateral
Head Office	Up to 50,000,000 – Gov. Bonds and T-Bills
	Up to 5,000,000
	Up to 30,000,000 – Cash Collateral
Coordinator of Retail Credits	Up to 30,000,000 – Gov. Bonds and T-Bills
	Up to 1,000,000
	Up to 3,000,000 – Cash Collateral
Senior Vice President of Retail Credits and Credit Cards	Up to 4,000,000 – Gov. Bonds and T-Bills
	Up to 750,000
	Up to 2,000,000 – Cash Collateral
Vice President of Retail Credits	Up to 3,000,000 – Gov. Bonds & T-Bills
	Up to 100,000
	Up to 500,000 – Secured
	Up to 2,000,000 – Cash Collateral
Assistant Vice President of Retail Credits	Up to 3,000,000 – Gov. Bonds and T-Bills
	Up to 10,000 – (Consumer / Installment / Overdraft)
	Up to 50,000 – (Auto / Commercial Auto Credits)
Supervisor/Assistant Supervisor of Retail Credits	Up to 100,000 – (Mortgage-Backed Credits)

Allocation Limits of Credit Cards	Lending limit TL
Vice President of Credit Cards	Up to 100,000 – Credit Card (Express Limit is excluded)
	Up to 2,000 – Overdraft / CardFinans Cash
	Up to 200,000. – Cash Collateral Credit Card
Assistant Vice President of Credit Cards	Up to 35,000 – Credit Card (Express Limit is excluded)
	Up to 2,000 – Overdraft / CardFinans Cash
	Up to 100,000 – Cash Collateral Credit Card
Supervisor of Credit Cards	Up to 25,000 Credit Card (Express Limit is excluded)
	Up to 2,000 – Cash Collateral
	Up to 25,000 – Gov. Bonds and T-Bills
Assistant Vice President of Credit Cards	Up to 7,500 – Credit Card (Express Limit is excluded)
	Up to 2,000 – Overdraft / CardFinans Cash
	Up to 10,000 – Cash Collateral Credit Card
Official of Credit Cards	Up to 3,500 – Credit Card (Express Limit is excluded)
	Up to 2,000 – Overdraft / CardFinans Cash
	Up to 5,000 – Cash Collateral Credit Card

SME Lending Limits

Credit approval required, based upon the size of credit	Lending limit TL
Board of Directors	Above 5,000,000
Coordinator of Retail Credits	Up to 5,000,000
Senior Vice President of SME Credits	Up to 3,000,000
Credit Region Manager	Up to 3,000,000
Credit Region Assistant Vice President	Up to 1,000,000
Credit Region Supervisor/Assistant Supervisor	Up to 190,000

Note: SME customers with annual revenues of over TL 2 million are part of Finansbank's SME II segment and SME customers with annual revenues of up to TL 2 million are part of the SME I segment.

In addition, the branches of Finansbank have limited authority to extend credits of up to TL 250,000 according to their credit extension capacities. Finansbank is also developing a system which would improve automatic evaluation systems and branch authorization systems. Under this new system, each branch manager would have a specific level of authorization based upon his or her level of experience and past performance.

Before extending credit, each loan application is assessed initially at the branch level. The analysis takes into consideration a number of criteria, including three years of financial statements of the potential SME borrower, standard credit ratios, levels of existing indebtedness, the prior relationship of the potential borrower with Finansbank, past credit history, various documentation relating to the operation of the potential borrower's business (*e.g.*, commercial registration certificates, specimen signatures, principal business contracts of the firm), quality of the proposed collateral (if any), and evidence of income, good health and personal statistics in the case of individual loans. In each case, the loan application form is then forwarded to the person(s) or committee with the appropriate approval authority. Loan authorities may revise the terms of the proposed credit or may request additional collateral before deciding whether to grant the credit. Decisions are also based, in the case of corporate borrowers, on industry sector reports and economic analysis prepared by Finansbank's Economic Research and Planning department and Credit Information and Financial Analysis department.

Finansbank's management regularly monitors the overall quality of its retail credit portfolio through its branches and the Loans Department. Credit follow-up procedures include monitoring maturity and the status of collateral received as well as any defaults on liabilities and commitments (*e.g.*, unpaid principal or interest, unpaid checks, protested drafts or bonds and unpaid commissions). In addition, the Loans Department reviews relevant governmental regulations and internal bank policies and reports to the relevant loan authorities or branches, on a periodic basis. The relevant loan authority and/or branches are then responsible for monitoring the credit to prevent borrower default. Finansbank supplements its monitoring process for corporate borrowers by conducting research by the Loans department, which prepares company and industry-specific reports. Loan officers also periodically visit their customers and the IAD periodically visits the branches to prepare reports about credit portfolios. If the Loans Department identifies a potential problem, then it makes information available, and gives instructions, to the relevant branch(es).

Finansbank seeks to minimize its credit risk by requiring customers to pledge collateral to secure payment. For less liquid collateral, such as real estate, a higher excess over principal value is required. For real estate mortgages, for example, Finansbank generally requires collateral in an amount equal to 200% of the value of principal and interest due over the term of the credit. If the extension of a mortgage or a new mortgage is requested, property securing the mortgage is independently appraised and revalued in view of fluctuations in the exchange rate between the Turkish Lira and certain foreign currencies, including the U.S. dollar and the euro. Finansbank typically seeks collateral that, as far as possible, matches the type of credit extended in terms of liquidity, maturity and the credibility of the customer. Collateral is classified according to a "collateral value table", which is an annex to the corporate credit policy. For each collateral, the loan-to-value ("**LTV**") ratio is determined. The LTV ratio may be taken as a reference value for the purpose of calculating Finansbank's secured and unsecured concentration ratios. The requested collateral should be in line with the credibility of the customer and tenor of the loan.

Corporate and Commercial Banking

Similarly to Finansbank's retail loan and SME loan approval process, the corporate and commercial loan credit approval process requires a customer loan to be reviewed and approved by at least two authorized officers, in each case with requisite credit approval authority.

The following table sets forth the various authorities to approve credit based on the size of credit.

Credit approval required, based upon the size of credit(1)	**Lending limit TL**
Board of Directors	Above 300,000,000
Corporate Credit Committee	Up to 300,000,000
General Manager and Chief Risk Officer	Up to 30,000,000
Executive Vice President of Corporate and Commercial Credits	Up to 20,000,000
Senior Vice President of Corporate and Commercial Credits Allocation Group	Up to 7,500,000
Vice President of Corporate and Commercial Credits Allocation Group	Up to 5,000,000
Assistant Vice President of Corporate and Commercial Credits Allocation Group	Up to 1,000,000

(1) Cash collateral and government bonds and securities limits can be allocated in addition to credit limits.

In addition, the commercial and corporate branches of Finansbank have been given the authority to extend credit within the limits set out by the Head Office in order to better serve Finansbank's customers in an increasingly competitive market. The credit committee of a branch is composed of at least two members: the Branch Manager, as permanent member (whose participation is obligatory), and the Marketing

Assistant Vice President/Supervisor. In the absence of either one of the members, alternative members can also be assigned.

Each credit application is assessed initially at the branch level before extending credit. The analysis takes into consideration a number of criteria, including three years of financial statements of potential borrowers, market intelligence, standard credit ratios, levels of existing indebtedness, the relationship of a potential borrower with Finansbank, if any, credit history, various operational documentation (*e.g.*, commercial registration certificates, specimen signatures, principal business contracts of the firm), the quality of the proposed collateral, if any, and evidence of income. After this stage, the credit application form is then forwarded to the person(s) or committee that has the authority to approve the credit. Credit authorities may revise the terms of the proposed loans or may request additional collateral before deciding whether to grant the loans or not. Decisions are also based, in the case of corporate borrowers, on industry sector reports and economic analysis prepared by the Sector Analysis department. Moreover, Finansbank has implemented Moody's Risk Rating Systems in order to improve its ability to assess and manage credit risk and to calculate capital requirements versus the credit risk.

Finansbank uses different credit risk rating systems for its portfolios. Credit risk rating systems are implemented to ensure reliable borrower rating and therefore optimum decision-making on credit policy-related matters.

Finansbank uses a Probability of Default ("**PD**") rating scale that contains twenty two grades, nineteen of which corresponds to borrowers who have not been in default and three to borrowers who are or have been in default in the past. This PD rating scale is in conformity with Group's and Moody's rating scale.

Different applications for credit, from the same customer, will be examined based on overall customer credit rating regardless of the form of credit.

This procedure is carried out on a regular basis, at least on a yearly basis, and whenever new information or financial data on the customer is available.

Finansbank's management regularly monitors the overall quality of its corporate and commercial loan portfolio through its branches and the Credit Department. Credit follow-up procedures include monitoring the tenor and the collateral status as well as any defaults on liabilities and commitments (*e.g*., unpaid principal or interest, unpaid checks, protested drafts or bonds and unpaid commissions).

To secure a healthy corporate and commercial loan portfolio, the Credit Department conducts research, prepares company and industry-specific reports; loan officers periodically visit their customers, the IAD periodically visits the branches to prepare reports on loan portfolios and the Credit Information and Financial Analysis Department prepares financial analyses on an annual basis and reviews the credit exposure of customers at other Turkish financial institutions and such customers' payment history every month, based upon information supplied to the Central Bank by these financial institutions. If the Credit Department identifies a potential problem, it informs the relevant branch(es) accordingly and takes the necessary actions.

Finansbank aims to minimize its credit risk by requiring customers to pledge collateral to secure the payment of credits. Collateral is classified according to a "collateral value table", which is an annex to the corporate credit policy. For each collateral, the LTV ratio is determined. The LTV ratio may be taken as a reference value for the purpose of calculating Finansbank's secured and unsecured concentration ratios. The requested collateral should be in line with the credibility of the customer and tenor of the loan.

Allowance for Impairment on Loans and Advances to Customers – Methodology

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

A loan (or group of loans) or finance lease receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan ("**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the loan (or group of loans) that can be reliably estimated.

An allowance for impairment loss on loans and advances to customers, finance lease receivables and factoring receivables is established if there is objective evidence that the Finansbank Group will be unable to collect all amounts due according to the original contractual terms. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Finansbank Group about the following loss events:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;

(c) the Finansbank Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

    (i) adverse changes in the payment status of borrowers; or

    (ii) national or local economic conditions that correlate with defaults on the assets in the group of financial assets.

The allowance for impairment loss on loans and advances to customers, finance lease receivables and factoring receivables is reported through the use of an allowance account on the balance sheet. Additions to allowance for impairment losses are made through Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables in the income statement.

The Finansbank Group assesses whether objective evidence of impairment exists individually for loans that are considered individually significant and individually or collectively for loans that are not considered individually significant.

If there is objective evidence that an impairment loss on loans and advances to customers, finance lease receivables and factoring receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted to the balance date. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Finansbank Group to reduce any differences between loss estimates and actual loss experience.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Loans and advances to customers, finance lease receivables and factoring receivables are grouped based on days in arrears or product type. Those characteristics are relevant to the estimation of future cash flows for pools of loans by being indicative of the debtors' ability to pay all amounts due and together with historical loss experience for loans with credit risk characteristics similar to those in the pool form the foundation of the loan loss allowance computation. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects and conditions in the historical period that do not currently exist.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in impairment losses on loans and advances, finance lease receivables and factoring receivables in the income statement.

A write-off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write-offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts previously written-off decrease the amount of the provision for impairment losses on loans and advances, finance lease receivables and factoring receivables in the income statement.

The following table illustrates the movement in the allowance for impairment on loans and advances to customers over the previous three years.

	For the year ended December 31,		
	2008	2009	2010
	(TL thousands)		
Balance at the beginning of the period	**(429,191)**	**(424,596)**	**(845,616)**
Impairment losses on loans and advances to customers	(213,255)	(463,107)	(264,165)
Loans written off	195,102	12,878	4,724
Unwinding of interest	20,918	19,328	3,718
Net impairment losses on loans from discontinued operations	1,830	—	—
Effect of disposed subsidiary	—	9,881	—
Balance at the end of the period	**(424,596)**	**(845,616)**	**(1,101,339)**

Key ratios related to the activity in Finansbank Group's allowance for impairment on loans and advances to customers for the previous three years to which Finansbank Group's loan impairment methodology was applied are as follows.

	For the year ended December 31,		
	2008	2009	2010
	(%)		
Non-performing loans to loans and advances to customers	3.2	6.5	6.1
Non-performing loans to loans and advances to customers and non-cash loans	2.5	5.2	5.0
Provisions coverage	64.1	63.0	66.8
Impairment on loans and advances to customers to total loans and advances to customers	2.1	4.1	4.0
Non-performing loans to total equity	17.6	29.0	27.1

Quality of Loans and Advances to Customers, Non-Performing Loans, Allowance for Impairment on Loans and Advances to Customers, and Loan Loss Experience

The tables below show loans and advances to customers of the Finansbank Group as at December 31, 2008, 2009 and 2010 based on IFRS 7 presentation requirements. Impaired loans and advances to customers are those loans for which impairment has been calculated either on an individual or collective basis. Therefore, they include loans and advances to customers which are not classified as non-performing loans.

	As at December 31, 2008				
	Corporate	Consumer	Credit cards	Mortgage	Total
	(TL thousands)				
Neither past due nor impaired	9,264,519	1,790,053	2,962,632	3,967,137	17,984,341
Past due but not impaired	117,423	253,542	519,691	351,637	1,242,293
Impaired – collective	717,719	73,160	154,944	22,810	968,633
Impaired – individual	411,936	—	—	—	411,936
Total gross	**10,511,597**	**2,116,755**	**3,637,267**	**4,341,584**	**20,607,203**
Less: Allowance for impairment on loans and advances to customers	(228,042)	(58,626)	(126,491)	(11,437)	(424,596)
Total loans and advances to customers	**10,283,555**	**2,058,129**	**3,510,776**	**4,330,147**	**20,182,607**

	As at December 31, 2009				
	Corporate	Consumer	Credit cards	Mortgage	Total
			(TL thousands)		
Neither past due nor impaired	6,482,531	2,214,775	3,809,862	4,656,879	17,164,047
Past due but not impaired	15,597	318,654	613,309	436,166	1,383,726
Impaired – collective	242,511	224,535	448,191	51,021	966,258
Impaired – individual	968,172	—	—	**—**	**968,172**
Total gross	**7,708,811**	**2,757,964**	**4,871,362**	**5,144,066**	**20,482,203**
Less: Allowance for impairment on loans and advances to customers	(402,126)	(139,211)	(283,058)	(21,221)	(845,616)
Total loans and advances to customers	**7,306,685**	**2,618,753**	**4,588,304**	**5,122,845**	**19,636,587**

	As at December 31, 2010				
	Corporate	Consumer	Credit cards	Mortgage	Total
			(TL thousands)		
Neither past due nor impaired	8,864,684	2,827,664	5,687,629	5,940,136	23,320,113
Past due but not impaired	147,080	364,420	683,793	538,357	1,733,650
Impaired – collective	523,567	322,388	647,212	54,577	1,547,744
Impaired – individual	652,517	—	—	—	652,517
Total gross	**10,187,848**	**3,514,472**	**7,018,634**	**6,533,070**	**27,254,024**
Less: Allowance for impairment on loans and advances to customers	(441,589)	(212,295)	(424,937)	(22,518)	(1,101,339)
Total loans and advances to customers	**9,746,259**	**3,302,177**	**6,593,697**	**6,510,552**	**26,152,685**

The tables below show ageing analysis of loans and advances to customers past due but not impaired and past due and collectively impaired for the Finansbank Group as at December 31, 2008, 2009, 2010.

	As at December 31, 2008			
	Less than 30 days	31 to 60 days	61 to 90 days	Total
		(TL thousands)		
Corporate	75,348	35,710	6,365	117,423
Consumer	151,268	67,719	34,555	253,542
Credit cards	278,209	160,657	80,825	519,691
Mortgage	220,769	91,280	39,588	351,637
Total	**725,594**	**355,366**	**161,333**	**1,242,293**

	As at December 31, 2009			
	Less than 30 days	31 to 60 days	61 to 90 days	Total
	(TL thousands)			
Corporate	13,575	1,412	610	15,597
Consumer	202,417	78,485	37,752	318,654
Credit cards	400,510	128,132	84,667	613,309
Mortgage	269,606	111,055	55,505	436,166
Total	**886,108**	**319,084**	**178,534**	**1,383,726**

	As at December 31, 2010			
	Less than 30 days	31 to 60 days	61 to 90 days	Total
	(TL thousands)			
Corporate	114,734	16,645	15,701	147,080
Consumer	236,982	87,875	39,563	364,420
Credit cards	532,964	110,208	40,621	683,793
Mortgage	305,638	143,788	88,931	538,357
Total	**1,190,318**	**358,516**	**184,816**	**1,733,650**

Treatment of Non-performing Loans

Finansbank classifies loans as non-performing if they are in arrears (principal and/or interest) for more than 90 days. Loans may be classified as non-performing earlier if deemed in default. Finansbank charges penalties on overdue interest in accordance with the terms of the relevant loan agreement. When overdue amounts are fully repaid, companies renew their balance sheet accruals.

Remedial management procedures are employed for loans falling under the non-performing loan category. Under these remedial procedures, the first action is to try to receive the amount from the customers by using alternative solutions, the second action is to recover the amounts due and to enforce or execute the collaterals through court orders. See "– Credit Quality – Risk Management – Credit Review Policies".

When a company is assessed to have only temporary financial problems but has the potential to successfully operate in the near future, it reschedules or restructures its non-performing loans in accordance with the BRSA regulation on the procedures and principles determining the qualifications of loans and other receivables by banks and the provisions to be taken. A restructuring depends on the assessment of the potential of the customer for the regular payment of loans in the future and the existing or additional collateral that the customer is ready to offer. Rescheduled loans remain classified in the same risk category for a period of approximately six months after rescheduling. After that period the rescheduled loans can be gradually upgraded to a higher category only if the customer consistently meets its obligations.

Historically, the Finansbank Group has, in accordance with its risk management policy, focused on recovering amounts due under non-performing loans through its own collection efforts and has not sold any of its non-performing loans to third parties. The Finansbank Group may, however, consider selling non-performing loans or non-performing loan portfolios in the future if it determines that the benefits of any such sale outweigh the benefits achieved through internal collection efforts.

The following table sets forth the amount of loans and advances to customers of the Finansbank Group which were non-performing, as at December 31, 2008, 2009 and 2010.

	As at December 31,		
	2008	**2009**	**2010**
	(TL thousands)		
Private individuals	256,647	723,748	1,024,177
Small scale industry	232,669	98,246	101,430
Construction and real estate development	45,520	49,512	56,899
Transportation and telecommunications (excl. shipping)	5,858	2,788	12,084
Tourism	28,200	36,683	36,906
Factoring	—	—	—
Trade and services (excl. tourism)	9,973	125,91	106,179
Energy	236	423	3
Industry and mining	14,819	136,723	133,670
Shipping	—	5,394	4,690
Professionals	27,815	253,318	261,385
Other	123,474	37,331	35,065
Total non-performing loans	**745,211**	**1,470,076**	**1,772,488**

(1) Small business loans are included in each sector of the commercial portfolio.

Allowance for Impairment on Loans and Advances to Customers and Write-offs of Non-Performing Loans

During 2009 and 2010, Finansbank wrote off TL 12.9 million and TL 4.7 million, respectively, in non-performing loans from its operations and made new provisions of TL 463.1 million and TL 264.2 million, respectively, with regards to its loans and advances to customers. The table below shows allowances for impairment on loans and advances to customers for the Finansbank Group by loan category for each of the years ended December 31, 2008, 2009 and 2010.

	For the year ended December 31,					
	2008		**2009**		**2010**	
	Amount	**%(1)**	**Amount**	**%(1)**	**Amount**	**%(1)**
	(TL thousands, except percentages)					
Allowance for impairment on loans to individuals						
Mortgages	11,437	2.7	21,221	2.5	22,518	2.0
Credit cards	126,491	29.8	283,058	33.5	424,937	38.6
Consumer loans and other	58,626	13.8	139,211	16.5	212,295	19.3
Total individuals	**196,554**	46.3	**443,490**	52.4	**659,750**	59.9
Corporates and professionals	228,042	53.7	402,126	47.6	441,589	40.1
Total	**424,596**	100.0	**845,616**	100.0	**1,101,339**	100.0

(1) Percentages represent the allowance for impairment in the respective category as a percent of the total allowance for impairment.

An analysis of the Finansbank Group's write-offs and recoveries for non-performing loans for the years ended December 31, 2008, 2009 and 2010 is presented in the following table.

	For the year ended December 31,					
	2008	**% of total**	**2009**	**% of total**	**2010**	**% of total**
	(TL thousands, except percentages)					
Write-offs						
Credit cards	73,817	37.8	12,300	95.5	1,918	40.6
Mortgage and consumer loans	18,695	9.6	21	0.2	284	6.0
Corporate loans	102,590	52.6	557	4.3	2,522	53.4
Total write-offs	**195,102**	**100.0**	**12,878**	**100.0**	**4,724**	**100.0**
Recoveries						
Credit cards	31,308	97.5	26,307	89.3	24,840	66.1
Mortgage and consumer loans	486	1.5	1,378	4.7	1,383	3.7
Corporate loans	321	1.0	1,765	6.0	11,356	30.2
Total recoveries	**32,115**	**100.0**	**29,450**	**100.0**	**37,579**	**100.0**

Liabilities

Deposits

The following table shows details of the Finansbank Group's average deposits and average interest rates thereon, for each of the three years ended December 31, 2008, 2009 and 2010.

	For the year ended December 31,					
	2008		**2009**		**2010**	
	Average balance[(1)]	**Average rate (%)**	**Average balance[(1)]**	**Average rate (%)**	**Average balance[(1)]**	**Average rate (%)**
	(TL thousands, except percentages)					
Group deposits						
Saving deposits[(2)]	646,491	—	702,810	—	786.744	—
Time deposits	12,610,399	12.8	15,371,791	9.0	18,744,813	7.3
Sight, current and other	1,153,612	16.6	1,103,175	8.5	1,282,314	6.9
Due to other banks	3,006,390	15.9	2,729,043	9.5	1.841.233	8.3
Total deposits	**17,416,892**		**19,906,819**		**22,655,103**	

(1) It is Finansbank's policy to calculate the average balances as the average of the account balances as at the end of each reporting period.

(2) Relates to non interest-bearing individual current and saving deposits.

THE BUSINESS OF THE FINANSBANK GROUP

General

Finansbank is a Turkish private commercial bank which provides banking services to retail, corporate and commercial and SME customers through a network of 502 branches, as at December 31, 2010, operating in major cities throughout Turkey. As at September 30, 2010, according to the most recent statistics published by the Banks Association of Turkey, Finansbank was ranked the fifth largest private bank in Turkey in terms of total assets, fifth in terms of profit before tax and fifth in terms of equity. Finansbank is a subsidiary of NBG, and NBG together with its subsidiaries and affiliates, is one of the leading financial groups in Greece and has a material presence internationally, particularly in southeastern Europe and the eastern Mediterranean. See "Share Capital and Ownership – National Bank of Greece".

Finansbank's branch network comprises 439 full-service branches, 16 corporate and commercial branches, one retail branch and 44 satellite and Easy Credit & Manhattan branches, located in 62 commercial centers in Turkey, mainly in Istanbul (199 branches), Izmir (39 branches), Ankara (55 branches) and Antalya (27 branches), in each case as at December 31, 2010. Finansbank also has one branch at the Atatürk Airport Free Trade Zone and one branch in Manama, Bahrain. The Finansbank Group, through its affiliates and subsidiaries, also maintains foreign banking, leasing, factoring, insurance and investment banking activities. As at December 31, 2010, the Finansbank Group had, on a consolidated basis, total assets of TL 39,580.1 million, total loans and advances to customers of TL 26,152.7 million and total equity of TL 6,099.0 million.

During the past 15 years, Finansbank has grown its branch network significantly in parallel with the expansion of its retail banking operations. All of Finansbank's 16 corporate banking branches include a retail banking unit; however, most branches are dedicated only to retail customers and are located primarily in upper-middle income residential areas. Since 1995, Finansbank has developed specially designed branches selling the full range of Finansbank's retail financial products dedicated exclusively to retail customers. In line with its growth strategy, Finansbank currently plans to open a total of 50 new branches in 2011 (including the new branches opened in 2011 prior to the date of this Offering Memorandum). Finansbank has also invested heavily in alternative delivery channels such as ATMs, internet banking and its call center. Finansbank's ATM network grew by 11.9% during the year of 2010 as the number of ATMs reached 1,574 as at December 31, 2010, compared with 1,406 ATMs as at December 31, 2009. Finansbank's call center, through which customers can contact Finansbank's operators for all of their banking needs (either by telephone or on-line and in real-time through the internet), is operational 24 hours a day, seven days a week.

Finansbank's goal is to maintain and strengthen its position among the leading private full-service banks in Turkey. The expansion of the Finansbank Group's banking operations has contributed to the growth in customer deposits as a proportion of total assets from 52.5% as at December 31, 2008 to 58.6% as at December 31, 2010, and Finansbank expects that retail banking operations will achieve an even greater importance over the coming years, particularly in light of its plans to continue the expansion of its branch network. Internationally, Finansbank expects to continue to support its branch in Bahrain and benefit from the synergies created within the NBG Group's international banks and branches in Albania, Bulgaria, Egypt, Cyprus, the former Yugoslav Republic of Macedonia, Romania, Serbia, South Africa and the United Kingdom. In order to fund longer maturities in its lending operation, Finansbank intends to increase its medium-term borrowings from banks and the international capital markets. Finansbank will continue to focus on borrowing in foreign currencies from international markets and on lending in foreign currencies and foreign currency indexed loans in Turkey.

Finansbank has two main business segments, namely retail banking and corporate and commercial banking:

- *Retail Banking.* Finansbank's retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits and investments, and insurance products. Finansbank's offerings to retail customers are divided into three main further sub-groups: private banking, which serves individuals with assets under management exceeding TL 500,000 through fully customized service offerings; the affluent segment, which serves individuals with assets under management between TL 75,000 and TL 500,000 offering features such as dedicated relationship managers, and a diverse set of banking and non-banking services and benefits; and the mass segment with more standardized offerings. Retail banking has been one of the principal drivers of Finansbank's growth during the past three years and Finansbank expects it to continue to maintain a central role in its strategy. Finansbank had approximately 8.5 million retail banking customers and the Finansbank Group had total outstanding retail loans of TL 16,406.4 million as at December 31, 2010.

- *Corporate and Commercial Banking (including SME).* Finansbank's corporate and commercial banking activities include trade finance, traditional lending, project finance, cash management, corporate syndication and secondary market transactions, deposit taking and the issuance of certificated debt instruments. Corporate and commercial banking was Finansbank's original focus area and now serves a large number and wide range of customers. Finansbank's SME banking activities consist primarily of revolving credit lines, installment loans, overdrafts, business housing loans and demand deposits. As one the first banks in Turkey to focus on SME banking, Finansbank started its SME banking operations at the beginning of 2003 to support Turkish SMEs, which Finansbank defines as small and medium-sized enterprises with an annual turnover of up to TL 10 million. Finansbank Group's corporate and commercial and SME banking operations had total loans and advances to customers of TL 9,746.3 million as at December 31, 2010.

History

Finansbank was founded in 1987 and its primary focus was originally to provide wholesale banking services to large Turkish corporations, in particular the financing of trade activities and working capital and the issuance of guarantees to and on behalf of large Turkish corporations. Finansbank also provided investment banking services, concentrating initially on the sale and trading of Treasury bills and debt and equity instruments and corporate finance advisory activities. Since 1987, Finansbank has significantly expanded the range of services that it offers to its corporate customers located in Turkey and abroad. As a provider of wholesale banking services, Finansbank initially operated through four offices (two in Istanbul and one each in Ankara and Izmir) until 1995.

In 1995, Finansbank made a strategic decision to expand its branch network, and to enter the retail banking sector, concentrating on upper-middle income individuals. At the same time, corporate banking activities were expanded geographically with the establishment of new branches in additional commercial centers. In January 1997, Finansbank's investment banking activities were transferred, in accordance with CMB regulations, to Finans Invest, a separate subsidiary established exclusively for that purpose. Finansbank had a 100% shareholding in Finans Invest as at December 31, 2010.

In June 1999, the Turkish and Bahraini banking authorities granted a banking license to allow Finansbank to establish a branch office in Manama, Bahrain. This branch office, which commenced operations in July 1999, allows Finansbank to capitalize on the tax advantages afforded by Bahrain and provides Finansbank with greater access to countries in the Persian Gulf region.

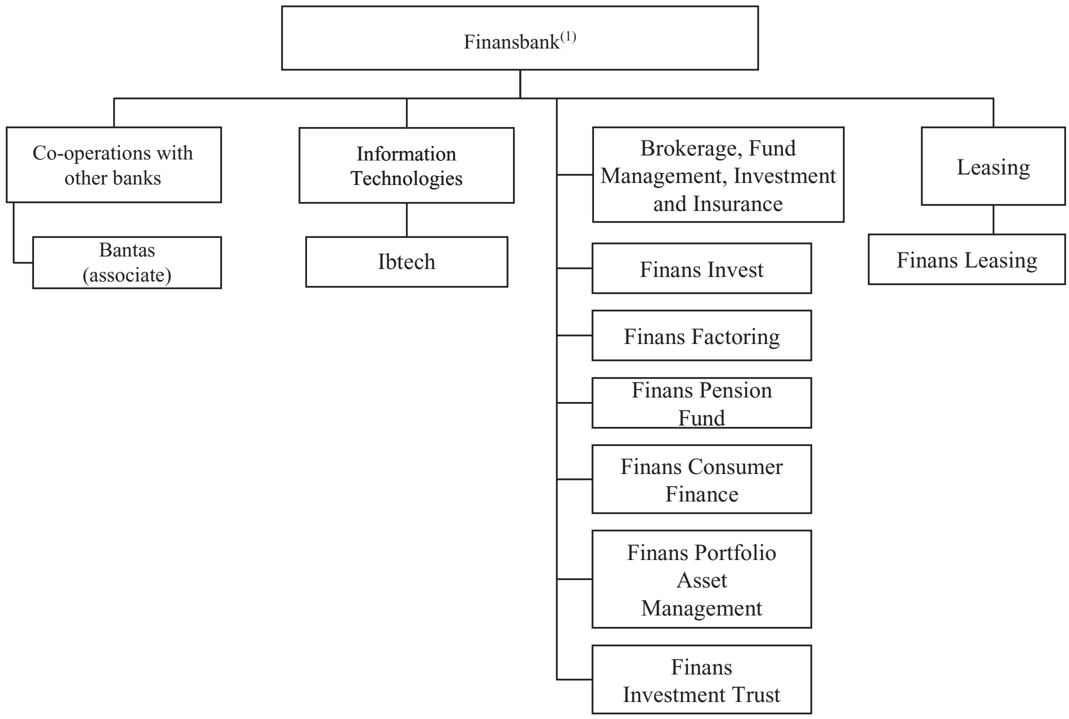
Following an offer process initiated by Fiba Holding, NBG acquired 46.00% of Finansbank's ordinary shares and 100% of its founder shares in August 2006. In January 2007, NBG acquired a further 43.44% of Finansbank's publicly held outstanding ordinary shares. In April 2007, following an agreement signed in January of the same year, NBG disposed of 5.00% of its Finansbank's ordinary shares to IFC. See also "Share Capital and Ownership – Agreements between NBG and IFC" for information about NBG's agreements with IFC. Following the mandatory tender offer and the sale of ordinary shares to IFC, NBG acquired a further 0.45% of the outstanding share capital of Finansbank over the course of February 2007 to December 2007.

In February 2009, Finansbank disposed of Finansbank Malta Holdings Limited (subsequently renamed NBG Bank Malta Limited) to the NBG Group.

Finansbank's ordinary shares were listed for the first time on the ISE on February 3, 1990. Finansbank undertook a secondary public offering on June 3, 1998 when Global Depositary Receipts, representing its ordinary shares, were listed on the London Stock Exchange. As at December 31, 2010, 94.80% of Finansbank's shares were owned by entities within the NBG Group (including all of the founder shares), 5.00% of Finansbank's shares were owned by IFC and 0.20% of Finansbank's shares were traded on the ISE.

Corporate Structure

The following chart shows the subsidiaries and associated companies of the Finansbank Group as at the date of this Offering Memorandum.



(1) Finansbank operates a foreign branch office in Manama, Bahrain.

Retail Banking

Overview

Finansbank's retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits and investment management, and insurance products. Income from Finansbank's retail banking activities includes net interest income from loans and advances to retail customers and deposits collected from individuals, as well as fee and commission income received from loan underwriting, asset management services, life insurance and property and casualty insurance products, credit and debit card-related services, settlements and cash-related transactions with or for individuals. Retail banking has been one of the principal drivers of Finansbank's growth during the past three years and Finansbank expects it to continue to maintain a central role in its strategy. As at December 31, 2010, Finansbank had approximately 8.5 million retail banking customers compared to 3.1 million as at December 31, 2008, and had total outstanding retail loans of TL 16,406.4 million.

Since entering the Turkish retail banking market in 1995, Finansbank has developed a network of modern branches that are designed to sell a full range of Finansbank's retail financial products dedicated exclusively to retail customers. Finansbank offers a full range of retail banking and related financial services through 484 of its universal branches, as at December 31, 2010. Finansbank's policy is to make all of its retail products available at all of its branches (excluding 32 consumer loan branches and four corporate centers) and have a retail customer representative or relationship manager in each branch. The branch network covers a geography representing over 98% of Turkish banking volumes in December 2010, and, according to the Banks Association of Turkey, is the most productive one in the market in terms of branch retail loan volumes with over TL 33.6 million of retail loans per retail branch as at December 31, 2010 even though it is the youngest network among peers with an average branch age of 5.8 years. Finansbank has made a strategic decision to expand its retail branch network by 50 locations during 2011 and continue to support the branch network with alternative distribution channels and alternative sales channels. The continuous expansion of the retail branch network has allowed Finansbank to organically grow its customer base. See also "– Branches".

Currently, Finansbank's goal for its retail banking operations is to become the bank of choice for individuals, providing fast, efficient and relationship-oriented services, addressing customer needs and differentiating its offerings so as to steer away from spread compression in the market. Finansbank both seeks to broaden its customer base and to improve its profitability per customer with a view to continuing the growth of its retail banking operations. In doing so, the key pillars of Finansbank's retail banking strategy are a dynamic sales network consisting of high productivity branches and what Finansbank believes are market-leading alternative sales and distribution channels, a marketing engine continuously deploying innovative products and campaigns, unparalleled customer and product analytics boosting both customer and product profitability, and state of the art risk management supporting healthy business growth. Finansbank targets a balanced retail lending business mix with higher exposure to higher margin operations such as consumer lending and credit cards and a more limited presence in less profitable, highly competitive businesses such as car loans. Finansbank also intends to continue to develop its mortgage operations and maintain a top four position in the market, which will help to balance its retail lending portfolio with a well-collateralized and stable product.

Finansbank's retail banking operations are divided into three main sub-groups; namely private banking, the affluent segment, and the mass segment. Private banking serves customers with assets under management exceeding TL 500,000 at the Bank. These customers are served through dedicated relationship managers in branches, and Private Banking centers across the country for their sophisticated financial services needs. They are provided with leading investment advisory services, advanced investment products, and fully customized service offering.

Affluent banking, branded as "Xclusive Banking", was launched at the beginning of 2009, and serves customers with assets under management between TL 75,000 and TL 500,000. The service offering to affluent banking customers is centered on dedicated relationship managers in branches supported by dedicated agents at the call center, offering a diverse and exhaustive set of banking and non-banking benefits. Given the focus of the segment towards higher income customers, the customers are provided with daily investment advisory and investment products targeted to the segment. For example, several capital guaranteed funds launched throughout 2009 and 2010 have mostly targeted these segment customers and have increased the assets under management of the segment, in addition to which Finansbank believes they have improved customer loyalty. As at December 31, 2010, the affluent segment had 128 customer representatives in 115 branches.

The mass segment is served through a more standardized product set and packaged offerings. Customer acquisition in the mass segment is mostly executed through consumer loan, credit card, mortgage sales and salary account relations. Although cross-sales at the point of acquisition are a key part of customer profitability improvement, strong central customer analytics driven portfolio management activities further boost customer profitability and retention. Such activities are executed by central outbound and inbound call center teams in addition to the branch sales efforts. Moreover, packaged offers designed for mass segment customers, such as the recently launched package which includes five retail banking products and was being sold at a rate of approximately 1,000 customers per day, help to improve additional product penetration to overall customer portfolio. Sub-segment programs such as the retiree package, the youth package and the salary-account package serve the same purpose while creating a good platform for customer communication. As at December 31, 2010 the mass segment had 1,370 customer representatives in 457 branches in addition to 32 consumer loan branches staffed with credit sales agents.

Products and Services

Retail Loans

The following table sets forth Finansbank's retail loans per category as at December 31, 2008, 2009 and 2010.

	As at December 31,		
	2008	**2009**	**2010**
	(TL thousands)		
Mortgages	4,330,147	5,122,845	6,510,552
Credit card loans	3,510,776	4,588,304	6,593,697
Personal need loans	1,170,029	1,712,552	2,602,527
Auto loans	502,759	371,989	240,544
Overdrafts and other loans	385,341	534,212	459,106
Total retail loans	**9,899,052**	**12,329,902**	**16,406,426**

Mortgages: Finansbank offers a large mortgage product portfolio covering mortgage loans of up to 180 months with a typical size between TL 30,000 and TL 80,000. Finansbank has pioneered a number of mortgage products in the Turkish market, including low installment mortgages, no commission mortgages and investment mortgages, and Finansbank was also the first bank in Turkey to initiate partnerships with real estate developers for mortgage sales during the construction phase.

As at December 31, 2010, Finansbank had outstanding mortgage loans of TL 6,510.6 million, which comprised 39.7% of Finansbank's total retail loan portfolio. Each of Finansbank's mortgage loans is secured with collateral having a value in excess of the loan. Finansbank had a 10.5% market share of the retail mortgage loan market in Turkey as at December 31, 2010, according to statistics published by the BRSA.

Credit card loans: Finansbank earns interest income on outstanding credit balances, transaction commissions from merchants, cash withdrawal fees, annual membership fees from cardholders and other service based fees such as insurance fees and payment fees. As at December 31, 2010, the number of credit cards issued by Finansbank exceeded 4.0 million, representing 8.5% of the total Turkish credit card market, according to statistics published by the BRSA, and the number of member merchants was 120,993. The number of point of sales ("**POS**") terminals of CardFinans reached 150,432 as at December 31, 2010, representing a 6.7% market share, according to statistics published by the BRSA.

Finansbank's total credit card loan portfolio was TL 6,593.7 million and represented 40.2% of Finansbank's total retail loan portfolio as at December 31, 2010.

Personal need loans: Personal need loans are used for a wide spectrum of needs ranging from instant cash needs, home refurbishments, financing vacations and education fees. Finansbank offers personal need loans through its retail branches and dedicated consumer loan branches. Customers can also apply for personal need loans using Finansbank's SMS based pre-assessment service that has been specifically developed for this product.

Finansbank's personal need loan portfolio was TL 2,602.5 million at December 31, 2010, an increase of 52.0% from December 31, 2009. Finansbank's market share in personal need loans in Turkey increased from 4.6% at the end of 2009 to 5.6% at the end of 2010, according to statistics published by the BRSA.

Auto loans: Finansbank's retail banking customers use 100% collateralized term loans to finance the acquisition of automobiles, with Finansbank providing car loans of up to 90% of the automobile's value for first-hand and up to 80% of the automobile's value for second-hand purchases. As at December 31, 2010, Finansbank had outstanding auto loans of TL 240.5 million, representing 1.5% of Finansbank's total retail loan portfolio. Finansbank's market share in Turkey for auto loans as at December 31, 2010 was 4.2%, according to statistics published by the BRSA.

Overdrafts and other loans: Finansbank uses overdrafts as an additional feature provided to debit card holders to access cash instantly and easily. Finansbank believes that strong marketing support and central analytics increased its market share in overdraft products from 7.5% in 2008 to 11.5% as at December 31, 2010 (the latest date for which such figures are available). Total outstanding overdraft and other loans as at December 31, 2010 was TL 459.1 million, representing 2.8% of Finansbank's total retail loan portfolio.

Retail Deposits and Investment Products

Finansbank offers demand, time deposits and investment products to its customers, and provides brokerage services and deals in treasury bills and equities on behalf of its customers. Finansbank also offers its customers the opportunity to invest in mutual funds managed by Finans Portfolio Asset Management. Additionally, the Finansbank Group, through its subsidiary Finans Pension Fund, offers life insurance and retirement income services to groups and individuals as well as bancassurance products.

Retail deposits: The following table sets forth Finansbank's retail deposits per category as at December 31, 2008, 2009 and 2010.

	As at December 31,		
	2008	**2009**	**2010**
	(TL thousands)		
Demand deposits	706,322	723,486	860,769
Time deposits	9,999,038	11,164,654	13,173,772
Total retail (individual) deposits	**10,705,360**	**11,888,140**	**14,034,541**

Finansbank held TL 860.8 million in retail customer demand deposit accounts maintained in Turkish Lira and foreign currencies as at December 31, 2010, which represented a market share of 2.4%, according to statistics published by the BRSA. Time deposits in Turkey have traditionally been placed for relatively short periods of time in light of the inflationary environment, though this is changing due to improved macroeconomic conditions. Finansbank's total retail customer time deposits as at December 31, 2010 amounted to TL 13,173.8 million. Finansbank's market share in time deposits was 4.4% as at December 31, 2010, according to statistics published by the BRSA.

Investment products: Mutual funds have been a growing focus area for Finansbank's retail banking business in a low interest rate environment due to higher returns compared to deposits, and more importantly, the fact that customers search for alternative investment products in a low-interest environment. Although growth in this product has not yet stabilized, Finansbank was able to improve its market share from 3.1% in 2009 to 3.5% in 2010, according to statistics published by the BRSA. Finansbank believes the growth was achieved through the successful launch of customer campaigns seeking long-term mutual fund investors, investment and fund advisory provided to relationship managers and customers, and the launch of various advanced investment products such as capital guaranteed funds. The Finansbank Group also offers its customers pension plans. In addition, the Finansbank Group offers its customers a wide range of insurance products such as life insurance, payment protection, health insurance, auto insurance, home insurance and travel insurance. The Finansbank Group expects bancassurance to be one of the key contributors to increasing profitability in the upcoming years with a specific program to be deployed in 2011.

Corporate and Commercial Banking

Overview

Products and services provided by Finansbank's Corporate and Commercial Banking Department include trade finance, corporate and commercial lending, project finance, key account management, corporate syndication and secondary market transactions, deposit taking and the issuance of certificated debt instruments. The primary sources of income of Finansbank's Corporate and Commercial Banking Department consist of interest income attributable to corporate and commercial loans, as well as commission income from letters of credit and guarantees.

The Corporate and Commercial Banking Department is the second largest of Finansbank's departments in terms of assets employed. As at December 31, 2010, the corporate and commercial banking department had a total credit and non-credit customer base of over 62,000 corporate and commercial companies, of which 12,856 companies had credit limits. As at the same date, Finansbank had total loans and advances to corporate and commercial customers of TL 5,411.9 million, representing 20.7% of total loans and advances to customers, and a non-cash loan portfolio (consisting primarily of letters of credit, guarantees and performance bonds) of TL 5,035.0 million, representing 83.4% of total non-cash loans.

With the expansion of its corporate and commercial branch network from seven branches as at December 31, 1995 to 74 branches (including eight corporate and 66 commercial branches) as at December 31, 2010, Finansbank has been able to provide banking services to a larger number and wider range of customers. The corporate branches report directly to Head Office, whereas commercial branches are supervised by the four regional management offices. Finansbank's corporate and commercial branch expansion strategy in Turkey has been to target areas outside of the major cities that Finansbank believes provide room for growth, often following the customers of its existing customers, who are also serviced by Finansbank's Retail Banking Department.

The Corporate and Commercial Banking Department is divided into two sub units: Corporate Marketing and Commercial Marketing. Finansbank's strategy for the Corporate Marketing unit is to focus on large-sized companies, such as large scale industrials, multinationals, state economic enterprises and Turkish subsidiaries of foreign corporations, particularly those with trade financing requirements. The Commercial Marketing unit focuses more on customers of high-rated, medium-sized enterprises, including sub-contractors, wholesale companies, distributor channels and local utility companies. To support the development of its corporate and commercial banking units, Finansbank established a new Key Account Management Group as a subdivision of the Corporate and Commercial Banking Department in the last quarter of 2008 to serve large conglomerates in Turkey. The Key Account Management Group currently focuses on 30 prime industrial groups.

Increasing the profitability of the Corporate and Commercial Banking Department remains a primary goal of Finansbank in this highly competitive market. In order to increase profitability, Finansbank intends to:

- increase the number of transactions (including increasing the number of customers and volumes with existing customers) through improved cross-selling;
- increase non-interest income;
- expand the transacting customer base;
- achieve better cross-sell through product industrialization;
- focus more on its cash management business; and
- increase the return on off-balance sheet items, including letters of credit, letters of guarantee and bankers' acceptances.

Finansbank expects to pursue these objectives through the opening of new branches, further targeting of new customers, the expansion of key current customer account portfolios and renewed overall focus on the trade finance business.

Products and Services

Loans and Advances to Customers and Non-cash Loans

Finansbank offers loan facilities predominantly in Turkish Lira, U.S. dollar and euro. Turkish Lira loans are generally short-term in nature, usually with maturities ranging from overnight to three months and an average maturity of between one and two months, and are principally for receivables financing. However, Finansbank also extends Turkish Lira loans with maturities between four and 12 months on a floating rate basis to finance working capital requirements. Finansbank has also introduced "Commercial Credits in the Form of Installments". These commercial credits are in essence Turkish Lira or foreign currency indexed installment loans with maturities of up to 24 months. Finansbank provides foreign currency loans with maturities of up to 12 months principally for financing exports from Turkey. Finansbank also extends longer term U.S. dollar facilities to corporate customers in Turkey for industrial and manufacturing investment purposes in different sectors and project financing. In relation to both its domestic and foreign operations, Finansbank provides non-cash facilities to the construction industry through letters of guarantee, bid bonds and through cash financing and the financing of receivables. By using conventional banking products as well as cash management products, and by applying competitive pricing, Finansbank aims to increase its market share in loans and advances to customers and non-cash loans.

As a major foreign currency generating industry, the contracting sector has been one of the focus sectors of corporate and commercial banking since the Bank's establishment. Loans to the contracting industry represented 11.5% in the Bank's total corporate and commercial loan portfolio as at December 31, 2010, followed by textile, fabrics, yarn (9.3%), food and beverage, tobacco (8.6%), iron and steel (7.7%) and finance (6.5%).

Corporate Finance and Syndication

Finansbank's Corporate Finance and Syndication Unit has the primary responsibility for arranging and/or participating in syndicated loans and club deals in the Turkish market. The unit prepares loan proposals and manages the Credit Committee approval process. Once loans are approved, legal documentation and disbursement phases as well as the bank to bank relations regarding corporate loans are managed by this unit. Throughout the maturity of all syndication loans, the unit performs the initial evaluation of all waiver/amendment requests, before passing them along to the Credits Department should any formal approval be required.

During the period between 2000 and 2010, Finansbank committed a total of TL 1,010.8 million in 13 primary and secondary corporate syndications with a total value of TL 10,217.8 million. During the same period, a total value of TL 860.2 million of Finansbank's total commitments of TL 1,010.8 million was utilized.

Cash Management

In addition to providing credit facilities to its corporate customers, Finansbank provides corporate cash management services to its corporate and commercial customers. Principal cash management services include direct debiting for payment of invoices, utility bills, social security and tax payments and providing foreign exchange and remittance services. Finansbank also has an online banking and cash management relationship (providing payroll and utility payment services) with more than 4,286 companies as at December 31, 2010. Finansbank regards cash management as an important part of its overall business and as an important element in its strategy to increase service-related revenues. As at the date of this Offering Memorandum, Finansbank is one of 24 banks in Turkey authorized to collect social security contributions on behalf of the Government from domestic corporate entities and businesses and is one of 25 banks in Turkey authorized to collect taxes on behalf of the Government from Finansbank's corporate customers.

Foreign Trade and Trade Finance

Finansbank's trade financing activities comprise pre-export financing, import financing and issuing, confirming and discounting letters of credit and letters of guarantee and avalizing and discounting drafts and promissory notes. Finansbank's trade finance activities are funded through correspondent bank facilities matched in terms of currency and maturity and through general term facilities. As at December 31, 2010, Finansbank had an international correspondent banking network of over 1,600 banks. Finansbank also participates in various export credit programs provided by overseas export credit agencies

Finansbank established the Trade Finance Unit in 2007 in order to increase Finansbank's market share and profitability in Turkey's foreign trade and to increase customer satisfaction and, as a result, customer loyalty. The Trade Finance Unit's duties include establishing marketing strategies, launching new trade finance products to meet the requirements of Finansbank's customers, developing tailor-made products for Finansbank's customers and reporting and analyzing the foreign trade volume and profitability of Finansbank. Additionally, the Trade Finance Unit has been working with the NBG Group's banking subsidiaries and branches to link both parties of a trade transaction in order to increase synergy within the NBG Group's banking subsidiaries and branches as well as to offer end-to-end advantages and solutions to Finansbank's customers.

Finansbank has consistently been one of the most active banks in Turkey for international trade and trade finance in terms of volume. In 2009, Finansbank handled a foreign trade financing volume totaling TL 15,876.1 million, which consisted of an import volume of TL 5,601.6 million and an export volume of TL 10,274.5 million. In 2010, Finansbank's foreign trade financing volume increased significantly to TL 20,794.9 million in total, composed of an import volume of TL 9,047.3 million and an export volume of TL 11,747.6 million.

Project Finance

During the past five years, there has been a growth trend in project finance transactions in Turkey. Finansbank believes that this trend will continue and it aims to increase its market share in this sector by providing long-term cash funding in cooperation with international project finance institutions and export credit agencies. As at December 31, 2010, the Finansbank Group had a TL 956.8 million loan portfolio in the field of project finance, covering industries such as construction, energy, shipbuilding, textiles and tourism.

Small Business Banking Department

Overview

Finansbank is one of the first banks in Turkey to focus on SME banking. Finansbank started its SME banking operations at the beginning of 2003 to support small business enterprises, which Finansbank defines as small- and medium-scale enterprises with an annual turnover of up to TL 10.0 million. As at December 31, 2010, Finansbank had 527,021 SME customers with at least one product. These SME customers included 438,413 SME customers with annual revenues less than TL 2.0 million (the SME I segment) and 88,608 SME customers with annual revenues between TL 2.0 million and TL 10.0 million (the SME II segment). As at December 31, 2010, Finansbank's Small Business Banking Department had 1,172 employees and operated through 376 branches.

As at December 31, 2010, the total loans and advances to customers and non-cash credits of Finansbank's Small Business Banking Department were TL 4,334.4 million and TL 832.5 million, respectively. As at December 31, 2010, the balance of savings deposits of the Small Business Banking Department was TL 3,267.1 million.

Products and Services

In addition to traditional banking products and services, Finansbank offers an extensive range of products and services to create financial resources for SMEs' specific needs, and during the history of its SME banking operations, Finansbank believes it has become known for its innovative SME products and services. For example, Finansbank launched a new business card for SMEs under the "VadeKart" brand at the beginning of 2010, which allows users to post-date their purchases for 3 months and offers a 12-month installment feature for any purchase. In 2010, more than 3,600 SMEs benefited from the consultancy services of "KobiFinans", Finansbank SME Banking's consultancy service with consultants of different expertise aiming to provide information and consultancy to SMEs on all business matters.

Finansbank supports SMEs by entering into agreements with various institutions. Finansbank became the first Turkish bank to sign a cooperation agreement with the European Investment Fund ("**EIF**") in March 2010. EIF and Finansbank have signed two guarantee agreements totaling TL 435.0 million under the Competitiveness and Innovation Framework Programme ("**CIP**"), which aim to help provide enhanced access to financing for Turkish start-ups and SMEs. Apart from EIF collateral, Finansbank also offers flexible payment options, longer repayment periods and suitable interest rates and discounts in some other products to customers which utilize loans under the CIP umbrella.

Finansbank is an equity owner in the Credit Guarantee Fund ("**CGF**") of Turkey and accepts CGF guarantees for SME loans up to TL 1.0 million. Finansbank also obtained a EUR 100.0 million loan from the European Investment Bank ("**EIB**") to offer long-term financing to SMEs. In 2009, Finansbank acted as an intermediary for Government support to SMEs and participated in the new credit support package of KOSGEB (Small and Medium Sized Industry Development Organization). Finansbank granted KOSGEB supported loans under this credit support package to over 3,300 customers with a total loan volume of TL 77.5 million. A second phase of KOSGEB credit support package totaling TL 2,500.0 million was introduced in November 2010.

Private Banking

Finansbank's Private Banking Department helps customers build and preserve their financial wealth through tailored investment strategies and offers its customers time deposits, mutual funds, emerging market bonds, domestic and international equities, government bonds, corporate bonds, currency exchange, forward contracts, futures, options and structured products. The Private Banking department also creates and implements mid- to long-term asset allocation within the context of each customer's particular risk tolerance. The Private Banking department serves investors with assets of more than TL 500,000 or the TL equivalent in one or more foreign currencies. The Private Banking department supports all of Finansbank's business lines (Retail, SME, Commercial and Corporate) in the Bank within a matrix structure and cooperates within Finans Portfolio Asset Management and Finans Invest to execute and advise clients' transactions. As at December 31, 2010, Finansbank Private Banking provided investment products and asset management services through eight private banking centers and 21 private banking corners located in Finansbank's branches in all major cities throughout Turkey. As at December 31, 2010, Finansbank Private Banking had TL 6,352.2 million in assets under management.

Cards Payments Systems

Finansbank offers a diverse range of credit cards under the umbrella brand name of "CardFinans", which is the main credit card brand of Finansbank. Finansbank believes that CardFinans appeals to different customer segments with its Classic, Gold, Platinum, ClubFinans (premium segment), GO (university segment) and VadeKart (commercial segment) brands as well as co-branded and affinity cards. CardFinans offers features such as installments, discounts and a customer loyalty program called "MoneyPoints" that provides cardholders the opportunity to earn and redeem points while shopping at vendor members. MoneyPoints can also be used to purchase airline tickets from any airline desired or bus tickets through the CardFinans Miles Program. The CardFinans SME Business Card addresses the particular needs of SMEs by offering an installment credit facility and a post-installment feature. Finansbank had issued 50,000 credit cards to SMEs as at December 31, 2010. VadeKart was launched in February 2010 with its postdating transaction, transaction installment, postdating statement, express limit and authorized card user group features to strengthen the position of CardFinans in SME business services. Finansbank launched Fix Card in May 2010 which offers installment, discount and MoneyPoint features with no annual fee charge. Finansbank had issued 296,307 Fix Cards as at December 31, 2010.

The Finansbank Group's total credit card loan portfolio less allowances for loan losses was TL 6,593.7 million and represented 25.2% of the Finansbank Group's total loan and advances to customers as at December 31, 2010. Finansbank Group's net fees and commissions from credit card operations amounted to TL 230.7 million as at December 31, 2010, or 8.2% of Finansbank Group's total operating income for that period. In addition, interest earned from credit card balances totaled TL 1,062.4 million for the year ended December 31, 2010, or 51.0% of Finansbank Group's total net interest income for the same year.

The following table sets forth the market shares of CardFinans in terms of balances outstanding and total sales for the periods indicated.

	For the year ended December 31,		
	2008	**2009**	**2010**
Outstanding balance	9.9%	11.9%	14.1%
Total sales	7.7%	8.1%	9.7%

Source: The Banks Association of Turkey.

As at December 31, 2010, the total number of credit cards issued by Finansbank exceeded 4.0 million, representing 8.5% of the total Turkish credit card market according to statistics published by the BRSA and the number of member merchants reached 120,993. Within the Turkish credit card market, Finansbank was the second largest Visa card issuer in terms of the number of cards issued, according to statistics published by the BRSA. The number of CardFinans commercial credit cards in issue was approximately 60,000 as at December 31, 2010, representing 6.3% of the total Turkish credit commercial card market. The number of POS terminals reached 150,432 representing a 6.7% market share as at December 31, 2010 according to statistics published by the BRSA.

Treasury Department

Finansbank's Treasury Department is one of the largest treasury operations in Turkey, employing 44 professionals as at December 31, 2010. The primary mission of the Treasury Department is to manage Finansbank's liquidity. The Treasury Department concentrates in key markets, namely money and currency markets, fixed income and derivative markets in Turkey and other countries. The Treasury Department also focuses on interest rate and exchange rate risks that Finansbank may face due to changes in the financial markets. These risks are managed according to the decisions taken by Finansbank's ALCO. Services provided by the Treasury Department include supplying prices in all instruments to local branches of Finansbank or selected customers of Finansbank, providing consulting services to international customers investing in domestic markets and providing risk management services to selected customers in Turkey.

The Treasury Department consists of six groups: the Research and Sales Group, the Foreign Exchange and Fixed Income Trading Group, the Derivatives Group, the Liquidity Group, the Balance Sheet Management Group and the Collateral Management and Risk Control Group.

Research and Sales Group: The Research and Sales Group is responsible for the pricing of all transactions through Finansbank's branches. In addition to conventional products, the sales desk offers customers and the branch network a wide range of derivatives and capital protected savings products. The research desk, apart from daily, weekly and quarterly reports published in both English and Turkish, supports marketing activities by attending customer conferences and provides support for the positioning of the Core Treasury.

Foreign Exchange and Fixed Income Trading Group: The Foreign Exchange and Fixed Income Trading Group engages in proprietary foreign exchange trading, including foreign exchange/Turkish Lira trading. The Foreign Exchange and Fixed Income Trading Group monitors both the local and international markets in order to benefit from currency movements. The Foreign Exchange and Fixed Income Trading Group is also active in the local currency fixed income markets.

Derivatives Group: The Derivatives Group offers pricing services on derivative products. This desk aims to price and trade all kinds of derivative instruments such as forwards, futures and options. The Derivatives Group keeps a volatility book within pre-defined and closely monitored risk metrics and makes prices in both currency and stock derivatives in local markets.

Liquidity Group: The Liquidity Group manages the short- and medium-term liquidity of Finansbank and determines the deposit rates up to one year. Responsibilities of the Liquidity Group also include managing the reserve requirement of the Bank, preparing liquidity projection reports up to one year and monitoring regulatory liquidity adequacy ratio.

Balance Sheet Management Group: The Balance Sheet Management Group is responsible for balance sheet risk management and funds transfer pricing. The Balance Sheet Management Group is responsible for executing the hedging strategy set by the ALCO and assessing potential exposures to risks in the balance sheet of Finansbank, especially credits and deposits, in terms of maturity and costs and evaluating developments in terms of risk and hedging. The Balance Sheet Management Group uses interest rate swaps, cross currency swaps, swaptions and other interest rate risk management instruments to hedge various types of exposures. The Balance Sheet Management Group is also responsible for determining deposit and loan pool rates in main currencies for all tenors in order to ensure fair profit sharing among business lines and realistic pricing in products.

Collateral Management and Risk Control Group: The Collateral Management and Risk Control Group monitors all open positions of customers and counterparties, calculates marked-to-market profit and losses, and manages the collateral requirements for these transactions.

Branches

As at December 31, 2010, Finansbank maintained a branch network of 502 branches, consisting of 439 full service branches, 16 corporate and commercial branches, one retail branch, 44 satellite and Easy Credit & Manhattan branches and one branch at the Atatürk International Airport Free Track Zone in Istanbul, as well as one branch in Bahrain. While all Finansbank's corporate banking branches include a retail banking unit, certain branches are now dedicated only to retail customers and are located primarily in upper-middle income residential areas. Finansbank estimates that its branch network, which is one of the most modern in Turkey, with an average age of 5.8 years as at December 31, 2010 and 60% of branches younger than five years, covered approximately 96% of Turkish GDP and 98% of banking transactions in December 2010, in terms of geographic coverage of its branches.

The continuous expansion of the branch network, in particular the number of retail branches, has allowed Finansbank to organically grow its customer base. The following table sets forth information relating to Finansbank's branch network and customer growth for the periods indicated.

	As at December 31,		
	2008	**2009**	**2010**
Total number of branches	458	461	502
of which retail branches	343	357	484
Approximate number of retail customers	4,851,707	6,200,565	8,539,376

Finansbank believes that it has developed a branch expansion strategy that has resulted in a branch network that is both productive and efficient. As at December 31, 2010, Finansbank's retail branches had an average of TL 33.6 million of retail loans. The average time it takes for a branch to become profitable is approximately 12 months.

Finansbank expects the reach of its branches to become even broader in connection with the significant ongoing expansion of its branch network. Finansbank currently plans to open a total of 50 new branches in 2011 (including the new branches opened in 2011 prior to the date of this Offering Memorandum). Finansbank's strategy for determining the location of new branches is based on an analysis of economic activity in a given area, to find locations with high growth potential, particularly for retail and SME customers, rather than a strategy based strictly on geographic expansion.

Alternative Distribution Channels

In line with its strategy of offering customers a high level of service, Finansbank uses a variety of alternative distribution channels to reach customers, including ATMs, POS terminals, internet banking and the 24-hour call center. In addition to providing its customers with easy and quick access to banking services, the use of alternative distribution channels contributes to significant cost savings as a result of reduced overhead. As at December 31, 2010, 75.0% of Finansbank's customer banking transactions was effected through alternative distribution channels.

Automated banking is an integral part of Finansbank's branch network, and as at December 31, 2010, retail banking customers had access to 1,574 Nakit24 and Nakit24 Ekstra (cash placement compatible) proprietary ATMs and access to the ATMs of 26 Turkish banks throughout Turkey which are available to its customers through the shared ATM network. Finansbank promotes all of its banking products and services over the internet through various websites. In 2010, the number of unique visitors for corporate web site (www.finansbank.com.tr) was approximately 12.7 million.

The table below illustrates Finansbank's position in terms of ATM network internet banking as well as customers as at and for the periods indicated.

	As at and for the year ended December 31,		
	2008	**2009**	**2010**
ATMs			
Number of ATMs	1,217	1,406	1,574
Number of ATM transactions per period	67,586,919	93,038,716	117,289,591
Market share (no. of ATM machines)	5.49%	5.91%	5.70%
Internet			
Number of customers (total users)	910,601	1,183,095	1,404,842
Number of transactions per month	5,802,077	7,441,633	10,023,256

Source: Interbank Card Center.

As part of its credit card services, Finansbank operates a network of POS terminals (a total of 150,432 as at December 31, 2010) that are located at the premises of enterprises that are members of this network. As at December 31, 2010, approximately 105,231 member merchants used Finansbank's POS terminals. As at the date of this Offering Memorandum, Finansbank's POS terminals accept Visa and MasterCard debit and credit cards.

Finansbank's call center is operational 24 hours a day, seven days a week. Customers can contact Finansbank's operators for all their banking needs either by telephone or on-line and in real-time through the internet. As at December 31, 2010, the call center employed 867 consumer consultants who comprised two groups: telemarketing and inbound calls. Finansbank was the first Turkish bank to provide on-line chat and call-me-back facilities through its call center. Services available through the call center include opening accounts and adding funds to accounts, funds transfers, bill payments, foreign currency transactions and information requests.

Subsidiaries and Affiliated Companies

The following table gives details as at December 31, 2010 for each company in which Finansbank has a material equity interest.

Entity	Business	Commenced operations	Percentage held
Subsidiaries			
Finans Leasing	Leasing	1990	64.32%
Finans Factoring	Factoring	2009	99.99%
Finans Invest	Brokerage	1997	100.00%
Finans Portfolio Asset Management	Asset management	2000	100.00%
Finans Investment Trust	Investment trust	1995	70.28%
Finans Consumer Finance	Consumer finance	2008	99.99%
Finans Pension Fund	Pension	2007	99.99%
Ibtech	Information technology	2005	99.91%
Affiliated			
Bantas	Cash delivery	2009	33.33%

In the analysis that follows of Finansbank's subsidiaries' business, all amounts are before elimination of intercompany transactions and balances with the rest of the Finansbank Group.

Finans Leasing

Finans Leasing was established in 1990 and is listed on the ISE. As at December 31, 2010 Finans Leasing ranked third in the leasing sector in Turkey, with a total business volume representing a market share of 9.7%, according to the Turkish Leasing Association. Finans Leasing has a lease portfolio that is diversified across several industries, with its finance lease receivables distributed as at December 31, 2010 as follows: textile 16.1%, building and construction 15.9%, manufacturing 14.2%, health and social activities 12.2%, metal 7.3%, agriculture, hunting and forestry 5.8%, printing 5.6% and mining and quarrying 5.4%. As at December 31, 2010, the total assets of Finans Leasing were TL 1,607.4 million and its profit for the year in 2010 was TL 37.0 million.

On August 13, 2010, Finansbank concluded its tender offer for the disposal of Finans Leasing. As a result of the tender offer, NBG acquired 27.3% of the share capital of Finans Leasing for TL 81.7 million. As at the date of this Offering Memorandum, members of the NBG Group together own 94.1% of Finans Leasing.

To take advantage of certain regulatory benefits derivable from the full ownership of a leasing subsidiary, Finansbank may consider acquiring the 29.87% of the share capital of Finans Leasing currently owned by NBG S.A. at market prices as stated in CMB regulations.

Finans Factoring

Finans Factoring was established in 2009. As at December 31, 2010, the total assets of Finans Factoring amounted to TL 265.4 million and its profit for the year in 2010 was TL 2.5 million. As at December 31, 2010, total factoring receivables of Finans Factoring amounted to TL 221.1 million compared to TL 37.1 million as at December 31, 2009. The distribution of factoring receivables by industry as at December 31, 2010 was as follows: building and construction 23.0%, tourism 16.2%, textile 9.6%, fabricated structural metal manufacturing 5.2%, chemical 4.4%, and food 5.0%.

Finans Invest

Finans Invest was established in December 1996 and began operations in January 1997. As an intermediary institution, Finans Invest provides a wide range of financial services to both individual and institutional investors, including investment counseling and brokerage services, portfolio management, intermediation of derivatives, short-selling and credit sale of capital markets instruments, fund investment services and corporate finance and international investment services. Under the Capital Markets Law, the activities of intermediary institutions are subject to respective licenses issued by CMB for a specific activity under the name of the intermediary institution. Currently, Finans Invest is duly licensed for all capital markets activities. The company ranked fourth by volume of stocks traded on the ISE with a 4.54% market share, according to a breakdown of stock market transactions by ISE members, in 2010. As at December 31, 2010, the total assets of Finans Invest were TL 208.8 million and its profit for the year in 2010 was TL 15.4 million.

Finans Portfolio Asset Management

Finans Portfolio Asset Management, established in September 2000, manages seven exchange traded funds, 10 mutual funds, seven principal protected funds, three absolute return funds, five pension funds, two funds of funds and one closed-end fund, in each case as at December 31, 2010. Finans Portfolio Asset Management also manages discretionary portfolios for high net worth individuals and selected institutional customers. As at December 31, 2010, the total assets of Finans Portfolio Asset Management amounted to TL 19.5 million and profit for the year in 2010 was TL 7.4 million. Finansbank and Finans Portfolio Asset Management introduced seven principal protected funds and one exchange-traded fund in 2010. According to Rasyonet Bilgisayar Yazılım ve Danışmanlık Ltd., Finans Portfolio Asset Management's market share in mutual funds was 3.5% as at December 31, 2010 and the company's assets under management were TL 1,372 million.

Finans Investment Trust

Finans Investment Trust, established in 1995, is a closed-end investment company, managing portfolios composed of capital and money market instruments. Its shares have been traded on the ISE since 1996 and currently approximately 90% of its shares are publicly traded. Finans Investment Trust's total assets amounted to TL 20.5 million as at December 31, 2010 and its profit for the year in 2010 was TL 0.7 million.

Finans Consumer Finance

Finans Consumer Finance was established in 2008. Finans Consumer Finance's primary focus is to provide loans to consumers at the point of sale. Finans Consumer Finance received its BRSA audit approval in October 2009, and in September 2010 allocated its first loans to activate the license to operate in the Turkish market among 10 other consumer finance companies. Finans Consumer Finance aims to provide market share support to the Finansbank Group with lower risk customer loans where only the actual purchase of services or goods can be financed at points of sale with partnership agreements. As at December 31, 2010, the total assets of Finans Consumer Finance amounted to TL 3.1 million.

Finans Pension Fund

Finans Pension Fund was established in 2007. Finans Pension's operations include providing life insurance and retirement income services to groups and individuals, establishing pension mutual funds and conducting private pensions and annuity insurance businesses. Finans Pension Fund started operating in the life and accident insurance market in 2007 and in the private pension market in 2008, in each case after obtaining the requisite licenses and Government approvals. As at December 31, 2010, Finans Pension Fund had established five pension mutual funds. As at December 31, 2010, the total assets of Finans Pension Fund reached TL 109.1 million and its profit for the year in 2010 was TL 9.5 million.

Ibtech

Ibtech was established in 2005. Ibtech is 99.91% owned by Finansbank and is located in Istanbul. Ibtech's focus is to provide designs and enhancements for software such as Core Banking (Core Finans), credit cards and, internet banking and to develop applications for the use of the Bank. As at December 31, 2010, the total assets of Ibtech amounted to TL 21.5 million.

Bantas

Bantas was established in 2009. Bantas is 33.33% owned by Finansbank and is located in Istanbul. Bantas securely carries assets between branches and cash centers and gives ATM cash support. As at December 31, 2010, the total assets of Bantas amounted to TL 15.5 million.

Intellectual Property

Finansbank's operations are not, to any significant extent (other than for the purposes of brand recognition and value), dependent on any specific intellectual property right. Finansbank seeks to protect the trademarks and trade names that it deems necessary for its operations, and Finansbank believes that these rights are sufficiently protected.

Insurance

Finansbank has a world-wide Bankers Blanket Bond Insurance Policy for Finansbank's operations in Turkey and Bahrain. The insurance policy covers cash assets, assets (including cash) in transit, ATMs and safe deposit boxes, as well as corrupt practices on the part of Finansbank employees or use or abuse of Finansbank's resources for their own benefit. Third-party fraud, particularly relating to internet banking, electronic funds transfer, securities trading and custody is also covered. Finansbank's automated systems are insured against damage caused by electronic viruses. Furthermore, new branch offices are insured automatically from their date of establishment. Finansbank's management believes that the amount of insurance coverage that is presently maintained represents the appropriate level of coverage required to insure the business of the Finansbank Group. For information on deposit insurance protection, see "Regulatory Framework – Savings Deposit Insurance Fund".

Competition

Finansbank competes with other banks, financial services firms and a wide range of insurance companies in providing banking, mutual fund, capital markets and advisory services and financial and insurance products. As at December 31, 2010, 45 banks were operating in Turkey, 32 of which were deposit banks and 13 of which were investment and development banks. Of the deposit banks operating in Turkey, three are state banks, 11 are private domestic banks and 17 are private foreign banks. One deposit bank is under the supervision of the Turkish Savings Deposit Insurance Fund (the "**SDIF**"). There are also four "special finance institutions" (participation banks) in Turkey that conduct their business under different legislation in accordance with Islamic banking principles. Finansbank is not a significant operator in any of the international markets in which it has a presence or a branch (such as Bahrain).

For more information regarding Finansbank competitors, see "The Turkish Banking Market". See also "Risk Factors – Risks Relating to the Finansbank Group – The Finansbank Group faces intense competition in the Turkish banking sector against private banks and Government-owned financial institutions".

Legal Proceedings

Finansbank and its subsidiaries are defendants in certain claims and legal actions arising in the ordinary course of business. Other than the Competition Board Investigation described below, the Finansbank Group is currently not involved in any litigation, arbitration or other administrative proceedings which, if decided against Finansbank or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on its business, results of operations or financial condition. There are no material proceedings pending in which any director of the Bank, any member of its senior management, or any of the Bank's affiliates is either a party adverse to the Bank or any of its subsidiaries or has a material interest adverse to the Bank or any of its subsidiaries. As at December 31, 2010, the Finansbank Group has made provisions for litigation of TL 14.1 million.

Competition Board Investigation

In August 2009, the Turkish Competition Board announced that it had initiated an investigation into eight major Turkish banks, including Finansbank, in response to allegations that the banks had violated Law No. 4054 on the Protection of Competition (the "**Competition Law**") by acting together in wage tenders organized by public and private entities in order to avoid competitive promotional discounts and benefits offered to such public entities during the tender process.

On August 19, 2010, the Competition Board experts prepared a report concluding that the banks' actions constituted a violation of the Competition Law. The report proposed that Finansbank should be subject to an administrative fine corresponding to 0.3% and 0.8% of its annual gross income for the violation of the relevant articles of the Competition Law. On March 8, 2011, the Competition Board announced that, following the completion of its investigation, Finansbank was issued an administrative fine corresponding to approximately 0.3% of its annual gross income for the year ended December 31, 2010. The amount of the administrative fine was TL 7,863,921. From the eight major Turkish banks subject to the Competition Board's investigation, five were issued administrative fines corresponding to approximately 0.4% of their annual gross income, two (including Finansbank) were issued administrative fines corresponding to approximately 0.3% of their annual income, while one bank was not subject to any administrative fines. Finansbank will evaluate whether to appeal such fine to the Council of State following its receipt of the official written decree from the Turkish Competition Board. 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 collection of administrative fines. Accordingly, Finansbank will be obligated to pay the administrative fine within one month of its receipt of the official written decree.

Information Technology

Finansbank makes use of the most recent and innovative technologies, which it believes enables it to provide customers with the best service quality and product diversity. Finansbank believes that innovation and utilization of technology support Finansbank's long-term strategic direction, help accelerate innovation and expand customer base and satisfaction. Finansbank expects to continue to invest in information technology in order to keep and strengthen its competitive position in the sector and increase stockholder value. Finansbank also operates modern primary and disaster recovery centers, which serve its banking operations and are continuously improved in terms of capacity and cost efficiency.

Finansbank's competitive strategy includes the continuous development of its information technology systems both for external applications, such as ATMs and on-line banking, and to facilitate Finansbank's internal procedures. A significant number of projects and infrastructure investments have been carried out to support this approach. Finansbank's investments in technology were TL 25.9 million in 2008, TL 52.3 million in 2009 and TL 42.9 million in 2010. Finansbank's information technology budget for 2011 is TL 50.0 million.

Finansbank utilizes CoreFinans, a core-banking application which is an all-inclusive in-house developed application. CoreFinans has been continuously enhanced with new functionality since it went live in 2002. With its service oriented architecture, CoreFinans provides flexibility, scalability, ease of use, ease of integration and measurability which are vital ingredients for Finansbank's operations. In addition to the core-banking application, Finansbank's information technology team develops and maintains alternative delivery channel applications, encapsulated with customer data management and infrastructure layers.

Over the past few years, Finansbank has carried out several focus projects on banking delivery channels. For the call center, infrastructure projects were initiated at the beginning of 2007 and completed by the beginning of 2010. One of these projects includes setting up multisite call centers located in the cities of Istanbul, Ankara and Erzurum. In recent years, Finansbank has also implemented several projects focused on building long-term relationships with banking customers.

In May 2005, Finansbank established Ibtech, an information technology specialist subsidiary. Ibtech is the only bank information technology firm accredited to be located in the Technology Innovation Zone situated at Kocaeli, where it operates under a 45-year lease from the Turkish State authorities with a special operating license. Ibtech's location in the Technology Innovation Zone enables it to exchange know-how with Government institutions. As at December 31, 2010, Ibtech had 536 full time employees, all with know-how in banking technology. See also " – Subsidiaries and Affiliated Companies".

Employees

Finansbank places a high priority on recruiting the highest quality staff and regards its staff as its most significant resource. Both university graduates and, where appropriate, people entering laterally from other institutions are hired, particularly in the event where staff of a new local branch may be recruited from other banks to provide local area expertise. Finansbank also aims to provide a high level of training that is both role-oriented and designed to develop certain skills and promote a coherent, unified corporate culture. Finansbank believes that Finansbank's training programs are among the best in the Turkish banking sector. Finansbank aims to compensate its employees competitively and operates a performance-driven premium and year-end success bonus system.

The Bank's employee base has continued to grow over the past years as the branch network has grown. As at December 31, 2010, Finansbank employed 11,734 persons, of whom approximately 56% served in one of Finansbank's 502 branches.

The following table sets forth the number of employees of Finansbank by operation as at each of December 31, 2008, 2009 and 2010.

	As at December 31,		
Finansbank by operation	**2008**	**2009**	**2010**
Head Office	3,448	3,541	3,982
Branches	5,722	5,728	6,608
Alternative sales channels	576	620	874
Regional offices	240	218	270
Total for Finansbank	**9,986**	**10,107**	**11,734**

Additionally, Finansbank's subsidiaries employed 1,067 employees as at December 31, 2010.

Finansbank operates a recruitment, career and management trainee program compatible with the Bank's short- and long-term strategies. Finansbank places a high priority on ensuring that its employees have the appropriate educational experience for a career at Finansbank and has placed particular emphasis on hiring university graduates. As at December 31, 2010, more than 87% of career Group employees had associate degrees or above. As at December 31, 2010, Finansbank's employees had an average of 6.20 years of banking experience, an average seniority at Finansbank of 4.28 years and an average age of 31 years. Finansbank believes that its relations with its employees are good.

Property

Finansbank's principal properties, including its head office, are located primarily in three areas of Istanbul: Buyukdere, Ümraniye and Polat. Finansbank's other material properties are in five other Turkish cities: Adana, Bursa, Erzurum, Gaziantep and Izmir. The market value of these material properties, based on external appraisals in December 2010, was TL 123.4 million. Finansbank operates its branches based upon medium-term leases, with typical lease periods of five to 10 years. Some of Finansbank's subsidiaries and affiliated companies own their own properties while others lease the premises in which they operate.

MANAGEMENT

Overview

Pursuant to the provisions of the Turkish Commercial Code ("**TCC**") and the Articles of Association of Finansbank, the Board of Directors is responsible for the management of Finansbank.

As at the date of this Offering Memorandum, the Board of Directors consists of 12 members. The Articles of Association provide that the Board of Directors shall consist of a minimum of five members, with the General Manager of Finansbank (and the Deputy General Manager in his absence) serving as a delegated member of the Board of Directors, and all other members being elected by the shareholders of Finansbank. Members of the Board of Directors can only be elected for three fiscal year terms and can be re-elected or changed at any time. Meetings of the Board of Directors occur at least once a month at Finansbank's head office or at another location in Turkey. The required meeting quorum at any Board of Directors meeting is a majority of the members. Resolutions must be passed by a majority of the members present at a meeting.

In particular, the Bank's Board of Directors has the power to:

- establish branches, agencies and representation offices in Turkey and abroad;
- approve the Bank's labor rules;
- appoint executive vice presidents pursuant to the relevant recommendation of the Bank's Chief Executive Officer;
- approve the Group's annual BRSA consolidated financial statements and the Bank's annual BRSA bank-only financial statements; and
- issue bonds, apart from those for which the Bank's General Assembly is exclusively competent in accordance with the Turkish law.

Finansbank's senior management includes the Bank's Executive Vice Presidents, Heads of Divisions as well as the Coordinators responsible for retail marketing and retail loans.

Board of Directors

The following table sets out the members of the Board of Directors, the date of their appointment to the Board and expiration date of their current term.

Name	Position	Beginning of current term	Year current term expires
Dr. Mehmet Ömer Arif Aras	Chairman and Executive Member, Group CEO	2010	2013
Sinan Şahinbaş	Vice Chairman and Executive Member	2010	2013
Dimitrios Anagnostopoulos	Board Member and Credit Committee Member	2010	2013
Prof. Dr. Mustafa Aydın Aysan	Board Member and Head of Audit Committee	2010	2013
Mustafa Hamdi Gürtin	Board Member	2010	2013
Temel Güzeloğlu	Board Member and General Manager	2010	2013
Christos Alexis Komninos	Board Member	2010	2013
Agis Leopoulos	Board Member	2010	2013
Paul Mylonas	Board Member and Audit Committee Member	2010	2013
Edward Nassim	Board Member	2010	2013
Michael Oratis	Board Member and Audit Committee Member	2010	2013
Anthimos Thomopoulos	Board Member	2010	2013

The business address of the Chairman and Vice Chairman is Buyukdere Caddesi 129, 34394 Mecidiyekoy, Istanbul, Turkey. Set forth below are brief biographies of the members of the Board of Directors, including the Chairman and Executive Member and the Vice Chairman and Executive Member.

Chairman and Executive Member

Dr. Ömer A. Aras, Chairman, Executive Member and Group CEO. Born in 1954, Dr. Aras graduated from the Academy of Economic and Commercial Sciences, Department of Economics, in 1975. He received an MBA in 1978 and a PhD in Business Administration in 1981 from Syracuse University. Over the next three years, he was a faculty member at the Business Administration Department of Ohio State University, and worked as a consultant. Between 1984 and 1987, he served as Credit Marketing Manager and Credit Committee Member at Citibank, and worked as the Head of Yapı Kredi Securities. Dr. Aras participated in the founding of Finansbank in 1987, and served as an Assistant General Manager for two years and as the General Manager for six years and as an Executive Board Member of Finansbank and Vice Chairman of Fiba Holding from 1989 to 2006. Between 2003 and 2007 he held the Board Member position in TUSIAD (Turkish Industrialists' Businessmen's Association). Dr. Aras served as Vice Chairman of Finansbank A.Ş. and Group CEO of Finansbank Group of Financial Companies (Finans Leasing, Finans Invest and Finans Portfolio Asset Management) between November 2006 and April 2010. Dr. Aras was appointed as Chairman of the Board of Directors in April 2010.

Vice Chairman and Executive Member

Sinan Şahinbaş, Vice Chairman and Executive Member. Born in 1966, Mr. Şahinbaş graduated from TED Ankara College in 1984, and from Istanbul Technical University, Engineering Faculty in 1988. He completed his graduate degree in Civil Engineering at George Washington University. He then received Masters degrees in International Relations from Istanbul University and in Finance from Yeditepe University. He began his professional career at Finansbank in 1990. He worked in Treasury, Corporate Banking and Credit Departments till 1997. In 1997 he worked for the foundation of representative offices of Finansbank (Suisse) SA ve Finansbank (Holland) NV in Turkey. He transferred to Garanti Bank in 1997 as Department Head in charge of the design of a risk management system for new subsidiaries, in the same year Mr. Şahinbaş was promoted to Executive Vice President of Garanti Bank (Holland) N.V. After a year, Mr. Şahinbaş moved back to Finansbank (Holland) N.V. and became General Manager in 1999. In 2001, Mr. Şahinbaş became Senior Executive Vice President at Finansbank and was promoted to General Manager in October 2003. After serving as General Manager for seven years, Mr. Şahinbaş became the Vice Chairman of the Board of Directors in April 2010.

Board Members

Dimitrios Anagnostopoulos, Member of the Board of Directors and Credit Committee. Born in 1959, Mr. Anagnostopoulos, is Finansbank Group Chief Risk Officer and Board Member responsible for Risk. He graduated from the Industrial School of Thessaloniki in 1983. Mr. Anagnostopoulos received his MBA from California State University Northridge and worked as an Analyst in "HELP U SELL" Real Estate Agency in Los Angeles, California from 1984 to 1986. He continued his career as Assistant to the Group Finance Manager in Delta Dairy S.A from 1987 to 1990. In 1990, Mr. Anagnostopoulos started his banking career in Citibank in Athens as Assistant Manager in Credit Risk for large Corporates. In 1993, he became Vice President and Group manager of local Corporates and in 1998 Assistant General Manager in charge of the International Group. In 2000, he was appointed Assistant General Manager in the Retail Bank for Consumer & SME Banking. Mr. Anagnostopoulos left Citibank to join NBG in 2007 and was appointed as Coordinator to Finansbank. He became Assistant General Manager for Credits in 2008 and was appointed as Finansbank Group Chief Risk Officer and Board Member responsible for Risk, in October 2009. Within the NBG Group, Mr. Anagnostopoulos is currently in charge of risk areas in South Africa and Egypt. Mr. Anagnostopoulos was appointed as a Member of the Board of Directors of Finansbank in October 2010.

Prof. Dr. Mustafa A. Aysan, Member of the Board of Directors and Head of Audit Committee. Born in 1933, Prof. Aysan graduated from Istanbul University, Economics Department. He received his MBA degree from Harvard University in 1959 and became a professor in 1974. He taught in various Turkish and international universities between 1968 and 2000. Prof. Aysan served as Head of the Committee for the Restructuring of State Economic Enterprises from 1964 to 1968, as Head of the Budget Committee of Turkish Republic Advisory Council in 1981 and as the Minister of Transportation from 1982 to 1983. Prof. Aysan is currently a Member of the Board of Directors and Head of Audit Committee of Finansbank. Prof. Aysan was appointed as a Member of the Board of Directors of Finansbank in March 1993.

Mustafa Hamdi Gürtin, Member of the Board of Directors. Born in 1951, Mr. Gürtin studied Statistics and Economy at Middle-East Technical University, Ankara and completed a Master of Economy at Vanderbilt University, USA. He worked in the Central Bank of Republic of Turkey for 19 years and as the Investment General Manager at Garanti Bank. Following this position, Gürtin became a Dışbank Board Member responsible for Risk and then worked as the General Manager and Chairman of Black Sea Trade & Development Bank in Greece. Mr. Gürtin was appointed as a Member of the Board of Directors of Finansbank in April 2010.

Temel Güzeloğlu, Member of the Board of Directors and General Manager. Born in 1969, Mr. Güzeloğlu has BA degrees from the Electrical and Electronics Engineering; and Physics Departments of the Bosphorus University. Mr. Güzeloğlu later received an MA degree from the Northeastern University, Boston-Massachusetts Electrical and Computer Engineering and an MBA from Bilgi University, Istanbul. Mr. Güzeloglu worked as the Executive Vice President of Finansbank responsible for Consumer Banking till August 2008. He then served as Executive Vice President responsible for Retail Banking of Finansbank. Mr. Güzeloğlu was appointed as Finansbank's General Manager and as a Member of the Board of Directors of Finansbank in April 2010.

Christos-Alexis Komninos, Member of the Board of Directors. Born in 1943, Mr. Komninos, is a Director of Selman SA and a Non-Executive Director of Halcor S.A. Metal Works. Mr. Komninos, is a Chemical Engineer, is a graduate of the Technical University of Istanbul (I.T.U.) in Turkey. In 1972, he joined "Hellenic Bottling Co". From 1987 to 1990 he has worked as managing director of Coca-Cola Bottlers Ireland (subsidiary of Helenic Bottling), then he held various positions within Hellenic Bottling Company S.A., including Managing Director/Chief Executive Officer from 1995 to 2000. From 2000 to 2004 he became Chairman and Chief Executive Officer of "Papastratos Cigarette Manufacturing Co". From 2005 to January 31, 2010 he held the position of the Executive Vice President of both Shelman S.A. (wood product manufacturing company) and ELMAR S.A. (shipping company). Mr. Komninos was appointed as a Member of the Board of Directors of Finansbank in December 2010.

Agis Leopoulos, Member of the Board of Directors. Born in 1968, Mr. Leopoulos is the General Manager of the International Division of the NBG Group. He holds a BSc in International Trade and Development Department and a MA in Social Science and Administration from the London School of Economics and Political Science. Mr. Leopoulos worked at European Commission between 1992 and 1995 where he held responsibilities on economic affairs, including the new European banking directives and the EU's economic policy in CEEC countries. Between 1995 and 1998, he worked in Banque Nationale de Grece in France successively as Associate Manager and Head of Greek Corporate Department. Mr. Leopoulos started working in the NBG Group in 1999. Mr. Lepoulos was appointed as a Member of the Board of Directors of Finansbank in April 2010.

Paul Mylonas, Member of the Board of Directors and Audit Committee Member. Born in 1958, Mr. Mylonas is the Chief Economist of the NBG Group, Chief of Strategy and Corporate Governance, and Head of Investor Relations at the NBG Group. He holds a B.Sc in Applied Mathematics – Economics department from Brown University and a PhD and MA in Economics from Princeton University. From 1985 to 1987, he was visiting Assistant Professor at the Department of Economics in Boston University. He worked at the International Monetary Fund between 1987 and 1995. There, as a senior economist, he was the desk officer for Poland in the European Department. He also worked in the Fund's Policy Development and Review Department. From 1995 to 2000, he held the position of senior economist in the Economics Department of the OECD where he worked in the Money and Finance Division, and was head of the Greek and Spanish desks. He also served as the OECD representative on the G-10 Secretariat between 1999 and 2000. He is Secretary of the Executive Committee of NBG and a member of the ALCO Committee of the Finansbank. Mr. Mylonas was appointed as a Member of the Board of Directors of Finansbank in April 2010 and as a member of the Audit Committee in June 2010.

Edward Nassim, Member of the Board of Directors. Born in 1946, Mr. Nassim graduated from London University Imperial College in 1968. He received his MBA degree from Harvard University in 1976. He began to work at IFC after his graduation. He is currently working as the Vice President of IFC. Mr. Nassim was appointed as a Member of the Board of Directors of Finansbank in April 2007.

Michael Oratis, Member of the Board of Directors and Audit Committee Member. Born 1957, Mr. Oratis is the General Manager of Risk Management. Before joining the Bank in 1999, he worked for Midland Bank, Bank of America, ABN AMRO Bank, Mytilinaios S.A. and Citibank as Country Treasurer. He is a Director of SABA, NBG Asset Management and Double Regeneration S.A. He holds a BSc in Chemical Engineering from the National Technical University of Athens, an MS in Industrial Engineering from Columbia University and an MBA in Finance and International Business from New York University. Mr. Oratis was appointed as a Member of the Board of Directors of Finansbank in December 2010 and as a member of the Audit Committee in March 2011.

Anthimos Thomopoulos, Member of the Board of Directors. Born in 1961, Mr. Thomopoulos, is the Deputy Chief Executive Officer, Group Financial Officer and General Manager of Retail Banking of the NBG Group. He joined NBG in 1998 as Group Risk Director. Before that, Mr. Thomopoulos was a senior corporate finance partner of KPMG in London and Athens, specializing in the Banking and Finance industry. In this capacity, he served as advisor to large North American and European financial institutions on strategy, M&A and post-M&A integration. He serves as country representative to the European Banking Federation (EBF) for Greece as a member of the Senior Committee on Global Banking Issues of the EBF. Mr. Thomopoulos, holds a BSc in Electrical Engineering from the University of Patras and Master's degrees in Finance and Computer Science from the City University of London. He is a qualified with the Institute of Chartered Accountants in England and Wales (ACA) and as a Chartered Financial Analyst (CFA). Mr. Thomopoulos was appointed as a Member of the Board of Directors of Finansbank in November, 2006.

Executive Vice Presidents, Heads of Divisions and Coordinators

The Executive Vice Presidents, Heads of Divisions and Coordinators each report to the Chairman and Vice Chairman and are responsible for:

- supervising and coordinating the activities of their respective units;
- monitoring progress with regard to the Bank's business targets and goals;
- approving expenditures, investments and financing within set limits; and
- contributing to the Bank's management regarding the design of the Bank's strategy, setting targets for the Bank and drawing up an annual budget for their respective divisions.

Executive Vice Presidents	Area of responsibility
Hakan Alp	Human Resources
Özlem Cinemre	International Banking and International Affairs
Köksal Çoban	Treasury
Mehmet Kürşad Demirkol	Information Technologies
Saruhan Doğan	Investment Banking
Tunç Erdal	Private Banking
Kubilay Güler	Operation and Alternative Distribution Channels
Metin Karabiber	Corporate Banking
Filiz Şafak	Corporate Credit
Murat Şakar	Purchasing and Technical Service
Hakan Şenünal	Retail Banking
Adnan Menderes Yayla	Financial Control and Planning
Bülent Yurdalan	Retail Loans
Levent Yörük	Alternative Distribution Channels

Head of Divisions	Area of responsibility
Ahmet Erzengin	Head of Compliance Division
Oya Güvercinci	Risk Management
Ersin Emir	Board of Inspectors

Coordinators(1)	Area of responsibility
Erkin Aydın	Retail Marketing Coordinator
Kunter Kutluay	Card Payment System Coordinator

(1) Members of senior management.

The business address of Finansbank's Executive Vice Presidents, Heads of Divisions and Coordinators is Buyukdere Caddesi 129, 34394 Mecidiyekoy, Istanbul, Turkey. Set forth below is brief biographical information regarding Finansbank's Executive Vice Presidents, Heads of Divisions and Coordinators who are not also directors.

Exceutive Vice Presidents

Mr. Hakan Alp, Executive Vice President. Born in 1968, Mr. Alp graduated from Ankara University, Faculty of Political Sciences with a degree in International Relations in 1989. He worked for Board of Audit between 1991 and 1997 at Garanti Bank where he also served as Senior Vice President in charge of Training and Development between 1997 and 1999. He started to work for Humanitas Doğuş Human Resources Management and served as Executive Vice President in charge of Training / Executive Development / Finance and Administration / Operation between 2000 and 2003. He held the position of an Executive Vice President in charge of Human Resources from 2003 to 2005 at Tansaş Retail Chain. He worked as Executive Vice President, Human Resources Department at Sütaş between 2005 and 2006. In 2007, he became Senior Vice President in charge of Human Resources at Finansbank. He was assigned as Executive Vice President in charge of Human Resources in June 2010.

Mrs. Özlem Cinemre, Executive Vice President. Born in 1964, Mrs. Cinemre graduated from the Bosphorus University Business Administration Department in 1988. She started her career in the same year at the International Division of Finansbank; and in 1997 she was appointed as the Executive Vice President responsible for Financial Institutions. Currently, Mrs. Cinemre is Executive Vice President in charge of International Banking and International Affairs.

Mr. Köksal Çoban, Executive Vice President. Born in 1967, Mr. Çoban received his BA from the Business Administration Department of the Middle East Technical University, Ankara, Turkey in 1990. Receiving a master's degree in finance from the City University in 1994, Çoban worked for Türk Eximbank and Demirbank A.Ş. between 1995 and 1997. Appointed the International Markets Director with Finansbank the same year, he served as Finansbank's International Markets Group Chief from 1998 to 2000. Assuming a number of managerial posts in the Treasury Department thereafter, Çoban has been the Finansbank Executive Vice President in charge of Treasury since August 2008.

Mr. Mehmet Kürşad Demirkol, Executive Vice President. Born in 1973, Mr. Demirkol graduated from the Bilkent University, Department of Electrical and Electronics Engineering in 1995 with a degree of 1st place among the graduates. He accomplished his Master and PhD. degrees at Stanford University. He worked as Associate Application Engineer at Oracle and Redwood from 1996 to 1997 and as Research Assistant at the Stanford University from 1997 to 1999. He served as Senior Associate at Atlanta and Turkey offices of McKinsey & Company between 1999 and 2003. He held the position of the Finansbank Group Head, Business Development and Strategy Department at Finansbank between 2004 and 2005 and worked as Vice President of IT and Card Operations of Credit Europe Russia (formerly know as Finansbank Russia) in 2005. He served as Business Development and Marketing Director at Memorial Healthcare Group from 2005 to 2007. In 2007, he started to work as Head of Information Technologies at Vakıfbank. He was assigned as Chief Information Officer of the Finansbank in the same year. Additionally, he undertook the post of Chief Operation Officer, in charge of Operations and ADC in 2008. Mr. Demirkol has been working at Finansbank as Executive Vice President, in charge of Information Technologies and Process Management since August 2010.

Mr. Saruhan Doğan, Executive Vice President. Born in 1967, Mr. Dogan received his BA in Economics from Istanbul University in 1990. He received a MSc in Economics degree from London School of Economics and Political Science in 1992. Doğan started his professional career at Citibank Treasury Department. He worked as Economist and Treasury Marketing Department Head at Citibank between the years 1992 and 1997. After working as the Head of Treasury Sales Department at TEB between May 1997 and July 1998 and; as the Head of Treasury Research and Sales Group at Alternatifbank, between 1998 and 2004, he joined Finansbank as the Senior Vice President of Treasury Department and the Chief Economist in 2004. In 2007, Doğan joined Deutsche Bank-Turkey as the Executive Vice President responsible for Treasury. He was then reappointed by Finansbank as the Executive Vice President responsible for Investment Banking in October 2009.

Mr. Tunç Erdal, Executive Vice President. Born in 1970, Mr. Erdal graduated in 1992 from the Department of Industrial Engineering, Middle East Technical University. His career life started in 1993 at the Marketing Department of Ege Leasing A.Ş. He worked as Dealer and Senior Dealer at the Treasury Department, Alternatifbank between 1996 and 1998. He served as Vice President, Head of Fixed Income and Liquidity at the Treasury Department of the same bank from 1998 to 2003. He held the position of Investment Manager, Department of Private Banking at Banque de Commerce et de Placements, Genève between 2003 and 2005. Mr. Erdal joined the Finansbank Group in 2005 and undertook the post of Senior Vice President in charge of Treasury Research and Sales, in the Treasury Department. Mr. Erdal has been serving as Executive Vice President in charge of Private Banking of Finansbank since August 2010.

Mr. Kubilay Güler, Executive Vice President. Born in 1959, Mr. Güler graduated in 1983 from the Middle East Technical University, Political Science Department. Before joining Citibank, as a member of the team that established retail banking operations for Citibank in Turkey, she worked in various positions in many Turkish banks between 1985 and 1995. Mrs. Güler joined in 1999 the Plastic Cards and Alternative Distribution Channels Department of Finansbank and promoted in 2004 as Executive Vice President responsible for Alternative Distribution Channels. In June 2005, she was assigned to the position of Executive Vice President responsible for Alternative Distribution Channels and Operations.

Mr. Metin Karabiber, Executive Vice President. Born in 1961, Mr. Karabiber graduated from Çukurova University, Department of Industrial Engineering in 1982. Karabiber began his banking career in Interbank in 1985 as a Marketing Specialist. Then he worked as a Branch Manager in İktisat Bank (1990-1995), Demirbank (1995-1997), Finansbank (1997-1998) and as an Executive Vice President in Sümerbank (1998-1999). He served as Regional Manager at Fortis Bank from 1999 to 2003. He held the position of the Executive Vice President of Retail and SME Group between 2003 and 2010 at the same bank. Mr. Karabiber, has been working at Finansbank as Executive Vice President, in charge of Corporate and Commercial Banking since October 2010.

Mrs. Filiz Şafak, Executive Vice President. Born in 1960, Mrs. Şafak has a BA in Mechanical Engineering from Istanbul Technical University; and in Business Administration from Anatolian University. After working as a mechanical engineer in a private construction company between 1982 and 1986, Mrs. Şafak was appointed to a position in banking for the first time at İktisat Bank in 1987. She transferred to Sümerbank in 1998 in the capacity of Executive Vice President. Mrs. Şafak joined Finansbank in 1999. She worked as the Credits Department Coordinator till 2007. Currently, Mrs. Şafak works as the Executive Vice President Responsible for Credits at Finansbank.

Mr. Murat Şakar, Executive Vice President. Born in 1969, Mr. Şakar is a graduate of the Industrial Engineering Department of the Istanbul Technical University. Mr. Şakar has gained business experience at Rehau Polimeri Kimya Sanayi A.Ş in the capacity of Business Unit Manager from 2002 to 2005, and at Arçelik A.Ş. as Purchasing Manager. In 2005, Mr. Şakar undertook the management of all purchasing and construction activities of Finansbank as the Coordinator of Purchasing and Technical Services. In August 2008, Mr. Şakar was appointed as Executive Vice President responsible for Purchasing and Technical Services of Finansbank.

Mr. Hakan Şenünal, Executive Vice President. Born in 1970, Mr. Şenünal graduated in 1992 from the Finance Department of the Istanbul University and he received a Master's degree on the discipline of Monetary and Capital Markets and Financial Institutions from the same university. He began his career in Tan Securities and Iktisatbank/Facto Finance. He joined Finansbank Group in 1994 and served as a manager at various positions in Finansbank's Commercial and Corporate businesses until 2005. Then he promoted to Group Director, Sales and Strategy. Mr. Şenünal has been serving as the Deputy CEO, Executive Vice President since August 2008.

Mr. Adnan Menderes Yayla, Executive Vice President. Born in 1963, Mr. Yayla graduated from the Economics Department of the Faculty of Political Science of the Ankara University in 1985. He did his MBA at the University of Illinois at Urbana-Champaign from 1992 to 1994. He worked for the Ministry of Finance as an Assistant Auditor and Auditor from 1985 to 1995; for the Privatization Administration as a Project Valuation Division Chief from 1995 to 1996; for Price Waterhouse Coopers as a Manager, a Senior Manager, and a Partner in their Istanbul and London offices from 1996 to 2000; and for the Türk Dış Ticaret Bankası (Fortis) as the Executive Vice President in charge of the Financial Controlling Group and Risk Management from 2000 to 2008. He joined Finansbank in May 2008 as Finansbank Group CFO.

Mr. Bülent Yurdalan, Retail Loans. Born in 1958, Mr. Yurdalan graduated from Eskişehir Economic and Commercial Sciences Academy – Business Administration Department in 1980. After being employed by Citibank Turkey for five years, Mr. Yurdalan joined Finansbank in 1988 and was assigned to executive positions at the Credits, Audit, Treasury Operations and External Relations Departments of the Bank as well as selected Fiba Group banks. Mr. Yurdalan was appointed as the Head of Internal Audit Division in 2003.

Mr. Levent Yörük, Executive Vice President. Born in 1961, Mr. Yörük graduated from the Business Administration Department of the Turkish Military Academy in 1982. He studied Business Administration at Boğaziçi University in 1995, Sales and Marketing at Toronto University in 1992, and Finance at Johns Hopkins University in 2001/2002. He served as a military officer in the Turkish Land Forces Command between 1982 and 1991 and worked for American Life Insurance PLC as the Sales Unit Manager between 1992 and 1996. Between 1996 and 2001, he worked for Citibank NA Turkey successively as the Sales

Manager, Regional Sales Director, and Turkey Sales Director. Between 2001 and 2007, he was appointed as the Operations Director with Citigroup-CitiFinancial in USA. Starting his career in Finansbank as the Retail Banking Alternative Sales Channels Senior Vice President in August 2007, Yörük was assigned as the Executive Vice President in charge of Alternative Sales Channels and Call Center in 2010.

Heads of Divisions

Mr. Ersin Emir, Head of Internal Audit. Born in 1971, Mr. Emir graduated from the Business Management Department of Middle East Technical University in 1994. He worked as Assistant Inspector at İş Bank between 1995 and 1998 and commenced working at Finansbank's Audit Committee in 1998, serving in several managerial positions before his appointment as Head of Finansbank's Audit Committee in February 2011.

Mr. Ahmet Erzengin, Head of Compliance Division. Born in 1962, Mr. Erzengin received his BA from the Public Administration Department of the Middle East Technical University, Ankara, Turkey. After working for the Pamukbank from 1988 to 1993, he joined Finansbank as the Regulations Manager in October 1993. He was appointed Head of the Operations Group in 1996 to oversee the operations of the branches and the headquarters. With the establishment of the Operations Center (FOMER) in 2001, he served as its Group Manager until the end of 2005. Early 2006, he supervised the establishment of the Compliance Division where he is currently the Head.

Mrs. Oya Güvercinci, Head of Risk Management Committee. Born in 1957, Mrs. Güvercinci is a graduate of the Marmara University – Chemical Engineering Department. Güvercinci has worked at the branches of Ziraat Bank and later of Impexbank between 1984 and 1987. She joined Finansbank in 1987 in the capacity of Private Banking Portfolio Manager. Mrs. Güvercinci has also rendered services as Branch Manager. In 1994, Mrs. Güvercinci formed the Quality and Change Group and was appointed as Head of Risk Management in 2001.

Coordinators

Mr. Erkin Aydın, Coordinator. Born in 1975, Mr. Aydın graduated from the School of Engineering of Boğaziçi University with a Bachelor of Science degree in Civil Engineering in 1997 and received his MBA degree from the University of Michigan Business School in 2003. Starting his career as a Business Development Associate and Project Engineer with Guy F. Atkinson Construction in the USA in 1998, Aydın went on to work for Clark Construction Group as a Project Manager in California. In 2002, he joined McKinsey & Company in Istanbul where he successively filled the posts of Associate, Engagement Manager, and Associate Partner. Throughout his tenure with McKinsey & Company, he consulted to leading financial services institutions in Turkey and Western and Easter Europe in areas of marketing, growth strategy, sales effectiveness, operational efficiency, organization strategy and mergers and acquisitions. He started working for Finansbank in 2008 as Head of Mortgage and Consumer Loans, assuming further responsibility for the management and marketing of all consumer banking products and segments as at July 2008 and ultimately for SME Banking Marketing in February 2009. Aydın was assigned as the Retail Marketing Coordinator in February 2010.

Mr. Kunter Kutluay, Coordinator. Born in 1970, Mr. Kutluay graduated from the Turkish Education Association's (TED) Ankara College in 1988. He received his BA from the Electronics Engineering Department of Bilkent University, Ankara, Turkey and master's degree from the Business Administration Faculty of the same university. Mr. Kutluay worked for Toshiba, General Electric, and Microsoft as a sales manager and for McKinsey & Company as a consultant. He worked on analysis and data mining technologies at the Kratis firm where he was a founding partner. Following an assignment with the Fortis Bank as the Portfolio Analysis Director, he joined Finansbank in 2006 as the Marketing and Credit Analysis Senior Vice President. Mr. Kutluay worked as Finansbank's Retail Loans Coordinator between 2008 and February 2011, when he was appointed as Finansbank's Card Payment System Coordinator.

Board Committees

As at the date of this Offering Memorandum, there are four committees established under the Board of Directors of Finansbank.

Audit Committee

For a description of the Audit Committee, see "– Executive Committees of Finansbank – Audit Committee".

Credit Committee

The Credit Committee examines, evaluates and approves the loan limits that fall under the authority of the Board of Directors and the Credit Committee in keeping with the Bank's loan strategies and the relevant legislation. The Credit Committee also monitors the quality of the Bank's loan portfolio and takes part in and manages the release process for loans. The members of the Credit Committee are Dr. Ömer A. Aras, Prof. Dr. Mustafa A. Aysan, Mr. Agis Leopoulos, Mr. Dimitrios Anagnostopoulos, Mr. Sinan Şahinbaş and Mr. Temel Güzeloğlu.

Risk Management Committee

For a description of the Risk Management Committee, see "Risk Management – Risk Management Governance – Finansbank Group Risk Management Department".

Corporate Governance Committee

Finansbank established a Corporate Governance Committee in 2005 to strengthen the Bank's corporate governance policies and its level of adherence to the Corporate Governance Principles and to submit proposals to the Board of Directors. The committee annually issues a report on the consistency with Corporate Governance Principles which is submitted to the General Assembly and is made available on the website of Finansbank. As at the date of this Offering Memorandum, Prof. Dr. Mustafa Aydın Aysan is the president of the Corporate Governance Committee and Mr. Agis Leopoulos, Dr. Paul Mylonas and Mr. Mustafa Hamdi Gürtin are its members. See also "– Corporate Governance".

Executive Committees of Finansbank

As at the date of this Offering Memorandum, Finansbank has seven executive committees.

Credit Committee

The mission of the Credit Committee is to examine, evaluate, and approve the loan limits that fall under the authority of the Board of Directors and the Credit Committee in keeping with the Bank's loan strategies and the relevant legislation; to keep the quality of the Bank's loan portfolio under control; and to take part in and manage the release process of loans within the framework of the risk/return relationship. The Credit Committee meets once each week.

The members of the Credit Committee are as follows:

- Chairman and Executive Member: Dr. Ömer A. Aras
- Vice Chairman and Executive Member: Sinan Şahinbaş
- Member of the Board of Directors: Dimitrios Anagnostopoulos
- Member of Board of Directors and General Manager: Temel Güzeloğlu

Audit Committee

Pursuant to Article 24 of the Banking Law, the Audit Committee has been established to monitor, on behalf of the Board of Directors, the effectiveness and adequacy of the internal controls and procedures of the Bank and the functioning of these systems, together with the accounting and reporting systems, in accordance with applicable laws and regulations to monitor the integrity and reliability of information generated from those controls and procedures, to make the necessary preliminary evaluations required for selection of the independent external audit firms and rating, evaluation and outsourcing organizations by the Board of Directors, to regularly monitor the operations of such organizations selected by the Board of Directors with whom contracts are made, to ensure that the internal audit activities of subsidiaries subject to consolidation are carried out on a consolidated basis and coordinated with the internal audit activities of the Bank. The Audit Committee meets on a quarterly basis.

The members of the Audit Committee are as follows:

- Member of the Board of Directors: Prof. Dr. Mustafa A. Aysan
- Member of the Board of Directors: Dr. Paul Mylonas
- Member of the Board of Directors: Michael Oratis

Board Risk Committee

The Board Risk Committee defines risk management policies and strategies, reviews risks to which the Bank is exposed to, monitors the implementation of risk management strategies and brings important risk issues to the attention of the Board. The Board Risk Committee meets once each month.

The members of the Risk Committee are as follows:

- Chairman and Executive Member: Dr. Ömer A. Aras
- Vice Chairman and Executive Member: Sinan Şahinbaş
- Member of the Board of Directors: Mr. Michael Oratis
- Member of the Board of Directors: Dimitris Anagnostopoulos

Asset / Liability Committee

The ALCO proposes asset and liability management procedures and policies to the Board of Directors which are compatible with applicable laws and regulations. The ALCO is responsible for executing the policies and managing structural interest rate risk within the limits defined by the Board of Directors. The ALCO meets twice each month, reviews critical risk issues and determines the strategies for asset and liability management.

The members of the ALCO are as follows:

- Member of Board of Directors and General Manager: Temel Güzeloğlu
- Financial Control and Planning Executive Vice President: Adnan Menderes Yayla
- Treasury Executive Vice President: Köksal Çoban
- International Banking and International Affairs Executive Vice President: Özlem Cinemre
- Chief Risk Officer: Oya Güvercinci

Corporate Credit Policies Committee

The Corporate Credit Policies Committee is responsible for defining corporate credit policies, continuously monitoring the quality of the Bank's non-retail credit portfolio and granting loans with the objective of maximizing the Bank's profitability within a risk-return framework. The Corporate Credit Policies Committee meets once each month.

The members of the Corporate Credit Policies Committee are as follows:

- Vice Chairman and Executive Member: Sinan Şahinbaş
- Member of the Board of Directors: Dimitris Anagnostopoulos
- Member of Board of Directors and General Manager: Temel Güzeloğlu
- Chief Risk Officer : Oya Güvercinci
- Corporate Credit Executive Vice President: Filiz Şafak
- Corporate and Investment Banking Executive Vice President: Metin Karabiber
- Corporate Banking Senior Vice President: Ömür Tan
- Credit Risk Manager: A. Kıvanç Eren

Retail Credit Policies Committee

The Retail Credit Policies Committee is responsible for defining retail credit policies, continuously controlling the quality of the Bank's retail credits and credit cards portfolios and managing these portfolios with the objective of maximizing the Bank's profitability within a risk-return framework. The Retail Credit Policies Committee meets once each month.

The members of the Retail Credit Policies Committee are as follows:

- Member of the Board of Directors: Dimitris Anagnostopoulos
- Member of Board of Directors and General Manager: Temel Güzeloğlu
- Chief Risk Officer : Oya Güvercinci

- Card Payment System Coordinator: Kunter Kutluay
- Credit Risk Manager: A. Kıvanç Eren
- Retail Marketing Coordinator: Erkin Aydın
- Retail Loans: Bülent Yurdalan

Operational Risk Management Committee

The Operational Risk Management Committee defines operational risk policies, reviews operational risk issues and defines the necessary actions to minimize operational risks. The Operational Risk Management Committee meets on a quarterly basis.

The members of the Operational Risk Management Committee are as follows:

- Member of the Board of Directors: Dimitris Anagnostopoulos
- Chief Risk Officer: M. Oya Güvercinci
- Operations Executive Vice President: Kubilay Güler
- Retail Marketing Coordinator: Erkin Aydın
- Head of Internal Control: Gülsen Özten
- Senior Operational Risk Manager: İsmail Akın
- Head of Compliance: Ahmet Erzengin
- IT Chief Information Security Officer: Argun Derviş

Corporate Governance

General

The Bank's corporate governance practices meet the mandatory requirements imposed by the laws of Turkey, the BRSA, the CMB and other applicable regulations, as well as the Articles of Association of the Bank. The Bank's corporate governance practices are based on best international practices and form a framework which seeks to ensure consistency and efficiency in the Board's practices and the governance of the Bank and the Finansbank Group. The Bank's corporate governance practices also seek to ensure strategic direction, management supervision and adequate control of Finansbank with the ultimate goal of increasing the long-term value of the Bank and protecting the general corporate interest. For additional information, see "Risk Management – Risk Management Governance".

CMB Corporate Governance Principles

There are limited mandatory corporate governance rules in Turkey. The CMB issued in 2003 (and revised in 2005) a set of recommended, non-binding principles for public companies (the "**Corporate Governance Principles**"). Although implementation of the Corporate Governance Principles is not currently mandatory, the CMB requires public companies to disclose the extent to which they have been implemented and, if they have not been fully implemented, to explain the reasons therefore in their annual reports. The CMB may decide to make such principles mandatory for public companies in the future. In addition, annual reports filed by public companies must disclose contingency plans for dealing with any conflicts that may arise in the future and the implementation of the principles. In order to support implementation of the Corporate Governance Principles, the CMB issued a rating communiqué which enables rating agencies to rate companies on the basis of their compliance with the principles.

Compensation

The members of the Board of Directors receive a fee for attending meetings of the Board of Directors. In 2010, this fee amounted to TL 208.0 thousand in the aggregate for all directors. Members of the Board of Directors do not receive any additional compensation for acting as directors. However, certain directors are employees of Finansbank and receive compensation for such employment.

The aggregate amount of the salary, remuneration and expenses paid and benefits in kind granted to Finansbank's Board of Directors in 2010 was TL 12.2 million. No members of the Board of Directors or any of Finansbank's executive officers have any options in respect of Finansbank's share capital.

Additionally, the amount of the salary, remuneration and expenses paid and benefits in kind granted to Finansbank's senior management (Executive Vice Presidents, Head of Divisions and Coordinators) in 2010 was TL 11.8 million.

Conflicts

None of the members of the Bank's Board of Directors or Executive Vice Presidents, Heads of Divisions or Coordinators have any existing or potential conflicts of interests with respect to their duties to the Bank and their private interests or other duties.

Auditors

Statutory Auditors

According to Finansbank's Articles of Association, the General Assembly may elect two to five statutory auditors for a maximum term of three years, and such persons may be subsequently re-elected. The General Assembly determines the number of statutory auditors for each election period. Pursuant to the Articles of Association of Finansbank, statutory auditors may be elected from among shareholders or non-shareholders. The General Assembly may change the statutory auditors at any time.

Finansbank's statutory auditors are required to be elected from among persons who have obtained at least an undergraduate degree, and who have experience in and knowledge of banking.

Under the TCC, in the event that one of the statutory auditors leaves his duty due to resignation, expiry of term of office, death or ineligibility, the other statutory auditor(s) shall appoint another person to replace him to hold office until the next General Assembly meeting. The duties of statutory auditors are defined in the TCC. They are obliged to take precautions to protect the interests of the company which they are auditing. They may attend meetings of the Board of Directors, but they may not become directors and they have no voting rights.

Pursuant to its Articles of Association, Finansbank's statutory auditors prepare periodic reports with respect to Finansbank's compliance with the Banking Law and the relevant legislation and present these reports to the Board of Directors and, if so requested, to the Board of the BRSA.

External Auditors

The BRSA and CMB regulations require Finansbank to undergo an external audit on a quarterly basis. Under the BRSA regulations, the external audit firms and external auditors must fulfill certain requirements to be qualified as "independent". A bank may retain the independent audit services of the same external audit firm for a maximum of eight consecutive fiscal years. The same individual auditors are not permitted to carry out audit services for the same bank for more than five consecutive fiscal years.

The IFRS Financial Statements included in this Offering Memorandum have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of Deloitte Touche Tohmatsu Limited, independent auditor, as stated in their report appearing herein.

Internal Controls

Pursuant to the Banking Law, banks must establish internal control, risk management and internal audit systems, including adequate number of supervisors, which must be in compliance with the scope and structure of their activities, covering all their branches and undertakings subject to consolidation in order to monitor and control the risks that they encounter.

SHARE CAPITAL AND OWNERSHIP

Share Capital

Finansbank has adopted the authorized share capital system that, under Turkish law, allows Finansbank to increase its issued share capital up to the authorized share capital amount upon resolution by its Board of Directors and without need for further shareholder approval. The authorized share capital of Finansbank is TL 6,000.0 million, represented by 60,000 million registered ordinary shares, par value TL 0.10 each. As at December 31, 2010, the issued and paid-in share capital of Finansbank was TL 2,205.0 million, consisting of 22,050,000,000 ordinary shares, each having a nominal value of TL 0.10. Total equity as at December 31, 2010 amounted to TL 6,099.0 million. Pursuant to the Banking Law, Finansbank's shares are issued in registered form.

The following table sets forth the capital increases Finansbank has undertaken in the last five years.

Date of registration	Total capital (TL)
November 29, 2005	950,000,000
September 6, 2006	1,250,000,000
September 17, 2007	1,400,000,000
October 14, 2008	1,500,000,000
July 21, 2009	1,575,000,000
July 30, 2010	1,653,750,000
October 14, 2010(1)	2,205,000,000

(1) The shares subject to the capital increase were registered with the CMB on October 14, 2010. For the capital increase of TL 551,250,000 as at December 13, 2010, the shareholders of Finansbank did not exercise their pre-emptive rights for ordinary shares corresponding to TL 138,528.51, which were subsequently offered to the public and purchased by NBG.

Ownership

The following table sets forth certain information with respect to Finansbank's principal shareholders as at December 31, 2010.

Name of owner	Number of shares	% of outstanding share capital
National Bank of Greece S.A.(1)	17,027,010,000	77.22%
NBG Finance (Dollar) Plc	2,134,440,000	9.68%
NBGI Holdings B.V.	1,741,950,000	7.90%
International Finance Corporation	1,102,500,000	5.00%
Public stockholders	44,100,000	0.20%
Total	**22,050,000,000**	**100.00%**

(1) In addition to 17,027,010,000 ordinary shares, National Bank of Greece owns 100 registered founder shares of Finansbank, which were introduced and distributed when Finansbank was incorporated. These founder shares do not have any voting rights but entitle the holders thereof to receive 10% of Finansbank's statutory profit as a dividend, after the allocation of tax, legal reserves and a first dividend (5% of nominal share capital) to holders of ordinary shares.

National Bank of Greece

NBG, the oldest and largest Greek bank, was founded in 1841 as a commercial bank. NBG, together with its subsidiaries and affiliates, make up one of the leading financial groups in Greece, providing a wide range of financial services, including retail (such as mortgage lending and consumer lending), commercial and investment banking services and asset management and insurance. NBG has a substantial presence internationally, particularly in southeastern Europe (including, through the Finansbank Group, Turkey) and the eastern Mediterranean.

NBG has been listed on the Athens Stock Exchange since the Athens Stock Exchange was founded in 1880 and has also been listed on the New York Stock Exchange since October 1999. In the context of its strategic orientation towards southeastern Europe, over the last decade NBG has acquired various banks in the region, including Finansbank.

NBG is a financial institution operating subject to Greek and EU banking legislation, specifically the applicable provisions of Law 2076/92, which incorporated the EU's banking directive 89/646/EEC into Greek law.

The NBG Group provides a full range of financial products and services to its corporate and private customers, including investment banking services, brokerage, insurance, asset management, leasing and factoring. NBG had over 11 million deposit accounts and more than three million lending accounts as at December 31, 2010.

As at December 31, 2010, the NBG Group's overseas network included 1,185 branches (including foreign subsidiaries and bank branches in the United Kingdom, Albania, Egypt and Cyprus). As at the same date, NBG held controlling interests in nine banks in 12 countries (including Greece, Turkey, Bulgaria, Romania, Malta, Serbia, the former Yugoslav Republic of Macedonia, Cyprus, South Africa, Albania, Egypt and the United Kingdom) and in approximately 43 other companies.

The NBG Group had a profit for the period of EUR 440.4 million in 2010 and a total loan portfolio of EUR 75.1 billion as at December 31, 2010. The NBG Group's total shareholders' equity as at December 31, 2010 was EUR 9.7 billion and its core Tier I ratio was 12.0%.

Macroeconomic Environment in Greece

Greece entered the global recession that began in 2008 with deep-rooted vulnerabilities. Amid slowing growth and reduced global risk appetite, the country's heavy dependence on foreign borrowing heightened concerns over long-standing fiscal and external imbalances. The general government deficit deteriorated from 7.7% in 2008 to 13.6% in 2009. Public debt was commensurately increased from below 100% of GDP to 115% of GDP by the end of 2009. These developments heightened market concerns over Greece's capacity to repay and increased spreads on Greek government bonds.

In November 2008, the Greek parliament approved a EUR 28 billion bank support plan for Greek banks, with the objective, among others, of strengthening Greek banks' capital and liquidity positions. As at the date of this Offering Memorandum, the Hellenic Republic directly owns all 70 million non-transferable redeemable preference shares issued by NBG under the capital facility of the bank support plan. This direct stake in NBG provides the Hellenic Republic with voting rights at the general meeting of preferred shareholders and requires the inclusion on the Board of Directors of NBG of a Government-appointed representative, who attends the general meeting of ordinary shareholders of NBG. This representative has the ability to veto actions relating to the distribution of dividends and the remuneration of certain of NBG's directors and senior management in certain circumstances. See "Risk Factors – Risk Factors Relating to Finansbank's Relationship with NBG – The Hellenic Republic may seek to exert influence over NBG, which could have an adverse impact on the NBG Group, including Finansbank".

Attempts by the new government to address Greece's economic vulnerabilities in January 2010 did not succeed. After extensive consultations with the European Commission, additional fiscal measures were announced by the Greek authorities in February and March 2010, but these also failed to fully restore market confidence. As a result, market sentiment worsened, and concerns about fiscal sustainability deepened, thereby worsening the crisis of confidence. Access to foreign funding dried up and spreads on government debt securities widened sharply, threatening the economy with a downward spiral of unfolding risks.

In early May 2010, the Greek government agreed to an IMF/eurozone Stabilization and Recovery Program, jointly supported by the IMF and the EU, which will provide significant financial support of EUR 110 billion over the next three years in the form of a cooperative package of IMF and EU funding including a Stand-by Arrangement with the IMF. The funding is available in tranches and is conditional upon the Hellenic Republic implementing a fiscal austerity package to meet certain deficit reduction targets and reporting to the EC and the IMF on a quarterly basis. The IMF expects this level of funding to cover most of the Hellenic Republic's budget financing needs until mid-2012.

The Greek economy has entered the third year of recession which is amplified by the recessionary impact of the austerity measures (that exceeded 7.5% of GDP in 2010 and are estimated in the vicinity of 7% of GDP in 2011) and continued high levels of uncertainty in the private sector. Despite the significant progress in the fiscal stabilization front – the general government deficit is estimated to have declined by about 5 percentage points of GDP in the vicinity of 10% to 10.5% of GDP – excesses in budget implementation and accumulation of new arrears from entities outside the central government continue to slow the consolidation effort. Moreover, debt dynamics continue to be unfavorable, with the general government deficit climbing above 140% of GDP in 2010 from 126.7% in 2009. This trend is expected to stabilize during 2013 and 2014 when public debt is expected to decline after peaking in the vicinity of 158% of GDP (according to the baseline projection included in the third update of the IMF/eurozone Stabilization and Recovery Program, March 2011).

The IMF/eurozone Stabilization and Recovery Program also contains structural measures and policy guidelines designed to boost the Hellenic Republic's competitiveness and improve its growth rates in the medium term with a view to repaying the large debt burden.

A failure to successfully implement the provisions of the IMF/eurozone Stabilization and Recovery Program and to attain its fiscal targets may lead to termination of the financial support by the IMF, the European Central Bank and the EU, which would create the conditions for a credit event with respect to the Hellenic Republic debt. However, even if the IMF/eurozone Stabilization and Recovery Program is successfully implemented, it is uncertain whether it will achieve the set targets in the necessary time frame. A failure of these measures would be likely to exacerbate current macroeconomic conditions in Greece and to prolong the recession.

Even if the Hellenic Republic successfully implements the IMF/eurozone Stabilization and Recovery Program, government debt as a percentage of GDP is projected by the IMF/eurozone Stabilization and Recovery Program to rise to 158% of GDP in 2013. It remains uncertain whether, even if the IMF/eurozone Stabilization and Recovery Program is successfully implemented, the Greek economy will grow sufficiently to ease the financing constraints of the Hellenic Republic. Nevertheless, Greek debt dynamics are expected to benefit greatly from the Greek Government's commitment to speed up the privatization and government real estate development program, as well as from the lower interest rates (a reduction of 100 basis points of the interest rate on EU loans which corresponds to 2/3 of the EUR 110 billion package).

EU leaders, acknowledging the considerable progress in the implementation of the stabilization program, decided at the EU Summit of March 25, 2011 to reduce the interest rate on the EU loans (amounting to EUR 80 billion) by 100 basis points and to extend their maturity to 7.5 years (from three years), in line with the intentions of the IMF. The above decision smoothes out the redemption profile of Greek debt, reducing sovereign borrowing needs by about EUR 17 billion annually in 2014 and 2015. Nevertheless, the amount will remain at a very elevated level (above 145% of GDP until 2016 under the baseline EU/IMF scenario).

In line with the above developments, on December 17, 2010 Moody's lowered its credit rating for the Hellenic Republic by three notches, from Ba1 to B1, on January 14, 2011 Fitch lowered its credit rating for the Hellenic Republic by one notch from BBB− to BB+, below investment grade, and on March 29, 2011 Standard & Poor's lowered its credit rating for the Hellenic Republic by two notches, from BB+ to BB−. Standard & Poor's credit rating will be treated for the purposes of the CRA Regulation as having been issued by Standard & Poor's Credit Market Services Europe Limited upon registration pursuant to the CRA Regulation. Standard & Poor's Credit Market Services Europe Limited is established in the European Union and has applied to be registered under the CRA Regulation, although the result of such application has not yet been determined.

These are extremely uncertain times for the banking sector in the Hellenic Republic and the EU and it is difficult for to predict with any degree of certainty whether the IMF/eurozone Stabilization and Recovery Program will be implemented successfully and, if implemented successfully, whether it will have the effects intended, and how severe an impact on NBG's results of operations and financial condition an implementation of the IMF/eurozone Stabilization and Recovery Program, successfully or unsuccessfully, might have.

International Finance Corporation

International Finance Corporation ("**IFC**") was created in 1956 and is a member of the World Bank Group. IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments. IFC's 182 member countries provide its capital, collectively determine its policies, and approve investments. IFC's member countries guide IFC's programs through their membership in a Board of Governors. IFC corporate powers are vested in the Board of Governors, which delegates most powers to a board of 24 directors. Voting power on issues brought before them is weighted according to the share capital each director represents.

Agreements between NBG and IFC

Shareholders' Agreement

In connection with the sale by NBG of 625,000,000 ordinary shares, amounting to 5% of the ordinary shares of Finansbank (the "**IFC Shares**") to IFC in 2007, NBG and IFC entered into a shareholders' agreement dated March 29, 2007 (the "**Shareholders' Agreement**"). The Shareholders' Agreement contains agreements between NBG and IFC with respect to, among other matters, the election of the members of Finansbank's Board of Directors, certain special corporate governance provisions such as the right to approve various corporate decisions and actions, access to information, minimum ownership by NBG of Finansbank's share capital and restrictions on the issuance or transfer of shares of Finansbank by NBG or IFC, including a right of first refusal, a tag-along right and a pre-emptive right. Pursuant to the Shareholders' Agreement, for so long as IFC holds any IFC Shares or any other shares of Finansbank that IFC has subscribed or acquired after the closing of the sale of the IFC Shares, including as a result of preemptive rights, warrants or options accruing to it in relation to the IFC Shares or received as a result of stock splits or stock dividends or in exchange, replacement or substitution of IFC Shares (the "**SA Option Shares**") representing at least 5% of the ordinary share capital of Finansbank, it has the right to nominate one director who shall be elected to the Board of Directors of Finansbank. The Shareholders' Agreement terminates when IFC ceases to hold any SA Option Shares.

Put and Call Option Agreement

NBG and IFC also entered into a put and call option agreement dated March 29, 2007 (the "**Put and Call Option Agreement**") in connection with the sale of the IFC Shares to IFC. Pursuant to the Put and Call Option Agreement, IFC has been granted an option to sell back to NBG (the "**put option**") all or part of the IFC Shares or any other shares of Finansbank that IFC owns that it has, among other matters, subscribed or acquired by as a result of preemptive rights, warrants or options accruing to it in relation to the IFC Shares or received as a result of stock splits or stock dividends or in exchange, replacement or substitution of IFC Shares (the "**PCOA Option Shares**"). NBG, on the other hand, has been granted the option to buy the all or part of the IFC Shares from IFC (the "**call option**") under the Put and Call Option Agreement. The put option and call option are exercisable subject to the conditions set forth in the Put and Call Option Agreement and only during the respective pre-determined put option and call option periods. Further, under the terms of the Put and Call Option Agreement, IFC can only sell the Finansbank shares it owns to a third party if it has received a prior written consent to such transaction from NBG. The Put and Call Option Agreement terminates when IFC ceases to hold any PCOA Option Shares.

RELATED PARTY TRANSACTIONS

Finansbank is controlled by NBG through its beneficial ownership of Finansbank's ordinary shares, both directly and indirectly through NBG Finance (U.S. dollar) Plc and NBG Holdings B.V. As at the date of this Offering Memorandum, NBG Group owns 94.8% of Finansbank's outstanding shares. Set forth below is a summary of Finansbank's material transactions and arrangements with NBG and its other related parties. See "Risk Factors – Risk Factors Relating to Finansbank's Relationship with NBG".

Turkish banking regulations limit exposure to related companies, and Finansbank Group's exposure to the NBG Group companies is within the limit permitted by the regulations. See "Regulatory Framework – Lending Limits".

The nature of the related party relationships for those related parties with whom the Finansbank Group entered into significant transactions or had significant balances outstanding at December 31, 2008, 2009 and 2010 is presented below. Transactions were entered into with related parties during the course of business at market rates.

Balances and Transactions with Members of the Board of Directors and the Key Management of the Group

The Finansbank Group entered into banking transactions with members of the Board of Directors and key management of the Bank and other Finansbank Group companies, as well as with the close members of family and entities controlled or jointly controlled by those persons, in the normal course of business. The list of the members of the Board of Directors of the Bank is presented under "Management".

	As at December 31,		
	2008	**2009**	**2010**
	(TL thousands)		
Assets			
Loans and advances to customers	5	4	—
Liabilities			
Customer deposits	21,175	10,604	4,975

	For the year ended December 31,		
	2008	**2009**	**2010**
	(TL thousands)		
Income Statement			
Interest income	3	2	—
Fee and commission income	1	3	1
Interest expense	898	1,319	333

Balances and Transactions with Shareholders

	As at December 31,		
	2008	2009	2010
	(TL thousands)		
Assets			
Due from banks	—	104	556
Derivative financial assets[(1)]	—	7,919	3,141
Liabilities			
Due to other banks	529,063	1,116,700	1,832
Derivative financial liabilities[(1)]	4,966	—	7,722
Funds borrowed – Subordinated loans	993,482	1,473,261	1,010,295
Funds borrowed – Other	691,721	953,918	1,134,114

(1) The amounts refer to fair values of the derivative transactions presented at the consolidated statement of financial position as at the balance sheet date.

	For the year ended December 31,		
	2008	2009	2010
	(TL thousands)		
Income Statement			
Interest income	147	103	29
Fee and commission income	—	79	93
Interest expense	51,646	68,527	76,951
Fee and commission expense	—	634	200
Net trading income and results from investment securities	—	11,278	(4,521)

The Group has not pledged any guarantees for the above transactions.

Other Related Party Balances and Transactions

Transactions between the other related parties are as follows.

	As at December 31,		
	2008	2009	2010
	(TL thousands)		
Assets			
Due from banks	1,194,554	53,124	45,776
Loans and advances to customers	13,586	31,550	29,061
Derivative financial assets(1)	16,341	26,235	10,915
Liabilities			
Due to other banks	—	4,489	98,264
Customer deposits	81,694	41,362	799
Funds borrowed	—	10,769	8,013
Letters of guarantees	36,347	22,740	—
Derivative financial liabilities(1)	9,692	3,808	5,486

(1) The amounts refer to fair values of the derivative transactions presented at the consolidated statement of financial position as at the balance sheet date.

	For the year ended December 31,		
	2008	2009	2010
	(TL thousands)		
Income Statement			
Interest income	2,814	29,420	13,492
Fee and commission income	—	860	2,556
Interest expense	49,948	5,127	3,499
Net trading income and results from investment securities	6,648	22,427	5,550

THE TURKISH BANKING MARKET

The following information relating to the Turkish banking market has been provided for background purposes only. The information has been extracted from third-party sources that Finansbank believes to be reliable but Finansbank has not independently verified such information. See "Responsibility Statement".

The data provided in this section has been derived from information of The Banks Association of Turkey. As at the date of this Offering Memorandum, only data as at September 30, 2010 was available.

At December 31, 2010, 44 banks were operating in Turkey (excluding SDIF and participation banks). Three of these banks are public sector commercial banks, 11 are private sector commercial banks, 17 are foreign banks (branches of foreign banks and joint ventures between Turkish and foreign shareholders), 13 are domestic development and investment banks. There are also four participation banks in Turkey, which conduct their business under the relevant legislation in accordance with Islamic banking principles. Turkish banking legislation has changed substantially during the last five years and the former Banks Act was replaced by the Banking Law on November 1, 2005. The Banking Law permits commercial banks to engage in all fields of financial activities including deposit-taking, corporate and consumer lending, foreign exchange transactions, certain capital markets activities, securities trading and investment banking (except collecting participation funds) and financial leasing activities.

The Turkish banking system has become increasingly competitive over the last decade. The expansion of the Turkish banking sector was initially fuelled by economic growth and liberalization of the economy and has gone through a rapid and significant consolidation as many banks with weaker financial standing were taken over by the SDIF and removed from the sector. The Government has also contributed to structural improvements in the banking system through various regulatory arrangements, including standardized accounting practices, external auditing, higher capital adequacy standards, stricter treatment of non-performing credits and the proposed phasing-out of deposit insurance. The objective of these regulatory changes has been to strengthen the banking sector and to increase the transparency and overall efficiency of the Turkish banking sector.

Following the financial crisis in 2001, the BRSA started to intervene actively in the banking sector. The BRSA is an autonomous and independent body and is the sole regulatory and supervisory authority for the Turkish banking system. The BRSA required privately owned commercial banks that have the authority to accept deposits to undergo a three-tier audit process in 2001, which was strictly monitored by the BRSA. The three-tier audit process was by far the most comprehensive audit completed on Turkish banks, comprising a full audit by two independent auditors as well as BRSA auditors. A detailed analysis of each bank's cash flows was undertaken, with a significant proportion of its credits being evaluated and an aggressive position taken on classifying credits as non-performing. The most conservative of the three audit reports was then delivered to the BRSA to enable it to evaluate each bank's financial position. This process was completed by mid-2002. Moreover, in line with the regulations of the former Banks Act, banks established risk management departments reporting directly to their respective boards of directors. Accordingly, since 2002 risks taken by Turkish banks in terms of market, credit and operations are required to be calculated and monitored by these risk management departments.

The following table sets out certain statistical information for the Turkish banking sector as at September 30, 2010 (the latest date for which such figures are available) under bank-only BRSA reporting standards.

	Public sector banks	Private sector banks	Foreign banks	Development and investment banks	Total
			(TL thousands)		
Total assets	279,167,070	456,255,430	121,595,966	28,339,025	**885,357,491**
Total loans, net	128,842,704	239,370,985	75,337,468	17,239,773	**460,790,930**
Total deposits	212,595,785	284,621,239	76,465,678	—	**573,682,702**
Total equity	27,452,524	63,000,670	17,250,062	13,331,457	**121,034,713**
Net income	5,008,501	9,195,658	1,426,476	626,458	**16,257,093**
Number of branches	2,679	4,526	2,088	44	**9,337**
Number of employees	47,128	83,629	40,963	5,394	**177,114**
Number of banks	3	11	17	13	**44**

Source: The Banks Association of Turkey.

Note: Banks controlled by the SDIF and participation banks are not included in these figures.

The public and private sector commercial banks form the majority of the Turkish banking sector in terms of assets and operations. The three public sector banks, which all have large branch networks, were originally established with social rather than profit objectives, principally to provide services to certain sectors of the working population. Private sector commercial banks are comprised of full-service banks and corporate/trade finance-oriented banks. The four largest private commercial banks are Türkiye İş Bankası, Akbank, Garanti Bankası, and Yapı Kredi Bankası. These banks provide a large proportion of retail banking services and related financial products to the Turkish population in addition to providing large Turkish corporations and Turkish subsidiaries of large foreign companies with corporate and foreign trade related banking services.

In recent years, the liberalization of the Turkish economy has resulted (and Finansbank believes it will continue to result) in an increase in the number of foreign banks operating in Turkey, either as locally incorporated banks, branches or joint ventures with domestic banks. For example, BNP Paribas acquired 50.0% of the shares of TEB Mali Yatırımlar A.Ş, which owns 84.3% of the shares of TEB A.Ş, in February 2005. In September 2005, Koç Finansal Hizmetler A.Ş, 50.0% of which is owned by UniCredito Italiano, acquired 57.4% of Yapı ve Kredi Bankası. In July 2005, Fortis Bank acquired 89.3% of Turk Dış Ticaret Bankası A.Ş. Also in July 2005, Rabobank agreed to purchase 51% of Şekerbank. In August 2005, General Electric Financial Services purchased 25.5% of Garanti Bankası. In September 2005, Bank Hapoalim BM acquired Bank Pozitif ve Kalkınma Bankası for US$113.0 million. In May 2006, Tekfenbank was acquired by EFG Eurobank Ergasias SA for US$182.0 million. In June 2006, TuranAlem Securities of Kazakhstan, a wholly owned subsidiary of BTA Bank, acquired 34.0% of Şekerbank's shares. NBG acquired from Fiba Holding and affiliates a 46.0% stake in the ordinary shares of Finansbank and 100% of the founder shares for a total consideration of US$2.8 billion in August 2006. In January 2007, NBG acquired a further 43.4% of Finansbank's publicly held outstanding ordinary shares. Denizbank was acquired in October 2006 from Zorlu Group by Dexia for US$2.4 billion. On January 2007, Citi Group acquired a 20% equity stake in Akbank. On July 2007, Turkishbank was acquired by National Bank of Kuwait for US$160 million. ING acquired Oyakbank for US$2.7 billion in 2007. On November 2010, General Electric Co. agreed to sell its 18.6% stake in Garanti Bank to Banco Bilbao Vizcaya Argentaria S.A. for US$3.8 billion, and Doğuş Holding A.Ş. agreed to sell its 6.3% stake in the bank for US$2 billion. In December 2010, Credit Europe Bank NV acquired a 95% stake in Turkey-based Millennium Bank AS, a subsidiary of Banco Comercial Português SA (BCP), for a total adjusted price of EUR 58.9 million.

Development banks are funded by international banks and institutions such as the World Bank. Their objective is to provide medium- and long-term financing to Turkish companies that cannot raise such funding easily through the market. These banks do not accept customer deposits.

Public Sector Commercial Banks

There are three public sector commercial banks within Turkey, all or a majority of which are owned or controlled by state entities. They generally have large branch networks and were originally established for development purposes, such as for agriculture, housing or foundations, rather than for profit motives. The following table sets out the three state-owned commercial banks in Turkey, ranked by size of assets at September 30, 2010 under bank-only BRSA reporting standards (the latest date for which such figures are available).

Bank	Specialization	Total assets	Number of branches
		(TL thousands)	
T.C. Ziraat Bankası	Agriculture	137,475,685	1,373
Vakıfbank	Retail	72,110,171	605
Halkbankası	General	69,581,214	701

Source: The Banks Association of Turkey.

According to the Banks Association of Turkey, total loans provided by these banks as at September 30, 2010, according to the latest available data, were TL 1210,10,343 million. Through their broad branch networks and ownership structures, these banks have traditionally been able to collect deposits and thereby access cost-efficient funding sources.

T.C. Ziraat Bankası and Halk Bankası are jointly managed by a single Board of Directors and have been restructured with the intention of ultimately privatizing these banks. In addition, Pamukbank, a bank under the control of the SDIF, was merged with Halk Bankası at the end of 2004.

Banks under the Control of the SDIF

Following financial crises in 2001 and 2002, 19 private commercial banks were taken under the control of the SDIF. These banks have either been liquidated or sold to other domestic and international banks. At December 31, 2010, Birleşik Fon Bankası was the only bank under the supervision and administration of the SDIF with total assets of TL 766 million and one branch. This bank has been incorporated by the SDIF by merging the assets of Egebank A.Ş, Etibank A.Ş., Iktisat Bankası T.A.Ş., Kentbank A.Ş and Toprakbank A.Ş. into Bayındırbank A.Ş and by converting the latter into Birleşik Fon Bankası A.Ş.

A continued environment of decreasing inflation, declines in yields on trading in government securities and a reduction in the coverage of the SDIF could contribute to a higher level of calls on SDIF insurance and of further consolidation in the banking sector.

Private Sector Commercial Banks

Private sector commercial banks can be divided into large branch network commercial banks and small branch network commercial banks. The larger private sector banks emerged in the 1940s and their branch networks cover the entire country. Most private sector banks belong to large industrial groups, which provide additional support to the banks.

The following table ranks the larger branch network commercial private sector banks by asset size at September 30, 2010 (the latest date for which such figures are available), under bank-only BRSA reporting standards.

Bank	Ownership	Total assets	Number of branches
		(TL thousands)	
Turkiye Iş Bankası	Bank Pension Fund; Treasury; RPP	124,828,261	1,135
Akbank	Sabancı Group and Citibank	104,588,949	897
Turkiye Garanti Bankası	Doğuş Group and BBVA	113,501,481	834
Yapı ve Kredi Bankası	Koç Financial Services	74,198,457	862
Şekerbank	Employee Pension Funds and BTA	10,656,051	260
Turk Ekonomi Bankası(1)	Çolakoğlu Group; BNP	16,772,841	335

Source: The Banks Association of Turkey.

(1) In June 2010, Turk Ekonomi Bankası's main partners announced their agreement to merge with Fortis Bank under the auspices of Turk Ekonomi Bankası. The merger was completed in March 2011.

The liberalization of Turkey's economy and foreign trade in the 1980s led to profitable opportunities for banks in the field of trade finance. Most of the smaller banks concentrate on wholesale banking with limited retail services.

The following table ranks small branch network commercial private sector banks by assets and number of branches at September 30, 2010 (the latest date for which such figures are available).

Bank	Ownership	Total assets	Number of branches
		(TL thousands)	
Tekstilbank	Akın Group	2,162,592	44
Anadolubank	Habaş Group	4,512,400	86
Alternatif Bank	Anadolu Endüstri Group	4,071,399	49
Adabank(1)	Uzan Group	51,386	1
Turkish Bank	Özyol Group	911,253	23

Source: The Banks Association of Turkey.

(1) Adabank is expected to be sold in 2011 and the transaction is subject to the approval of BRSA.

Despite significant growth in the number of small commercial banks, larger commercial banks (both private and public) continue to dominate the banking sector. Out of 11 privately owned commercial banks, apart from the four largest banks, there are five medium sized commercial banks. The remaining two banks are smaller banks, which have negligible market share in all banking activities, each having less than TL 1 billion in total assets.

Foreign Commercial Banks

The strengthening of regulations and the transparency of the Turkish economy over the past decade has resulted in an increase in the number of foreign commercial banks operating in Turkey. At December 31, 2010, there were 17 foreign banks in total, 11 of which were locally incorporated banks and six of which were branches of foreign banks.

The table below presents certain information regarding foreign commercial banks in Turkey, together with their asset size, under bank-only BRSA reporting standards and number of branches at September 30, 2010 (the latest date for which such figures are available).

Bank	Ownership	Total assets	Number of branches
		(TL thousands)	
Locally Incorporated Banks			
Arap Türk Bankası	Iş Bankası; Emlak Bankası; Libyan Arab Foreign Bank	1,001,829	6
Citibank	Citi Group	6,161,399	38
Denizbank	Dexia Group	24,832,785	477
Deutsche Bank	DBAG	1,941,195	1
Eurobank Tekfen	Eurobank EFG, Tekfen Holding	4,096,202	52
Finansbank	NBG Group	33,854,000	486
Fortis Bank	Fortis Group	11,201,604	294
HSBC Bank	HSBC	15,295,759	335
ING Bank	ING	16,556,198	329
Millennium Bank	Credit Europe Bank; BCP	925,379	18
Turkland Bank	Arap Bank, BankMed	1,320,946	27
Branches of Foreign Banks			
Habib Bank	Pakistan	73,830	1
Bank Mellat	Iran	1,103,878	3
JP Morgan Chase Bank	United States	986,057	1
Sociéte Générale	France	520,333	16
The Royal Bank of Scotland	Scotland	979,685	3
WestLB AG	Germany	745,887	1

Source: The Banks Association of Turkey.

Development and Investment Banks

There are three state-owned, six privately-owned and four foreign development and investment banks in Turkey. The following table presents these banks and their assets and number of branches at September 30, 2010 (the latest date for which such figures are available).

Bank	Total assets (TL thousands)	Number of branches
State-owned Development Banks		
İller Bankası	9,191,959	19
Turk Exim Bank	5,770,837	2
Turkiye Kalkınma Bankası	1,441,415	1
Privately-Owned Development and Investment Banks		
Turkiye Sinayi Kalkınma Bankası	7,000,827	4
IMKB Takas ve Saklama Bankası	1,666,061	1
Nurol Yatırım Bankası	180,529	2
Diler Yatırım Bankası	89,177	1
GSD Yatırım Bankası	105,743	1
Aktif Yatırım Bankası	993,840	6
Foreign Development and Investment Banks		
BankPozitif Kredı ve Kalkınma Bankası	1,488,661	4
Credit Agricole Yatırım Bankası Türk	65,662	1
Merrill Lynch Yatırım Bankası	327,088	1
Taib Yatırım Bankası	17,226	1

Source: The Banks Association of Turkey.

The banks in this category provide medium- and long-term financings to large- and medium-sized companies on a project basis. The major funding sources of these banks are the Central Bank, international banks and institutions such as the World Bank, the European Investment Bank and various export credit agencies. These banks do not accept deposits and grant credits only on a project basis. They are also active in foreign exchange and securities transactions.

REGULATORY FRAMEWORK

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. Accordingly, the BRSA is authorized and obliged to take all steps to assure the effective functioning of the credit system in Turkey and to prevent all transactions and practices which could jeopardize the disciplined and safe functioning of the Turkish banking sector. The BRSA has administrative and financial autonomy. The Banking Law No. 5411, which abolished and replaced the former Banking Law No. 4389, came into force upon publication thereof in the Official Gazette dated November 1, 2005. The Banking Law was passed to increase confidence and stability in financial markets, ensure efficient operation of the credit system, and protect the rights and interest of deposit holders. The Banking Law includes provisions regarding capital adequacy, efficiency of the control and audit to be carried out by the BRSA, creation of market discipline, and enforcing liability insurance requirements for third party service providers to banks, such as sworn auditors and credit rating agencies. Historically, its head office has been in Ankara. However, as at 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 exercises its powers independently and is responsible for its affairs within the bounds of the Government's defined policies.

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 board of the BRSA (the "**BRSB**").

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 "non-performing loans." If several loans have been extended to a loan customer by the same bank and if any of these loans is considered a non-performing loan, then all outstanding risks of such loan customer are classified in the same group as the non-performing loan even if such loans would not otherwise fall under the same group as such non-performing loan. If a non-performing loan is repaid in full, then the other loans of the loan customer may be re-classified into the applicable group as if they were not related to the non-performing loan.

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 non-performing loans 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 due to a temporary lack of liquidity, 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%. Despite the 8% minimum capital adequacy ratio requirement, the BRSA has declared in the press that its approach is, and will continue to be, to prohibit banks having a capital adequacy ratio of less than 12% from opening new branches.

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.

The reserve requirements regarding foreign currency liabilities vary by category, as set forth below.

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts, deposits/participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities	12%
Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	11%
Other liabilities up to 1-year maturity (including 1-year)	12%
Other liabilities up to 3-year maturity (including 3-year)	11.5%
Other liabilities longer than 3-year maturity	11%
Special fund pools	Ratios for corresponding maturities

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	16%
Deposits/participation accounts up to 1-month maturity (including 1-month)	16%
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 listed in the table above became effective on April 29, 2011 and the Bank will start to maintain the required reserves calculated using the new ratios on May 13, 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). As at the date of this Offering Memorandum, no interest is paid on Turkish Lira or foreign currency liquidity reserve accounts by the Central Bank.

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 to 7 days before the maturity date of liabilities on a weekly average as defined by the regulation) and second maturity period (0 to 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.

Savings Deposit Insurance Fund

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.

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.

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.

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.

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.

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.

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.

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.

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.

Anti-Money Laundering Policies

Turkey is a member country of the Financial Action Task Force and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfill certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law no. 5549 on Prevention of Laundering Proceeds of Crime (the "**Law on the Prevention of Laundering Proceeds of Crime**").

Minimum standards and duties under the Law on the Prevention of Laundering Proceeds of Crime and related legislation include customer identification, record keeping, suspicious transactions reporting, employee training, monitoring activities and designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

Finansbank believes it is in full compliance with the Law on the Prevention of Laundering Proceeds of Crime and the related legislation in effect, namely, the "Regulations on Program of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism" and the "Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism". These regulations include requirements to have written policies and procedures on anti-money laundering and "know your customer" principles such as, assigning a compliance officer, an audit and review function to test the robustness of anti-money laundering policies and procedures, monitoring customer activities and transactions and employee training.

Basel III

In December 2009, the Basel Committee published a draft proposal of a new regulatory regime for capital and liquidity standards for banks ("**Basel III**"). A comprehensive quantitative impact study was conducted by banks during the spring 2010 based on the Basel III draft proposal, and the Basel Committee is issued a final comprehensive framework in December 2010. The trading and securitization reforms included in the framework are due to be implemented by the end of 2011 to the extent they have not already become effective. The majority of the other Basel III requirements are expected to be implemented between January 1, 2013 and January 1, 2019.

The Basel III framework includes several key initiatives, which change the Basel II framework. The key changes are, among others:

- The quality, consistency and transparency of the capital base are increased. In the new framework, the regulatory deductions should mainly be applied to the common equity component of the capital base. Further, to be eligible as Tier I and Tier II capital, instruments would need to meet more stringent requirements.
- The risk coverage is further strengthened, which impacts the calculations of risk-weighted assets. These changes concern increased capital requirement for trading book and re-securitization activities, and the changes are expected to be implemented in December 2011 throughout Europe. Further changes, to be implemented from 2013, are proposed under the Basel III framework for counterparty credit risk in OTC instruments and exposures to banks and other financial intermediaries. In particular, a new capital requirement is proposed for risk of changes in the credit value adjustment ("**CVA**").
- New minimum requirements and capital buffer requirements are increased. The Basel Committee has defined increased minimum thresholds that banks should at all times exceed, that is, minimum 4.5% common equity Tier I ratio, 6% Tier I ratio and 8% capital ratio. In addition, the Basel III framework introduces a capital conservation buffer of 2.5% on top of these minimum thresholds. If banks do not meet this buffer, constraints will be imposed on the bank's capital distribution, such as dividends. Also, in periods of excess growth, banks will be required to hold an additional countercyclical buffer of up to 2.5% in order not to face restrictions.

The Finansbank Group expects that the impact of the Basel III framework on its capital base will be limited and believes that it is already in compliance with the future capital requirements set forth within the Basel III framework.

The Basel Committee has also proposed that the risk-sensitive capital framework should be supplemented with a non-risk-based measure, the leverage ratio. The leverage ratio will be calculated as the Tier I capital divided by the exposure (on- and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). A minimum leverage ratio of 3% will be evaluated during a parallel run period. Another new key component of the Basel III framework is the introduction of increased regulations for liquidity risks. The objective of the liquidity reform is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. The Basel Committee has developed two new quantitative liquidity standards as part of the Basel III framework, which are the liquidity coverage ratio ("**LCR**") and the net stable funding ratio ("**NSFR**"). The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high-quality assets that can be converted into cash to meet its liquidity needs for a 30-day time horizon under an acute liquidity stress scenario. The NSFR, on the other hand, establishes a minimum acceptable amount of stable funding, based on the liquidity characteristics of an institution's assets and activities over a one-year horizon. These standards aim to set the minimum levels of liquidity for internationally active banks.

CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (the "**Conditions**") which (subject to modification, amendment and completion and except for the text in italics) will be endorsed on the Certificates issued in respect of the Notes:*

The US$500,000,000 5.5% 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 Finans Bank A.Ş. (the "**Issuer**") are issued subject to and with the benefit of an Agency Agreement dated May 11, 2011 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**"), The Bank of New York Mellon, London Branch as fiscal agent and principal paying agent (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 May 11, 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 applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

*The owners shown in the records of Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and the Depository Trust Company ("**DTC**") of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them.*

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of US$200,000 (referred to as the "**principal amount**" of a Note) and in integral multiples of US$1,000 thereafter ("**authorised denomination**"). The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6762), the Capital Markets Law (Law No. 2499) and Articles 6 and 25 of the Communiqué Serial II, No. 22 of the 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, "**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 herein (see "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 Rule 144A 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 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, premium 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 senior 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 other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of 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 an issuance 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 consolidated total assets of the Issuer and its Subsidiaries (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 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 Notes remain outstanding (as defined in the Agency Agreement), the Issuer shall take all necessary action 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 Material 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 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 US$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 Material Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Material 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 such 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;

(b) in the event that the Issuer prepares and publishes consolidated financial statements for the first six months of any of the Issuer's financial years in accordance with IFRS, not later than 120 days after the end of that period, English language copies of such financial statements for such six-month period, together with (if prepared) the corresponding financial statements for the preceding period; and

(c) not later than 120 days after the end of each quarter of each of the Issuer's financial years, English language copies of its unaudited consolidated financial statements for such three-month period, prepared in accordance with BRSA 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 Rate and Interest Payment Dates

The Notes bear interest from and including May 11, 2011 (the "**Issue Date**") at the rate of 5.5% per annum, payable semi-annually in arrear on May 11 and November 11 in each year (each an "**Interest Payment Date**").

6.2 Interest Accrual

Each Note will cease to bear interest from and including its 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 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 Notes 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 Noteholders in accordance with Condition 13.

6.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full six-month interest period, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

7. PAYMENTS

7.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by US Dollar cheque drawn on a bank that processes payments in US Dollar mailed to the registered address of the 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.

For the purposes of this Condition, a Noteholder's registered account means the US Dollar account maintained by or on behalf of it with a bank that processes payments in US 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 by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), 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, where payment is to be made by cheque, the cheque will be mailed, on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders 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.

In this Condition "**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City, London and Istanbul and, in the case of presentation of a Note Certificate, in the place in which the Note Certificate is presented.

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 European city which so long as the Notes are admitted to official listing on the London Stock Exchange, shall be London or such other place as the UK Listing Authority may approve;

(c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged 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 within Europe, other than the jurisdiction in which the Issuer is incorporated; and

(e) there will at all times be a Registrar.

Notice of any termination or appointment and of any changes in the specified offices 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 May 11, 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 May 11, 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, at any time 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 (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 the 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:

(a) "**Relevant Date**" means the date on which the 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

(b) "**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.

10. PRESCRIPTION

Claims in respect of principal and interest will become prescribed unless made within ten 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 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 (I) takes any corporate action or other steps are taken or legal proceedings are started (x) 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 (y) 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 (II) it shall or proposes 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 substantially all of its business and/or assets to, the Issuer or one or more Subsidiaries 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 Deposit Insurance Fund under the provisions of the Banking Law (Law No. 5411) of Turkey.

11.2 Interpretation

For the purposes of this Condition:

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of:

(a) any notes, bonds, debentures, debenture stock, loan stock or other securities; or

(b) any borrowed money; or

(c) any liability under or in respect of any acceptance or acceptance credit,

the aggregate principal amount of which exceeds US$40,000,000 (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 and its Subsidiaries relate, are equal to) not less than 10% of consolidated total assets of the Issuer and its Subsidiaries taken as a whole, 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 and its Subsidiaries, PROVIDED THAT:

(i) if the then latest audited consolidated accounts of the Issuer and its Subsidiaries 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 and its Subsidiaries relate, the reference to the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries 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 its next audited IFRS financial statements unless it would then be a Material Subsidiary under (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 and its Subsidiaries relate, represent) not less than 10% of the consolidated total assets of the Issuer and its Subsidiaries 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 10% of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (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 on the publication of its next audited IFRS 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 (a) in which the Issuer holds a majority of the voting rights; or (b) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors; or (c) 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 evidence and indemnity as the Issuer and Registrar require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. NOTICES

13.1 Notices

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

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% 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.

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 Notes are, and any non-contractual obligations arising therefrom will be, governed by and will be 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 final 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 Articles 58 and 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

16.4 Appointment of Process Agent

The Issuer hereby irrevocably and unconditionally appoints Law Debenture Corporate Services Limited for the time being as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent 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, 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 7 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" 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 and interest 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 Regulation S Notes will be credited, to the extent received by the Fiscal Agent, to DTC which is expected to credit the accounts of the specialised depositaries for Euroclear and 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 Rule 144A 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 US 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. RECORD DATE

Notwithstanding Condition 7.1, so long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, "**record date**" shall mean the Business Day before the relevant due date for payment, where "**Business Day**" means a day when DTC, Euroclear and Clearstream, Luxembourg are open for business.

5. 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 DTC.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate registered in the name of DTC or its nominee, notices to be given by such Noteholder must be given by such Noteholder in accordance with DTC's operational procedures.

6. REGISTRATION OF TITLE

Registration of title to Notes in a name other than that of DTC or its nominee will not be permitted unless DTC, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate or, DTC ceases to be a clearing agency registered under the US 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 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 DTC in accordance with the Conditions of the Notes, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

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.

7. 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 and Euroclear currently in effect. The information in this section concerning DTC and Euroclear has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Fiscal Agent nor any Initial Purchaser takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of DTC or Euroclear are advised to confirm the continued applicability of the rules, regulations and procedures of such facilities.

None of the Issuer 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 or Euroclear or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Systems

DTC

DTC has advised the Issuer 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 shall 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 Issuer 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 in accordance with the final Report to Paying Agent, a report transmitted by DTC to the Paying Agent prior to each Interest Payment Date setting forth each DTC Participant's position in the Notes. 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 Issuer, 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 Issuer, 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 which, if representing interests in a Rule 144A Global 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.

Euroclear and Clearstream, Luxembourg

Euroclear and/or Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its accountholders. Euroclear and/or Clearstream, Luxembourg provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and/or Clearstream, Luxembourg also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and/or Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and/or Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with direct participants in Euroclear and/or Clearstream, Luxembourg. In respect of the Global Certificates, which will be registered in the name of DTC's nominee, Euroclear and/or Clearstream, Luxembourg 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 Issuer has applied to DTC to have Notes represented by a Global Certificate 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 and/or Clearstream, Luxembourg. 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 U.S. 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 Issuer expects DTC to credit accounts of Direct DTC Participants on the applicable Interest Payment Date in accordance with the final Report to Paying Agent. The Issuer 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 Fiscal Agent and the Principal Paying

Agent, the Registrar (as defined in "Conditions of the Notes"), or the Issuer. Payments of principal, premium, if any, and interest on the Notes to DTC is the responsibility of the Issuer. 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 and/or Clearstream, Luxembourg 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 Fiscal Agent and the Principal Paying Agent and the custodian with whom the Global Certificates have been deposited ("**Custodian**"). 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 and/or Clearstream, Luxembourg 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 and/or Clearstream, Luxembourg) 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 and/or Clearstream, Luxembourg participant on such day. Cash received in Euroclear as a result of sales of interests in the Global Certificate by or through a Euroclear and/or Clearstream, Luxembourg participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear and/or Clearstream, Luxembourg cash account only as of the applicable business day following settlement in DTC. Transfers between holders of Regulation S Notes and Rule 144A Notes will be effected through the Registrar, the Fiscal Agent and the Principal 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 and/or Clearstream, Luxembourg 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 and/or Clearstream, Luxembourg. 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 Issuer, the Agents (as defined in "Conditions of the Notes") and any Initial Purchaser will be responsible for any performance by DTC or Euroclear and/or Clearstream, Luxembourg 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 United States federal, United Kingdom and Turkish income tax considerations in connection with an investment in the Notes. This summary does not address all aspects of United States federal, United Kingdom and Turkish income tax laws 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 Memorandum, 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.**

Certain U.S. Federal Income Tax Consequences

PURSUANT TO IRS CIRCULAR 230 THE BANK HEREBY INFORMS YOU THAT THE DISCUSSION HEREIN WITH RESPECT TO UNITED STATES FEDERAL TAX ISSUES IS NOT INTENDED OR WRITTEN BY THE ISSUER, THE BANK, THEIR RESPECTIVE COUNSEL OR THE U.S. TAX COUNSEL TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER U.S. TAX LAWS. THIS DISCUSSION IS PROVIDED TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. THE DISCUSSION IS LIMITED TO THE TAX ISSUES DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED UPON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR CONCERNING THE POTENTIAL TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

The following is a general summary of certain material U.S. federal income tax consequences of the acquisition, ownership and retirement or other disposition of Notes by a holder thereof. This summary is not a complete analysis or description of all potential U.S. federal income tax consequences to holders, and does not address state, local, foreign, or other tax laws. This summary does not address aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as U.S. expatriates, "dual resident" companies, banks, thrifts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations or investors, dealers or traders in securities, commodities or currencies, or holders who own (directly, indirectly or by attribution) 10% or more of the Issuer's voting stock, or to holders that will hold a Note as part of a position in a "straddle" or as part of a "synthetic security" or as part of a "hedging", "conversion", "integrated" or constructive sale transaction for U.S. federal income tax purposes or that have a "functional currency" other than the U.S. dollar, or holders otherwise subject to special tax rules. Moreover, this summary does not address the U.S. federal estate and gift or alternative minimum tax consequences of the acquisition, ownership, retirement or other disposition of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at the initial issue price (defined below). Each prospective purchaser should consult its tax adviser with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding, retiring or other disposition of Notes.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), administrative pronouncements, judicial decisions and existing and proposed U.S. Treasury Regulations, in each case, as available and in effect on the date hereof. All of the foregoing are subject to change or differing interpretation, which could apply retroactively and affect the tax consequences described herein.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Notes that (a) purchases Notes in the offering at the initial issue price; (b) holds Notes as capital assets; and (c) is, for U.S. federal income tax purposes:

(i) a citizen or individual resident of the United States;

(ii) a corporation organized in or under the laws of the United States or any state thereof (including the District of Columbia);

(iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

(iv) a trust (1) that validly elects to be treated as a United States person within the meaning of section 7701(a)(30) of the Code for U.S. federal income tax purposes or (2) (a) over the administration of which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the U.S. federal income tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax adviser as to the U.S. federal income tax consequences of acquiring, holding, retiring or other disposition of Notes.

A "**Non-U.S. Holder**" is a beneficial owner of Notes other than a U.S. Holder.

The "initial issue price" of a Note will equal the initial offering price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCE 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

It is anticipated and the following discussion assumes that the Notes will not be issued with more than a *de minimis* amount of original issue discount.

Interest paid on a Note and additional amounts (if any) will be included in a U.S. Holder's gross income (without reduction for withholding taxes, if any) as ordinary interest income at the time it is received or accrued in accordance with the U.S. Holder's usual method of tax accounting. Interest on the Notes will be treated as foreign source income for U.S. federal income tax purposes, including U.S. foreign tax credit limitation purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. Interest on the Notes should generally constitute "passive category income", or in the case of certain U.S. Holders, "general category income". As an alternative to the tax credit, a U.S. Holder may elect to deduct any foreign taxes (the election would then apply to all foreign income taxes such U.S. Holder paid in that taxable year). The rules relating to foreign tax credits and the timing thereof are complex and U.S. Holders should consult their own tax advisers regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular situation.

Subject to the discussion below under "Taxation – U.S. Backup Withholding Tax and Information Reporting", payments of interest on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless such income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Sale, Exchange or Retirement

Upon the sale, exchange, retirement or other disposition of a Note, a U.S. Holder will generally recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or retirement (other than amounts attributable to accrued but unpaid interest, which will be taxable as such) and the U.S. Holder's adjusted tax basis in such Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the U.S. dollar cost of such Note to the U.S. Holder less any principal payments received on the Note. Any such gain or loss will be capital gain or loss and will be long-term capital gain or loss if such U.S. Holder's holding period for such Notes exceeds one year. Certain U.S. Holders (including individuals) are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gain. Any gain or loss realized on the sale, exchange, retirement or other disposition by a U.S. Holder of a Note generally will be treated as U.S. source gain or loss, as the case may be. The deductibility of capital losses is subject to substantial limitations.

Subject to the discussion below under "– U.S. Backup Withholding Tax and Information Reporting", any gain realized by a Non-U.S. Holder upon the sale, exchange, retirement or other disposition of a Note generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition, and certain other conditions are met.

U.S. Backup Withholding Tax and Information Reporting

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of the notes that are U.S. persons. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a holder of a Note that is a U.S. person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal, interest and proceeds of sale to a holder of a Note that is not a U.S. person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding tax is not an additional tax. A holder generally will be entitled to credit any amounts withheld under the backup withholding rules against such holder's U.S. federal income tax liability and may be entitled to a refund provided the required information is furnished to the U.S. tax authorities in a timely manner.

For taxable years beginning after March 18, 2010, certain individual U.S. Holders may be required to report to the IRS certain information with respect to their beneficial ownership of the Notes not held through an account with a U.S. financial institution. Investors who fail to report required information could be subject to substantial penalties. U.S. Holders are urged to consult their tax advisors regarding the effect, if any, of this reporting requirement on the acquisition, ownership and disposition of the Notes.

The above description is not intended to constitute a complete analysis of all U.S. tax consequences relating to the ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisers concerning the tax consequences of their particular situations.

Certain United Kingdom Tax Considerations

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer'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 on 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.

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. 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.

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.

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 a 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.

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 by delivery.

Certain Turkish Tax Considerations

This section describes the principal tax consequences of an investment in the Notes by a person who is not a resident of Turkey and will not hold the Notes or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment of fixed base in Turkey. This summary does not intend to be a comprehensive description of all tax considerations that may be relevant to a decision to make an investment in the Notes. 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 a non-resident 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 legal entity is treated as a non-resident if its both corporate domicile and effective place of management are not in Turkey. A resident legal entity is subject to Turkish taxes on its world-wide 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 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 residents of Turkey. A resident individual is liable for Turkish taxes on his world-wide income, while a non-resident individual is only liable for Turkish taxes on his income sourced in Turkey. Income from movable capital investment, such as the interest on the Notes, is deemed as sourced in Turkey when the capital is invested in Turkey. Capital gains are deemed as sourced in Turkey when the transaction generating such income takes place in Turkey or the payment of consideration is made in Turkey, or the payment is accounted for in Turkey if the payment is made outside Turkey.

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.

Capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes will 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 taxes will be levied on the non-resident persons on capital gains from such Notes and no declaration is needed.

Withholding Tax 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 is 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 one year;
- 7% withholding tax for notes with a maturity of at least one year and less than three years;
- 3% withholding tax for notes with a maturity of at least three years and less than five years; and
- 0% withholding tax for notes with a maturity of five 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. Tax treaties may reduce the withholding tax rate on interests.

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 above.

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE INVESTMENT IN THE NOTES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS. THIS DISCUSSION IS BASED UPON LAWS AND RELEVANT INTERPRETATIONS THEREOF IN EFFECT AS AT THE DATE OF THIS OFFERING MEMORANDUM.

CERTAIN ERISA CONSIDERATIONS

PURSUANT TO IRS CIRCULAR 230 THE BANK HEREBY INFORMS YOU THAT THE DISCUSSION HEREIN WITH RESPECT TO ERISA CONSIDERATIONS IS NOT INTENDED OR WRITTEN BY THE ISSUER, THE BANK, THEIR RESPECTIVE COUNSEL OR THE U.S. TAX COUNSEL TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER U.S. TAX LAWS. THIS DISCUSSION IS PROVIDED TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES. THIS DISCUSSION IS LIMITED TO THE TAX ISSUES DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED UPON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER CONCERNING THE POTENTIAL TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

The following description is general in nature, is not intended to be all-inclusive, and is based on the law and practice in force at the date of this document and is subject to any subsequent changes therein. In view of the individual nature of ERISA, Code and Similar Laws (in each case, as defined below) consequences, each potential investor that is a Benefit Plan (as defined below) or any plan subject to Similar Law is advised to consult its own legal adviser with respect to the specific ERISA, Code and Similar Law consequences of investing in the Notes and to make its own independent decision with respect to any such investment. The following is merely a summary and should not be construed as legal advice.

Subject to the following discussion, the Notes may be acquired by pension, profit-sharing or other employee benefit plans subject to the provisions of Part 4 of Subtitle B of Title I of the United States Employee Retirement Income Securities Act of 1974, as amended ("**ERISA**"), as well as individual retirement accounts, Keogh plans and other plans covered by Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), as well as entities deemed to hold "plan assets" of any of the foregoing plans or accounts (each such entity, a "**Benefit Plan**"). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan 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. 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 the Benefit Plan. In addition, Title I of ERISA also requires fiduciaries of a Benefit Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

The acquisition or holding of Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Initial Purchasers, the Fiscal Agent or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of Notes by a Benefit Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes. Included among these exemptions are: Prohibited Transaction Class Exemption ("**PTCE**") 96-23, regarding transactions effected by "in-house asset managers;" PTCE 95-60, as modified, regarding investments by insurance company general accounts; PTCE 91-38, as modified, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, as modified, regarding transactions effected by "qualified professional asset managers". In addition to the class exemptions listed above, there are statutory exemptions under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for prohibited transactions between a Benefit Plan and a person or entity that is a party in interest to such Benefit Plan solely by reason of providing services to the Benefit Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Benefit Plan involved in the transaction), provided that there is adequate consideration for the transaction. 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 purchasers that are Benefit Plans should consult with their advisers regarding the applicability of any such exemption.

Employee benefit plans are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and employee benefit plans subject to non-U.S. law are not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, although they may be subject to federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the foregoing provisions of ERISA or the Code ("**Similar**

Laws"). Accordingly, assets of such plans may be invested in the Notes without regard to the ERISA considerations discussed above, but subject to the provisions of Similar Laws.

By acquiring a Note (or a beneficial interest therein), each purchaser and transferee will be deemed to represent, warrant and agree that: (a) either: (i) no portion of the assets used for such acquisition constitute the assets of any "employee benefit plan" as defined in Section 3(3) of ERISA, that is subject to the provisions of part 4 of Subtitle B of Title I of ERISA, any plan to which Section 4975 of the Code applies or any entity whose underlying assets include "plan assets" by reason of any such plan's investment in such entity, or a governmental, church or non-U.S. plan subject to any Similar Laws, or (ii) the acquisition, holding and disposition of such Note (or a beneficial interest therein) does not and will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of a governmental, church, or non-U.S. plan, a violation of any applicable Similar Laws), and (b) it agrees not to sell or otherwise transfer any interest in the Notes otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes.

A FIDUCIARY OF A BENEFIT PLAN CONSIDERING THE PURCHASE OF NOTES (OR A BENEFICIAL INTEREST THEREIN) SHOULD CONSULT ITS LEGAL ADVISERS REGARDING THE APPLICABILITY OF THE PROHIBITED TRANSACTION RULES UNDER ERISA AND SECTION 4975 OF THE CODE, WHETHER THE NOTES WOULD BE AN APPROPRIATE INVESTMENT FOR THE BENEFIT PLAN UNDER ERISA AND OTHER ISSUES AND THEIR POTENTIAL CONSEQUENCES. A FIDUCIARY OF A PLAN SUBJECT TO SIMILAR LAW CONSIDERING THE PURCHASE OF NOTES (OR A BENEFICIAL INTEREST THEREIN) SHOULD CONSULT ITS LEGAL ADVISERS REGARDING THE APPLICABILITY OF THE PROVISIONS OF SIMILAR LAW AND WHETHER THE NOTES WOULD BE AN APPROPRIATE INVESTMENT FOR THE PLAN UNDER SIMILAR LAW. THE SALE OF NOTES TO A BENEFIT PLAN OR TO A PLAN SUBJECT TO SIMILAR LAW IS IN NO RESPECT A REPRESENTATION BY THE ISSUER THAT THIS INVESTMENT MEETS ALL THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENT BY BENEFIT PLANS OR PLANS SUBJECT TO SIMILAR LAW GENERALLY OR BY ANY PARTICULAR BENEFIT PLAN OR PLAN SUBJECT TO SIMILAR LAW, OR THAT THIS INVESTMENT IS APPROPRIATE FOR BENEFIT PLANS OR PLANS SUBJECT TO SIMILAR LAW GENERALLY OR FOR ANY PARTICULAR BENEFIT PLAN OR PLAN SUBJECT TO SIMILAR LAW.

PLAN OF DISTRIBUTION

The Issuer 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 May 9, 2011 (the "**Subscription Agreement**"), among the Initial Purchasers and the Issuer, each of the Initial Purchasers has severally agreed to purchase, and the Issuer 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
Citigroup Global Markets Limited	$125,000,000
Deutsche Bank AG, London Branch	$125,000,000
HSBC Bank plc	$125,000,000
Standard Chartered Bank	$125,000,000
TOTAL	$500,000,000

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 Initial Purchasers must purchase all the Notes if they purchase any of the Notes. 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 Issuer has been informed that the Initial Purchasers propose to resell the Notes at the offering prices set forth on the cover page of this Offering Memorandum within the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance upon Rule 144A, and to non-U.S. persons outside the United States in reliance upon Regulation S. 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, U.S. 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.

Accordingly, until 40 days after the commencement of the Offering, an offer or sale of Notes within the United States by a dealer that is not participating in the 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 Finansbank with no established trading market. The Bank cannot assure you that the prices at which the Notes will sell in the market after the Offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after the 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. Accordingly, the Bank cannot assure you as to the liquidity of or the trading market for the Notes.

In connection with the offering, the Initial Purchasers 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 the 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 Issuer expects that delivery of the Notes will be made against payment therefor on the closing date specified on the cover page of this Offering Memorandum, which will be the second New York business day following the date of this Offering Memorandum (this settlement cycle being referred to as "T+2"). 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 Memorandum or the next succeeding New York business days will be required, by virtue of the fact that the Notes initially will settle in T+2, 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 Memorandum or the next succeeding 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 Issuer 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 Issuer and its affiliates in the ordinary course of their business.

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 Issuer.

The Issuer 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.

ADDITIONAL 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 AUTHORIZED PURSUANT TO CMB REGULATIONS. THE REGISTRATION CERTIFICATE RELATING TO THE NOTES IS EXPECTED TO BE OBTAINED FROM THE CMB ON OR ABOUT MAY 10, 2011.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

In the United Kingdom, this Offering Memorandum 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: (a) 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 Issuer; and (b) 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 15 d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, residents in Turkey shall be free to purchase and sell securities and other capital market instruments traded on financial markets outside of Turkey, 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, U.S. 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 (1) to persons reasonably believed to be "**qualified institutional buyers**" (as defined in Rule 144A under the Securities Act), commonly referred to as "**QIBs**", in compliance with Rule 144A under the Securities Act and (2) to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act.

If you purchase the Notes, you will be deemed to have acknowledged, represented and agreed with the Initial Purchasers and the Bank as follows:

(1) You understand and acknowledge 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 (4) below.

(2) You are not an "**affiliate**" (as defined in Rule 144 under the Securities Act) of Finansbank and you are not acting on the Bank's or their behalf and you are either (i) a QIB and are aware that any sale of Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB or (ii) not a "**U.S. person**" (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person (other than a distributor) and you are purchasing Notes in an offshore transaction in accordance with Regulation S under the Securities Act.

(3) You acknowledge that none of Finansbank or the Initial Purchasers, or any person representing Finansbank or the Initial Purchasers, has made any representation to you with respect to Finansbank or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning Finansbank and the Notes as you have deemed necessary in connection with your decision to purchase the Notes, including an opportunity to ask questions of and request information from Finansbank and the Initial Purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are 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. You agree on your own behalf and on behalf of any investor account for which you are 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 (x), the date which 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 (y), such later date, if any, as may be required by applicable law (the "**Resale Restriction Termination Date**"), only (a) to Finansbank, (b) pursuant to a registration statement which 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 you reasonably believe is a QIB that purchases for its own account or for the account of another QIB to whom you give notice that the transfer is being made in reliance on 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. You acknowledge 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. 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 BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES THAT IT WILL NOT PRIOR TO (X), THE DATE WHICH 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 (Y), SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE EXCEPT (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH 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-U.S. 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 (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTICE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE ISSUER AND THE ISSUING AND PAYING AGENT SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (E) ABOVE, TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION REASONABLY SATISFACTORY TO THE ISSUER AND THE ISSUING AND PAYING AGENT. 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 "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

(5) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge 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 shall not be made by you to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act.

(6) If you purchase the Notes, you 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.

(7) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Bank and the registrar that the restrictions set forth herein have been complied with.

(8) You acknowledge that:

(a) Finansbank, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify Finansbank and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have 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.

(9) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by Finansbank or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to Finansbank 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 "Additional Selling Restrictions".

Each purchaser and subsequent transferee of a Note (or a beneficial interest therein) will be deemed to have represented, warranted and agreed that (a) either (i) no portion of the assets used by such purchaser or transferee to acquire and hold such Notes (or beneficial interest therein) constitutes assets of any "employee benefit plan", as defined in Section 3(3) of ERISA, that is subject to Title I of ERISA, any plan to which section 4975 of the Code applies or any entity whose underlying assets include "plan assets" by reason of any such plan's investment in such entity, or a governmental, church or non-U.S. plan subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or Similar Laws or (ii) the purchase, holding and disposition of such Notes (or a beneficial interest therein) by such purchaser or transferee does not and will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any applicable Similar Laws), and (b) it agrees not to sell or otherwise transfer any interest in such Note otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Note. See "Certain ERISA Considerations".

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 White & Case LLP as to matters of U.S and English law, and by Verdi & Yazici as to matters of Turkish law (other than with respect to tax-related matters). Certain matters as to U.S. and English law will be passed upon for the Initial Purchasers by Herbert Smith 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).

GENERAL INFORMATION

Authorization

The issuance and sale of the Notes by the Issuer and the execution and delivery by the Issuer of the Transaction Documents have been authorized pursuant to the authority of the officers of the Issuer under the resolution of its Board of Directors dated March 28, 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 London Stock Exchange's Regulated Market. The admission of the Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that admission to the Official List and to trading on the London Stock Exchange's Regulated Market will be granted on or about May 11, 2011, subject only to the issue of the Notes. The total expenses related to the admission to trading of the Notes are estimated to be approximately US$12,000. 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 the applicable systems used by Euroclear and Clearstream with the following security codes: CUSIP number 31772F AA5, ISIN code US31772FAA57 and Common Code number 062540184 with respect to the Rule 144A Note, and CUSIP number M4R36C AA8, ISIN code USM4R36CAA80 and Common Code number 062540141 with respect to the Regulation S Note.

Interest Payments

The Issuer 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 on 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 and no material change in the prospects of the Issuer or the Group since December 31, 2010, being the end of the last financial period for which the Issuer's audited consolidated financial statements have been published, and there has been no material adverse change in the prospects of the Issuer or the Group since December 31, 2010, being the date of the Issuer's last published audited consolidated financial statements.

Interests of Natural and Legal Persons Involved in the Issue

So far as the Issuer 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 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of Deloitte Touche Tohmatsu Limited, independent auditor, located in Istanbul, Turkey, an institution authorized by BRSA to conduct independent audits of banks in Turkey. The IFRS Financial Statements have been prepared in accordance with IFRS as issued by IASB.

Litigation

Save as disclosed in this Offering Memorandum (see "The Business of the Finansbank Group – Legal Proceedings") there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have, or have had, during the 12 months prior to the date of this Offering Memorandum, a significant effect on the Group's consolidated financial position.

Documents

The Bank produces audited consolidated annual and unaudited consolidated and unconsolidated quarterly interim financial statements. Copies of the latest audited annual and unaudited quarterly 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 Issuer and the Fiscal Agent.

Material Contracts

Save as disclosed in this Offering Memorandum under "The Business of the Finansbank Group", the Bank has not entered into any material contract outside the ordinary course of its business, which 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.

IFRS FINANCIAL STATEMENTS

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Finansbank Anonim Şirketi
And Subsidiaries

Consolidated Financial Statements
as at and for the Years Ended
December 31, 2010, 2009 and 2008

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Independent Auditor's Report

To the Board of Directors of
Finansbank Anonim Şirketi
İstanbul

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Finansbank A.Ş. (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial positions as at December 31, 2010, 2009 and 2008 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for each of the three years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Finansbank Anonim Şirketi and its subsidiaries as at December 31, 2010, 2009 and 2008 and of their financial performance and cash flows for each of the three years then ended in accordance with International Financial Reporting Standards.

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

Istanbul, February 25, 2011

Certification of the Board of Directors and Chief Financial Officer

We, the members of the Board of Directors of Finansbank A.Ş. certify that to the best of our knowledge:

The financial statements for the annual period ended December 31, 2010, 2009 and 2008 have been prepared in accordance with the current accounting standards and present a true and fair view of the assets, liabilities equity and results of operation of the Bank and of the consolidated companies included in the consolidation.

February 18, 2011

Mehmet Ömer Arif Aras	**Sinan Şahinbaş**	**Mustafa A. Aysan**
Chairman	Vice Chairman	Member of the Board of Directors and Chairman of the Audit Committee

Temel Güzeloğlu	**Adnan Menderes Yayla**
General Manager and Member of the Board of Directors	Chief Financial Officer

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

		12 month period ended December 31,		
	Notes	**2010**	**2009**	**2008**
Continuing Operations				
Interest income	6	4,028,901	4,158,275	4,028,022
Interest expense	6	(1,946,467)	(2,144,079)	(2,625,648)
Net interest income		**2,082,434**	**2,014,196**	**1,402,374**
Fee and commission income	7	552,058	531,072	558,734
Fee and commission expense	7	(35,967)	(35,355)	(29,647)
Net fee and commission income		**516,091**	**495,717**	**529,087**
Earned premium net of reinsurance	8	88,284	79,594	57,240
Net claims incurred	8	(30,564)	(44,900)	(40,899)
Earned premium net of claims and commissions		**57,720**	**34,694**	**16,341**
Dividend income		326	1,479	6,090
Net trading income and results from investment securities	9	107,607	95,780	323,285
Other operating income	10	50,827	18,740	21,775
Total operating income		**2,815,005**	**2,660,606**	**2,298,952**
Personnel expenses	11	(632,790)	(557,618)	(489,998)
General and administrative expenses	13	(619,174)	(515,602)	(495,934)
Depreciation, amortization and impairment charges	14	(108,245)	(92,051)	(76,532)
Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables	15	(272,935)	(492,205)	(208,212)
Share of gains/(losses) of associates	28	576	(409)	-
Other operating expenses	16	(50,525)	(62,735)	(81,384)
Profit before tax from continuing operations		**1,131,912**	**939,986**	**946,892**
Income tax expense	17	(218,715)	(157,044)	(198,612)
Profit for the year from continuing operations		**913,197**	**782,942**	**748,280**
Discontinued Operations				
Net profit from discontinued operations (net of income tax)	18	-	13,908	54,170
Gain on disposal of discontinued operations (net of income tax)	18	-	33,469	-
Profit for the year from discontinued operations (net)		**-**	**47,377**	**54,170**
Profit for the year		**913,197**	**830,319**	**802,450**
Attributable to:				
Equity holders of the Parent		898,405	813,254	784,572
Non-controlling interest		14,792	17,065	17,878
Earnings per share - Basic and Diluted (Full TL)				
From discontinued operations	19	-	0.0023	0.0026
From continuing operations	19	0.0429	0.0367	0.0337

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

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

	Notes	12 month period ended December 31, 2010	2009	2008
Profit for the year		**913,197**	**830,319**	**802,450**
Other comprehensive income				
Available-for-sale investments reserve	27	55,120	105,683	(8,195)
Net change in fair value		173,362	141,115	(30,752)
Net amount transferred to profit or loss		(118,242)	(35,432)	22,557
Currency translation reserve		-	(19,924)	23,436
Currency translation differences		-	-	23,436
Transfer to profit and loss upon disposal of foreign subsidiary		-	(19,924)	-
Net losses on cash flow hedges		(26,470)	-	-
Net change in fair value		(26,129)	-	-
Net amount transferred to profit or loss		(341)	-	-
Income tax relating to components of other comprehensive income	31	**(5,730)**	**(27,939)**	**7,518**
Other comprehensive income for the year, net of tax		**22,920**	**57,820**	**22,759**
Total comprehensive income for the year		**936,117**	**888,139**	**825,209**
Total comprehensive income attributable to:		**936,117**	**888,139**	**825,209**
Equity holders of the Parent		921,325	871,074	807,331
Non-controlling interests		14,792	17,065	17,878

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

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010, 2009 AND 2008
Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated

	Notes	December 31, 2010	December 31, 2009	December 31, 2008
ASSETS				
Cash and balances with T.R. Central Bank	20	2,394,476	1,792,445	1,603,060
Due from banks	21	1,020,904	1,418,769	730,259
Financial assets at fair value through profit or loss	22	207,583	229,375	392,157
Derivative financial assets	23	421,018	425,288	549,705
Loans and advances to customers	24	26,152,685	19,636,587	20,182,607
Factoring receivables	25	221,065	37,046	-
Finance lease receivables	26	918,424	959,048	1,268,142
Available for sale investments	27	7,230,439	5,334,952	4,683,828
Investments in associates	28	2,967	391	-
Intangible assets	29	110,866	74,802	56,772
Property and equipment	30	392,463	401,361	385,497
Current tax assets	17	-	50,499	27,160
Deferred tax assets	31	28,293	28,063	1,492
Insurance related assets and receivables	32	16,692	9,357	7,415
Other assets	33	462,224	387,533	390,819
Total assets		**39,580,099**	**30,785,516**	**30,278,913**
LIABILITIES				
Due to other banks	34	2,037,579	1,644,886	3,813,200
Customer deposits	35	23,176,517	18,451,224	15,904,327
Derivative financial liabilities	23	802,315	270,669	289,581
Debt securities issued	36	417,340	628,470	1,018,023
Funds borrowed	37	5,237,439	3,781,033	4,419,611
Insurance related reserves and liabilities	38	48,609	33,280	28,043
Current tax liabilities	17	72,849	4,328	10,178
Deferred tax liabilities	31	159,434	191,347	101,651
Retirement benefit obligations	12	28,682	22,796	18,524
Other liabilities	39	1,500,339	1,124,564	904,235
Total liabilities		**33,481,103**	**26,152,597**	**26,507,373**
EQUITY				
Share capital issued	41	2,205,000	1,575,000	1,500,000
Share premium		665	-	-
Available for sale investments reserve, net of tax		122,930	78,834	1,090
Net/(losses) on cash flow hedges		(21,176)	-	-
Currency translation reserve		-	-	19,924
Reserves and retained earnings	42	3,646,329	2,831,554	2,120,252
Equity attributable to owners of the Group		**5,953,748**	**4,485,388**	**3,641,266**
Non-controlling interest		145,248	147,531	130,274
Total equity		**6,098,996**	**4,632,919**	**3,771,540**
Total equity and liabilities		**39,580,099**	**30,785,516**	**30,278,913**

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

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated

	Share capital	Share premium	Available for sale investments reserve, net of tax	Net (losses) on cash flow hedges, net of tax	Currency translation reserve	Reserves and retained earnings	Equity attributable to owners of the Group	Non-controlling interest	Total
Balance at January 1, 2008	1,400,000	-	1,767	-	(3,512)	1,479,174	2,877,429	113,071	2,990,500
Profit for the period	-	-	-	-	-	784,572	784,572	17,878	802,450
Other comprehensive income for the year, net of tax	-	-	(677)	-	23,436	-	22,759	-	22,759
Total comprehensive income for the year, net of tax	**-**	**-**	**(677)**	**-**	**23,436**	**784,572**	**807,331**	**17,878**	**825,209**
Issue of share capital	100,000	-	-	-	-	(100,000)	-	-	-
Dividends paid	-	-	-	-	-	(43,494)	(43,494)	-	(43,494)
Changes in consolidation structure due to acquisition of the shares from non-controlling interest in subsidiaries	-	-	-	-	-	-	-	(675)	(675)
Balance at December 31, 2008	**1,500,000**	**-**	**1,090**	**-**	**19,924**	**2,120,252**	**3,641,266**	**130,274**	**3,771,540**
Profit for the period	-	-	-	-	-	813,254	813,254	17,065	830,319
Other comprehensive income for the year, net of tax	-	-	77,744	-	(19,924)	-	57,820	-	57,820
Total comprehensive income for the year, net	**-**	**-**	**77,744**	**-**	**(19,924)**	**813,254**	**871,074**	**17,065**	**888,139**
Issue of share capital	75,000	-	-	-	-	(75,000)	-	-	-
Dividends paid	-	-	-	-	-	(26,952)	(26,952)	-	(26,952)
Changes in consolidation structure due to disposal of the shares to non-controlling interest in subsidiaries	-	-	-	-	-	-	-	192	192
Balance at December 31, 2009	**1,575,000**	**-**	**78,834**	**-**	**-**	**2,831,554**	**4,485,388**	**147,531**	**4,632,919**
Profit for the period	-	-	-	-	-	898,405	898,405	14,792	913,197
Other comprehensive income for the year, net of tax	-	-	44,096	(21,176)	-	-	22,920	-	22,920
Total comprehensive income for the year, net of tax	**-**	**-**	**44,096**	**(21,176)**	**-**	**898,405**	**921,325**	**14,792**	**936,117**
Issue of share capital	630,000	665	-	-	-	(82,857)	547,808	-	547,808
Dividends paid	-	-	-	-	-	-	-	-	-
Changes in consolidation structure due to acquisition of the shares from non-controlling interest in subsidiaries	-	-	-	-	-	(1,092)	(1,092)	(19,423)	(20,515)
Changes in consolidation structure due to disposal of the shares to non-controlling interest in subsidiaries	-	-	-	-	-	319	319	2,348	2,667
Balance at December 31, 2010	**2,205,000**	**665**	**122,930**	**(21,176)**	**-**	**3,646,329**	**5,953,748**	**145,248**	**6,098,996**

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

FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated

	Note	12 month period ended December 31, 2010	2009	2008
Cash flows from operating activities				
Interest received		4,145,132	4,325,853	4,117,052
Interest paid		(1,707,835)	(2,243,181)	(2,895,741)
Income from associates and dividends received		326	1,479	6,090
Fee and commission received		552,058	531,196	561,382
Earned premium net of claims and commissions		74,346	40,833	41,561
Trading gain		268,982	(72,038)	113,352
Recoveries of loans previously written off and impaired loans		524,043	337,371	187,862
Fee and commission paid		(35,967)	(35,417)	(29,877)
Cash payments to employees and suppliers		(1,022,597)	(907,146)	(808,576)
Cash received from other operating activities		45,330	13,790	11,787
Cash paid for other operating activities		(721,057)	(491,590)	(387,000)
Income taxes paid		(279,179)	(232,805)	(106,415)
Cash flows from operating activities before changes in operating assets and liabilities		**1,843,582**	**1,268,345**	**811,477**
Changes in operating assets and liabilities				
Due from banks		(4,322)	2,183	2,631
Financial assets at fair value through profit or loss		15,973	157,039	17,691
Loans and advances to customers		(6,765,425)	(2,087,968)	(2,658,194)
Factoring receivables		(184,019)	(37,046)	-
Finance lease receivables		21,138	267,447	(211,750)
Other assets		(14,768)	(44,585)	(111,650)
Due to other banks		330,915	(2,181,399)	1,102,924
Customer deposits		4,388,515	6,041,354	1,828,666
Other liabilities		337,189	238,189	(115,031)
Net cash provided by / (used in) operating activities		**(31,222)**	**3,623,559**	**666,764**
Cash flows from investing activities				
Purchases of available for sale investment securities	27	(22,515,758)	(11,724,407)	(12,921,224)
Proceeds from sale and redemption of available for sale investment securities		21,011,659	11,123,488	11,417,591
Acquisitions of subsidiaries, net of cash acquired		(22,516)	(800)	-
Disposal of subsidiary, net of cash disposed	18	-	351,763	-
Acquisitions of property and equipment	30	(74,532)	(86,857)	(113,233)
Proceeds from the disposal of property and equipment		14,828	1,849	2,655
Acquisitions of intangible assets	29	(66,869)	(39,802)	(35,286)
Net cash (used in) investing activities		**(1,653,188)**	**(374,766)**	**(1,649,497)**
Cash flows from financing activities				
Proceeds on issue of equity shares	41	547,143	-	-
Sale of shares in subsidiaries		4,071	-	-
Proceeds from funds borrowed and debt securities issued		3,943,522	2,587,122	3,379,528
Payments of funds borrowed and debt securities issued		(2,633,951)	(4,932,272)	(2,748,292)
Dividends paid to equity holders of the parent		(22,909)	-	(107,640)
Net cash (used in) / provided by / (used in) financing activities		**1,837,876**	**(2,345,150)**	**523,596**
Effect of net foreign exchange differences		52,031	(6,424)	260,643
Net increase / (decrease) in cash and cash equivalents		205,497	897,219	(198,494)
Cash and cash equivalents at the beginning of the year	44	3,203,188	2,305,969	2,504,463
Cash and cash equivalents at the end of the year	**44**	**3,408,685**	**3,203,188**	**2,305,969**

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

1 General information

Finansbank Anonim Şirketi (hereinafter the "Bank" or "Finansbank") was incorporated in Istanbul on September 23, 1987, by Fiba Group ("Fiba"). The Bank was listed on the Istanbul Stock Exchange on February 3, 1990 and its shares in the form of Global Depository Receipts are also listed on the London Stock Exchange since 1998. Currently the Bank only has a free float of 0.20% shares. The registered address of the Bank is at Büyükdere Caddesi, No 129, Gayrettepe 34394 Istanbul, Turkey.

On August 18, 2006, Fiba disposed of 46% of the ordinary shares of Finansbank A.Ş. belonging to Fiba Holding A.Ş. and other group companies and 100 founder shares of Finansbank A.Ş. belonging to Fina Holding A.Ş. to National Bank of Greece S.A. ("NBG") as per the share purchase agreement signed on April 3, 2006.

On August 18, 2008, NBG accepted the proposal of Fiba Holdings A.Ş. to acquire the remaining shares of Finansbank held by Fiba Holding A.Ş. (9.68%), as provided for in the shareholders agreement between NBG and Fiba. The exercise price was determined in accordance with the agreement and amounted to USD 697 million. On September 26, 2008, NBG Finance (Dollar) Plc acquired the above shares from Fiba Holding A.Ş.

As of December 31, 2010 77.22% of the Bank's shares are owned by National Bank of Greece S.A. Additional shareholdings of 7.90% and 9.68% are held by NBG International Holdings B.V. and NBG Finance (Dollar) PLC respectively, both 100% subsidiaries of NBG. Therefore, the NBG Group owns 94.8% of the Bank. A shareholding of 5% is held by International Finance Corporation ("IFC") and is subject to put and call option agreements with NBG and the remaining 0.20% is publicly traded.

The Bank's ultimate shareholder, (NBG), was founded in 1841 and its shares have been traded on the Athens Stock Exchange since 1880 and on the New York Stock Exchange since 1999. By offering services such as retail and commercial banking, asset management, intermediary services and investment banking, NBG has broadened its banking network since its date of foundation.

The accompanying consolidated financial statements of the Bank for the year ended December 31, 2010 comprise the Bank and its subsidiaries (together referred to as the "Group") listed in note 46.

Nature of Activities of the Bank / Group

The Group's activities include trade finance, corporate and commercial banking, treasury, retail banking and credit card operations. The Bank operates through a total of 502 branches, of which 500 are domestic branches and 1 is the İstanbul Atatürk Airport Free Trade Zone. The Bank also has an off-shore banking branch in Bahrain.

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

The Board of Directors consists of the following members:

Executive Members	**Title**	**Date of Appointment**
Dr. Ömer A. Aras	Chairman- Executive Member	April 16, 2010
Sinan Şahinbaş	Vice Chairman- Executive Member	April 16, 2010
Temel Güzeloğlu	Board Member and General Manager	April 16, 2010

Non-Executive Members	**Title**	**Date of Appointment**
Anthimos Thomopoulos	Board Member	November 9, 2006
Dimitrios Anagnostopoulos	Board Member	September 24, 2009
Edward Nassim	Board Member	April 17, 2007
Paul Mylonas	Board Member and Member of Audit Committee	March 11, 2010
Prof. Dr. Mustafa Aydın Aysan	Board Member and Head of Audit Committee	November 9, 2006
Mustafa Hamdi Gürtin	Board Member	April 16, 2010
Agis Leopoulos	Board Member	April 16, 2010
Christos Alexis Komninos	Board Member	December 21, 2010
Michael A. Oratis(*)	Board Member	December 21, 2010

(*)Appointment of Michael A. Oratis is still in process.

Members of Board of Directors are elected by the shareholders at the general assembly for 3 years and can be re-elected. The term of the above members expires in 2013 following their election by the shareholders' ordinary general assembly on April 16, 2010.

These financial statements have been approved for issue by the Bank's Board of Directors on February 18, 2011.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared under the historical cost convention except for financial assets measured at fair value such as derivative financial instruments, financial assets at fair value through profit or loss, available-for-sale investments and loans which are designated at fair value through profit or loss.

The consolidated financial statements are presented in Turkish Lira ("TL") and except as indicated, financial information presented in TL has been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Use of available information and application of judgment are inherent in the formation of estimates in the following areas: valuation of over-the-counter ("OTC") derivatives, unlisted securities, retirement benefits obligation, insurance reserves, impairment of loans and receivables, provisions for taxes and contingencies from litigation. Actual results in the future may differ from those reported.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Adoption of International Financial Reporting Standards (IFRS)

2.2.1 New standards, amendments and interpretations to existing standards applied from 1 January 2010

– **IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements"** (Amendment) (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009). The main changes are:

- Partial acquisitions: Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original IFRS 3 requirement) or at fair value.
- Step acquisitions: The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the sum of the fair value of any investment in the business held before the acquisition and the consideration transferred, and the net assets acquired.
- Acquisition-related costs: Acquisition-related costs are generally recognized as expenses (rather than included in goodwill).
- Contingent consideration: Contingent consideration must be recognized and measured at fair value at the acquisition date. Subsequent changes in fair value are recognized in accordance with other IFRSs, usually in the income statement (rather than by adjusting goodwill).
- Transactions with non-controlling interests: Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.

These amendments affect the financial statements in relation to business combinations effected on or after January 1, 2010.

– **IAS 39 "Financial Instruments: Recognition and Measurement"** (Amendment "Eligible Hedged Items") (effective for annual periods beginning on or after July 1, 2009). The amendment clarifies how the existing principles underlying hedge accounting should be applied in the designation of:

(a) a one-sided risk in a hedged item, and

(b) inflation in a financial hedged item.

The Group has applied this amendment for the annual period beginning on January 1, 2010, and it did not have any impact on the financial statements.

- **IFRIC 17 "Distributions of Non-cash Assets to Owners"** (effective for annual periods beginning on or after July 1, 2009). The Interpretation clarifies that:

  - a dividend payable should be recognized when the dividend is appropriately authorised and is no longer at the discretion of the entity,
  - an entity should measure the dividend payable at the fair value of the net assets to be distributed,
  - an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in the income statement.

  The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

  IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions.

  The Group has applied this Interpretation for the annual period beginning on January 1, 2010, and it did not have any impact on the financial statements.

- **Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009):** The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset.

  The Group has applied this amendment for the annual period beginning on January 1, 2010, and it did not have any impact on the financial statements.

- **IFRS 2 "Share-based Payment"** (Amendment) (effective from January 1, 2010). The amendments clarify:

  - the scope of IFRS 2: An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.
  - the interaction of IFRS 2 and other standards: The Board clarified that in IFRS 2 a "group" has the same meaning as in IAS 27 "Consolidated and Separate Financial Statements", that is, it includes only a parent and its subsidiaries.
  - the accounting for some group and treasury share-based payment transactions: An entity must measure the goods or services it received as either an equity-settled or a cash-settled share-based payment transaction assessed from its own perspective, which may not always be the same as the amount recognized by the consolidated group.

  The Group has applied this amendment for the annual period beginning on January 1, 2010, and it did not have an impact on the financial statements.

- **Improvements to IFRSs, May 2008** (Amendment to IFRS 5, Non-current assets held for sale and discontinued operations, effective for periods beginning on or after July 1, 2009). The amendment clarified that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. The Group has applied this amendment for the annual period beginning on January 1, 2010, and it did not have an impact on the financial statements.

- **Improvements to IFRSs, April 2009** (effective for annual periods beginning on or after July 1, 2009, except amendments to IAS 18 that were effective for 2009). The Group has applied these amendments for the annual period beginning on January 1, 2010, (except the amendment to IAS 18 that was effective in 2009) and they did not have a significant impact on the financial statements.

2.2.2 New standards, amendments and interpretations to existing standards effective after 2010

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after January 1, 2013). IFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities, including some hybrid contracts. The new standard requires all financial assets to be:

  (a) classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  (b) initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs.

  (c) subsequently measured at amortized cost or fair value.

  The standard also requires a financial liability to be classified as either at fair value through profit or loss or at amortized cost. For a financial liability designated as at fair value through profit or loss using the fair value option, the change in the liability's fair value attributable to changes in the liability's credit risk is recognized directly in other comprehensive income, unless it creates or increases an accounting mismatch and the amount that is recognized in other comprehensive income is not recycled when the liability is settled or extinguished.

  The Group has not applied this Standard and is currently evaluating the impact of IFRS 9 on the financial statements and the timing of its adoption.

- **IFRIC 14 "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction."** (Amendment "Prepayments of a Minimum Funding Requirement" November 2009) (effective for annual periods beginning on or after January 1, 2011). The amendments remove an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group has not applied this amendment.

- **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"** (effective for annual periods beginning on or after July 1, 2010). The interpretation clarifies that the profit or loss on extinguishing liabilities by issuing equity instruments should be measured by reference to fair value, preferably of the equity instruments. The Group has not applied this Interpretation.

- **IAS 32 "Financial Instruments: Presentation"** (Amendment) (effective for annual periods beginning on or after February 1, 2010). The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group has not applied this amendment.

- **IAS 24 "Related parties"** (Revised) (effective from January 1, 2011). The revised standard provides a partial exemption for government-related entities and a revised definition of a related party. The Group has not applied this amendment.

- **Improvements to IFRSs, May 2010** (effective for the Group's annual period beginning on January 1, 2011). The Group has not applied these amendments.

- **IFRS 7 "Financial Instruments: Disclosures"** (Amendment) (effective for annual periods beginning on or after July 1, 2011). The amendment requires certain additional disclosures in relation to transferred financial assets that are not derecognized and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. The Group has not applied this amendment.

- **IAS 12 "Income Tax"** (Amendment) (effective for annual periods beginning on or after January 1, 2012). The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 Investment Property. The Group has not applied this amendment.

2.3 Consolidation

2.3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries (including special purpose entities), which are entities controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses and other comprehensive income of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and in the consolidated statement of comprehensive income, respectively, from the effective date of acquisition and up to the effective date of disposal, as appropriate. Profit for the period and total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

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

2.3.2 Non-controlling interests

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.3.3 Changes in the Group's ownership interests in subsidiaries that do not result in loss of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

2.3.4 Loss of control

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Assets of the subsidiary carried at fair value with the related cumulative gain or loss recognized in other comprehensive income, the amounts previously recognized in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to the income statement or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2.3.5 Associates

Associates are entities over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Investments in associates are accounted for by applying the equity method of accounting.

Under the equity method of accounting, the investment is initially recorded at cost. Goodwill arising on the acquisition of an associate is included in the carrying amount of the investment (net of any accumulated impairment loss). The carrying amount of the investment is increased or decreased by the proportionate share of the associate's post-acquisition profits or losses (recognized in the Group income statement) and movements in reserves (recognized in reserves). Dividends received from the associate during the year reduce the carrying value of the investment. Investments in associates for which significant influence is intended to be temporary because such investments are acquired and held exclusively with a view to their subsequent disposal within twelve months from their acquisition, are recorded as assets held for sale. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred. Where necessary, the associate's financial statements used in applying the equity method are adjusted to ensure consistency with the accounting policies adopted by the Group.

2.4 Business combinations

2.4.1 Acquisition method

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. From 1 January 2010, acquisition-related costs are generally recognized in the income statement as incurred (for acquisitions before that date, acquisition related costs were considered part of the consideration paid).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

2.4.2 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the income statement.

2.4.3 Contingent consideration

From 1 January 2010, when the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37, as appropriate, with the corresponding gain or loss being recognized in the income statement. For acquisitions before 1 January 2010, contingent consideration was recorded when its amount becomes probable and reliably measurable.

2.4.4 Business combination achieved in stages

From 1 January 2010, when a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the income statement where such treatment would be appropriate if that interest were disposed of. For acquisitions before 1 January 2010, the cost of the combination is the aggregate cost of the individual transactions, with the cost of each individual transaction determined at the date of each exchange transaction.

2.5 Foreign currency translation

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“the functional currency”). The consolidated financial statements of the Group are presented in thousands of TL, which is the functional currency of the Bank.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences on debt securities and other monetary financial assets re-measured at fair value are included in net trading income and results from investment securities. Translation differences on non-monetary financial assets are a component of the change in their fair value and are recognized in the income statement for equity securities held for trading, or in other comprehensive income for equity securities classified as available for sale investment securities. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

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

When preparing the financial statements, assets and liabilities of foreign entities are translated at the exchange rates prevailing at the reporting date, while income and expense items are translated at average rates for the period. Differences resulting from the use of closing and average exchange rates and from revaluing a foreign entity's opening net asset balance at closing rate are recognized directly in foreign currency translation reserve within other comprehensive income.

When a monetary item forms part of a reporting entity's net investment in a foreign operation and is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, the exchange differences that arise in the individual financial statements of both companies are reclassified to other comprehensive income upon consolidation. When a foreign entity is sold, such translation differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Foreign currency translation rates used by the Group as of December 31, 2009, 2008 and 2007 are as follows:

	EUR / TL	USD / TL
December 31, 2010	2.0491	1.5460
December 31, 2009	2.1603	1.5057
December 31, 2008	2.1408	1.5123

2.6 Regular way purchases and sales

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. All regular way purchases and sales of financial assets are recognized on the settlement date apart from trading and investment securities and derivative instruments, which are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset.

2.7 Derivative financial instruments and hedge accounting

Derivative financial instruments including foreign exchange contracts, forward rate agreements, currency and interest rate swaps, interest rate futures, currency and interest rate options (both written and purchased), credit default swaps and other derivative financial instruments are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Derivatives are presented in assets when favorable to the Group and in liabilities when unfavorable to the Group. Where the Group enters into derivative instruments used for trading purposes, realized and unrealized gains and losses are recognized in the income statement.

A derivative may be embedded in another financial instrument, known as "host contract". In such cases, the derivative instrument is separated from the host contract and treated as a separate derivative, provided that its risks and economic characteristics are not closely related to those of the host contract, the embedded derivative actually meets the definition of a derivative and the host contract is not carried at fair value with unrealized gains and losses reported in the income statement.

Certain derivative instruments transacted as effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated in the same way as derivative instruments held for trading purposes.

The Group also uses derivative instruments as part of its asset and liability management activities to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. The Group applies fair value or cash flow hedge accounting when transactions meet the specified criteria to obtain hedge accounting treatment. The Group's criteria for a derivative instrument to be accounted for as a hedge include:

- at inception of the hedge, there is formal designation and documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the hedging period. A hedge is considered to be highly effective when the Group achieves offsetting changes in fair value between 80 percent and 125 percent for the risk being hedged; and
- the hedge is highly effective on an ongoing basis;
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

2.7.1 Fair value hedges

For qualifying fair value hedges, the change in fair value of the hedging derivative is recognized in the income statement along with the corresponding change in the fair value of the hedged item that is attributable to that specific hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, for reasons other than the de-recognition of the hedged item, or the hedging designation is revoked, the cumulative adjustment to the carrying amount of the hedged item, is, in the case of interest bearing financial instruments, amortized to the income statement over the remaining term of the original hedge item. If the hedged item has been derecognized, e.g. sold or repaid, the unamortized fair value adjustment is recognized immediately in the income statement.

2.7.2 Cash flow hedges

Fair value gains or losses associated with the effective portion of a derivative designated as a cash flow hedge are recognized initially in other comprehensive income. When the cash flows that the derivative is hedging (including cash flows from transactions that were only forecast when the derivative hedge was effected) materialize, resulting in income or expense, then the associated gain or loss on the hedging derivative is simultaneously transferred from other comprehensive income to corresponding income or expense line item.

If a cash flow hedge for a forecast transaction is deemed to be no longer effective, or the hedge relationship is terminated, the cumulative gain or loss on the hedging derivative previously reported in other comprehensive income is transferred to the income statement when the committed or forecast transaction occurs.

2.7.3 Hedge effectiveness testing

To qualify for hedge accounting, the Group requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective test), and demonstrate actual effectiveness (retrospective test) on an ongoing basis.

The documentation of each hedging relationship sets out how effective the hedge is assessed. The method the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

Hedge ineffectiveness is recognized in the income statement.

2.8 Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when, and only when there is a legally enforceable right to offset the recognized amounts and there is an intention to realize the asset and settle the liability simultaneously or on a net basis.

2.9 Interest income and expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments using the effective interest rate method. Interest income includes interest on loans and advances to customers, finance lease receivables, factoring receivables and due from banks, coupons earned on investment and trading securities and accrued discount and premium on treasury bills and other instruments.

Fees and direct costs relating to a loan origination or acquiring a security, financing or restructuring and to loan commitments are deferred and amortized to interest income over the life of the instrument using the effective interest rate method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.10 Fees and commissions

Fee and commission income is generally recognized on an accrual basis over the period the service is provided. Commission and fee arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. The fee and commissions paid to other institutions are considered as transaction cost and included in the amortized cost by using internal rate of return method.

2.11 Financial assets and liabilities at fair value through profit or loss ("FVTPL")

This category has the following two sub-categories:

- Trading and
- Financial assets and liabilities designated at fair value through profit or loss.

2.11.1 Trading

The trading category includes securities, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are included in a portfolio in which a pattern of short-term profit making exists, and derivatives unless they are designated as and are effective hedging instruments.

Trading securities may also include securities sold under sale and repurchase agreements (see Note 2.16 below).

2.11.2 Financial assets and liabilities designated at fair value through profit or loss

The Group designates at initial recognition certain financial assets or liabilities as at fair value through profit or loss when a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, for example the Board of Directors and Chief Executive Officer. The fair value designation, once made, is irrevocable.

2.11.3 Measurement

Financial assets and liabilities at fair value through profit or loss (both trading and designated) are initially recognized at fair value and subsequently re-measured at fair value.

Gains and losses realised on disposal or redemption and unrealised gains and losses from changes in the fair value are included in Net trading income and results from investment securities.

Dividend income is recognized in the income statement when the right to receive payment is established. This is the ex-dividend date for equity securities and is separately reported and included in dividend income.

The amount of change during the period, and cumulatively, in the fair values of designated loans and advances to customers that is attributable to changes in their credit risk is determined as the amount of change in the fair value that is not attributable to changes in market conditions that give rise to market risk.

2.12 Available for sale investments

Available for sale investments are initially recognized at fair value (including transaction costs) and subsequent to initial recognition are measured at fair value. Unquoted equity instruments whose fair value cannot be reliably estimated are carried at cost. Unrealised gains and losses arising from changes in the fair value of available for sale investment securities are reported in other comprehensive income, net of taxes (where applicable), until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired.

Available for sale investment securities may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. When an available for sale investment security is disposed of or impaired, the accumulated unrealised gain or loss included in other comprehensive income is transferred to the income statement for the period and reported as gains / losses from investment securities.

Impairment: The Group assesses at each reporting date whether there is objective evidence that an available for sale investment security or a group of such securities is impaired.

Particularly for equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement) is removed from other comprehensive income and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

Interest earned while holding investment securities is reported as interest income.

Dividend income is recognized when the right to receive payment is established (the ex-dividend date) for equity securities and is separately reported and included in dividend income.

2.13 Loans and advances to customers

Loans and advances to customers include loans and advances originated by the Group, where money is provided directly to the borrower.

Loans originated by the Group are recognized when cash is advanced to borrowers. Loans and advances to customers are initially recorded at fair value, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate of the loan, and are subsequently measured at amortized cost using the effective interest rate method, unless they are designated as at "fair value through profit or loss" (see Note 2.11.2).

2.14 Impairment losses on loans and advances to customers

The Group assesses at each reporting date whether there is objective evidence that a loan, or a group of loans is impaired.

A loan (or group of loans) is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan ("loss event") and that loss event (or events) has an impact on the estimated future cash flows of the loan (or group of loans) that can be reliably estimated.

An allowance for impairment is established if there is objective evidence that the Group will be unable to collect all amounts due according to the original contractual terms.

Objective evidence that a loan (or group of loans) is impaired includes observable data that comes to the attention of the Group about the following loss events:

(a) Significant financial difficulty of the issuer or obligor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;

(c) The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(d) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) The disappearance of an active market for that financial asset because of financial difficulties; or

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

   i. adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or

   ii. national or local economic conditions that correlate with defaults on the assets in the group.

The impairment loss is reported through the use of an allowance account on the statement of financial position. Additions to impairment losses are made through impairment losses on loans and advances to customers, finance lease receivables and factoring receivables in the income statement.

The Group assesses whether objective evidence of impairment exists individually for loans that are considered individually significant and individually or collectively for loans that are not considered individually significant.

If there is objective evidence that an impairment loss on loans and advances to customers carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at a) the loan's original effective interest rate, if the loan bears a fixed interest rate, or b) current effective interest rate, if the loan bears a variable interest rate.

The calculation of the present value of the estimated future cash flows of a collateralized loan reflects the cash flows that may result from obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Loans and advances to customers are grouped based on days in arrears or product type. Those characteristics are relevant to the estimation of future cash flows for pools of loans by being indicative of the debtors' ability to pay all amounts due and together with historical loss experience for loans with credit risk characteristics similar to those in the pool form the foundation of the loan loss allowance computation. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects and conditions in the historical period that do not currently exist.

The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in impairment losses on loans and advances to customers, finance lease receivables and factoring receivables in the income statement.

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

2.15 Renegotiated loans

Once the terms of a loan have been renegotiated, after a review at a minimum six months, and the minimum amount of payments has been made and all other conditions required under the new arrangement have been fulfilled, the loan is no longer considered past due. The minimum amount of payments depends on the rating of the customer in a range between 15% and 50%. The Group continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

2.16 Sale and repurchase agreements

The Group enters into sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to repurchase agreements ('repos'), continue to be recognized on the statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of. The counterparty liability for amounts received under these agreements is included within securities sold under agreements to repurchase in due to other banks or customer deposits, as appropriate. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements using effective interest method.

Securities purchased with a corresponding commitment to resell at a fixed rate at a specified future date (‘reverse repos’) are not recognized on the statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in due from banks. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using effective interest method.

2.17 Securities borrowing and lending

Securities borrowed and securities lent are recorded at the amount of cash collateral advanced or received, plus accrued interest. Securities borrowed and securities received as collateral under securities lending transactions are not recognized in the financial statements unless control of the contractual rights that comprise these securities transferred is gained or sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

Respectively, securities lent and securities provided as collateral under securities borrowing transactions are not derecognized from the financial statements unless control of the contractual rights that comprise these securities transferred is relinquished.

The Group monitors the market value of the securities borrowed and lent on a regular basis and provides or requests additional collateral in accordance with the underlying agreements. Fees and interest received or paid are recorded as interest income or interest expense, on an accrual basis.

2.18 Financial liabilities and equity

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

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

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method, with interest expense recognized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

2.19 Derecognition

2.19.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

2.19.2 Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

2.20 Fair value of financial instruments

The Group measures the fair value of its financial instruments based on a framework for measuring fair value that categorizes financial instruments based on a three-level hierarchy of the inputs to the valuation technique, as discussed below.

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

Level 2: Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data (for example derived from prices) for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, as well as debt securities without quoted prices; loans and advances to customers which are classified at fair value through profit or loss and certain derivative contracts whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes government and corporate debt securities with prices in markets that are not active and certain OTC derivative contracts.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

2.21 Property and equipment

Property and equipment include land and buildings, leasehold improvements and transportation and other equipment, held by the Group for use in the supply of services or for administrative purposes. Property and equipment are initially recorded at cost, which includes all costs that are required to bring an asset into operating condition. Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs incurred subsequent to the acquisition of an asset, which is classified as property and equipment are capitalised, only when it is probable that they will result in future economic benefits to the Group beyond those originally anticipated for the asset, otherwise they are expensed as incurred.

Depreciation of an item of property and equipment begins when it is available for use and ceases only when the asset is derecognized. Therefore, the depreciation of an item of property and equipment that is retired from active use does not cease unless it is fully depreciated, but its useful life is reassessed. Depreciation on property and equipment is calculated using the straight-line method over their estimated useful lives as follows:

Land	No depreciation
Buildings and land improvements	Up to 50 years
Furniture and fixtures	5-12 years
Machinery and equipment	4-5 years
Vehicles	4-7 years
Leasehold improvements	Over the term of respective leases

Expenses for repairs and maintenance are charged to expenses as incurred.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

At each reporting date the Group assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of the fair value less costs to sell and value in use. Impairment losses are recognized in the income statement.

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

Foreclosed assets, which consist mainly of properties acquired through foreclosure in full or partial satisfaction of a related loan, are initially measured at fair value less estimated costs to sell, which includes transaction costs, and reported under other assets. After initial recognition foreclosed assets are re-measured at the lower of their carrying amount and fair value less estimated costs to sell. Subsequent gains may be recognized up to the amount of previous write-downs. Any gains or losses on liquidation or re-measurement of foreclosed assets are included in other operating income/ (expenses).

2.22 Intangible assets

Intangible assets include goodwill, purchased software and internally generated software.

Goodwill

Subsequent to initial recognition, goodwill is stated at cost, as established at the date of acquisition (see 2.4.2) less accumulated impairment losses.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The Group assesses goodwill for possible impairment annually or more frequently if there are indications for impairment. The assessment involves estimating whether the carrying amount of the goodwill remains fully recoverable. When making this assessment the Group compares the carrying value of the CGU to which the goodwill is allocated to its recoverable amount, which is the higher of fair value less cost to sell and value in use. Fair value is estimated by reference to market value, if available, or is determined by a qualified evaluator or pricing model. Determination of a fair value and value in use requires management to make assumptions and use estimates. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognized, and the goodwill is written down by the excess of the carrying amount of the unit over its recoverable amount.

Internally generated software

The amount initially recognized for internally generated software is the total expenditure incurred from the date when the internally generated software first meets the recognition criteria. Where no internally generated software can be recognized, development expenditure is charged to the income statement in the period in which it is incurred.

Research costs are expensed as incurred. An internally generated software arising from development expenditure incurred on an individual project is recognized only when the Group can demonstrate:

- the technical feasibility of completing the internally generated software so that it will be available for use,
- its intention to complete and use the asset,
- the ability to use the asset,
- how the asset will generate future economic benefits,
- the ability of adequate technical, financial and other resources to complete the development and use the asset and
- the ability to measure reliably the expenditure during development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and impairment losses.

Purchased software

Software includes costs that are directly associated with identifiable and unique software products controlled by the Group that are anticipated to generate future economic benefits exceeding costs beyond one year. Expenditure, which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of software. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any impairment losses.

Measurement

Software costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of 12 years.

The carrying value of intangible assets is reviewed for impairment annually or more frequently when an indication of impairment arises during the reporting year.

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

2.23 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

2.23.1 The Group as a lessee

Finance leases: Leases where the Group has substantially all the risks and rewards of ownership of the asset are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the income statement over the lease period. All assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases: Leases where a significant portion of the risks and rewards of ownership of the asset are retained by the lessor, are classified as operating leases. These include rent agreements of branch premises, which are cancelable subject to a period of notice. The total payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.23.2 The Group as a lessor

Finance leases: When assets are leased out under a finance lease, the present value of the minimum lease payments is recognized as a receivable. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Finance leases are presented in finance lease receivables.

Impairment losses on finance lease receivables

The Group assesses at each reporting date whether there is objective evidence that a finance lease receivable is impaired in a similar way to the loans and advances to customers as described in 2.14. Any impairment loss is recognized also in a similar way to the loans and advances to customers as described in 2.14.

Operating leases: Assets leased out under operating leases are included in the statement of financial position based on the nature of the asset. They are depreciated over their useful lives on a basis consistent with similar owned property. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

2.24 Factoring receivables

Factoring receivables are calculated on the basis of their historical cost and are amortized with effective interest rate after unearned interest income is charged and specific provisions for impairments are provided, if any. Factoring receivables are revised regularly for any impairment. Specific provision for the impairment of factoring receivables is provided over the carrying amount of factoring receivables for the purpose of adjusting their values to the collectable amount.

2.25 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, unrestricted balances held with central banks, amounts due from other banks and highly liquid financial assets with original maturities of less than three months from the date of acquisition such as treasury bills and other eligible bills, investment and trading securities which are subject to insignificant risk of changes to fair value and are used by the Group in the management of its short-term commitments.

2.26 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement recognized.

2.27 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract, other than those assessed as insurance contracts, is recognized initially at their fair value and subsequently measured at the higher of: (a) the unamortized balance of the related fees received and deferred, and (b) the best estimate of the amount required to settle the guarantee at the reporting date.

2.28 Employee benefits

The Group has only defined benefit plans as described below:

A defined benefit plan is a post-employment benefit plan that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. For defined benefit plans, the liability is the present value of the defined benefit obligation as at the reporting date minus the fair value of the plan assets, including any adjustments for unrecognized actuarial gains/losses and past service cost.

The Group follows the “corridor” approach of IAS 19 “Employee Benefits” according to which a certain amount of actuarial gains and losses remains unrecognized and is amortized over the average remaining service lives of the employees participating in the plan. The defined benefit obligation and the related costs are calculated by independent actuaries on an annual basis using the projected unit credit method. The present value of the defined obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds or government bonds that are denominated in the currency in which the benefits will be paid and, which have terms to maturity approximating the terms of the related liability, or estimates of rates which take into account the risk and maturity of the related liabilities where a deep market in such bonds does not exist. Defined benefit plan costs, as estimated, are charged to the income statement and are included in staff costs.

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum severance indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

2.29 Income taxes

Tax charge (benefit) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

a. Current tax

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

b. Deferred tax

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

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

The principal temporary differences arise from revaluation of certain financial instruments, including securities and derivatives, insurance reserves and provisions for pensions and other post retirement benefits.

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

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

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

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

Deferred tax relating to items which are recognized in other comprehensive income is also recognized in other comprehensive income. Such deferred tax is subsequently recognized in the income statement together with the deferred gain or loss.

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

2.30 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is classified as held for sale or is a subsidiary acquired exclusively with a view to resale. Classification as discontinued operations occurs upon disposal or when the operations meet the criteria to be classified as held for sale.

The results of discontinued operations are shown as a single amount on the face of the income statement comprising the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized either on measurement to fair value less costs to sell or on the disposal of the discontinued operation.

2.31 Interest bearing deposits and borrowings

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

2.32 Insurance operations

The insurance operations of the Group involve life insurance products. Life insurance products insure, in their majority, events which are expected to occur in the long term. The associated premiums are recognized on issuance or renewal of the contracts.

(a) Deferred acquisition costs (DAC): Commissions and other acquisition costs incurred during the financial period for issuing new contracts and or renewing existing contracts, which are related to subsequent financial periods are deferred and recognized over the period in which the revenue is recognized.

(b) Insurance liabilities: Insurance reserves reflect current estimates of future cash flows arising from insurance contracts. The calculation of the insurance reserves is performed at each reporting date. They consist of:

i. Mathematical reserves: The life insurance reserve represents the present value of future liabilities less the present value of premiums to be received and is calculated on the basis of a prudent prospective actuarial method, by taking into account the terms of current insurance policies.

ii. Outstanding claims reserve: The reserve includes incurred claims not yet paid, both reported and not reported (IBNR) and represents the expected value of ultimate claims payable. The outstanding claims reserve is calculated on a case-by-case basis and the IBNR is calculated based on past experience. The reserve includes all costs of processing claims.

iii. Liability Adequacy Test (LAT): The Group assesses whether its recognized insurance liabilities are adequate by applying a liability adequacy test ("LAT"), by using current estimations of future cash flows. Additional liability resulting from the LAT increases the carrying amount of insurance liabilities as determined in accordance with the above mentioned policies and is charged to the income statement.

(c) **Reinsurance:** The Group has reinsurance treaties that transfer significant insurance risk. Liabilities for reinsured contracts are calculated gross of reinsurance and a separate reinsurance asset is recorded.

2.33 Dividends

Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the Annual General Meeting of the Shareholders of the Bank and its subsidiaries.

2.34 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision makers.

All transactions between business segments are conducted on an arm´s length basis, with inter-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

2.35 Related party transactions

Related parties include entities, which the Group has the ability to exercise significant influence in making financial and operating decisions. Related parties include, directors, shareholders, their close relatives, companies owned or controlled by them and companies over which they can influence the financial and operating policies. All banking transactions entered into with related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk.

2.36 Fiduciary and trust activities

The Group provides fiduciary and trust services to individuals and other institutions, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The Group receives fee income for providing these services. Trust assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not recognized in the financial statements, since such items are not as assets of the Group. The Group is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

2.37 Earnings per share

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

The diluted earnings per share ratio is computed using the same method as for basic EPS, but the determinants are adjusted to reflect the potential dilution that could occur if convertible debt securities, options, warrants or other contracts to issue ordinary shares were converted or exercised into ordinary shares.

3 Critical judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in the consolidated financial statements. The Group believes that the judgments, estimates and assumptions used in the preparation of the financial statements are appropriate given the factual circumstances as of December 31, 2010.

The most significant areas, for which judgments, estimates and assumptions are required in applying the Group's accounting policies, are the following:

Allowances for loan and lease losses

The amount of the allowance for impairment of loans and advances to customers and finance lease receivables is based upon management's ongoing assessments of the probable estimated losses inherent in the loan and lease portfolios. Assessments are conducted by members of management responsible for various types of loans and leases employing a methodology and guidelines, which are continually monitored and improved.

This methodology has two primary components: individual and collective impairment assessments, as described in Note 2.14.

Applying this methodology requires management to make estimates regarding the amount and timing of the cash flows, which are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realizable value of any underlying collateral or guarantees in favor of the Group. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed.

In assessing the need for collective loan and lease loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made both to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances and provisions depends on the model assumptions and parameters used in determining collective allowances. While this necessarily involves judgment, management believes that the allowances and provisions are reasonable and supportable.

4 Financial risk management

4.1 Risk management governance

The Group's Risk Management Department is responsible for monitoring and managing all potential risks for the Group in a centralized and efficiently coordinated manner. The primary goal of the Group's Risk Management Department is to provide business lines with appropriate capital allocation (economic capital) for risks they are exposed to.

The Group aims to adopt practices regarding risk management governance, taking into account all relevant guidelines and regulatory requirements, as set by the Basel Committee, Banking Regulation and Supervision Agency ("BRSA") and the Capital Markets Board ("CMB"), as well as any decisions of the competent authorities supervising the Group entities.

Risk management governance at the Group starts with the Board of Directors. The Board Risk Committee ("BRC"), Asset Liability Committee ("ALCO"), Corporate and Retail Credit Policy Committee ("CPC"), Operational Risk Committee ("ORC") and the Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Bank. The BRC defines risk policies and strategies, reviews the types of risks the Bank is exposed to in its monthly meetings, monitors the implementation of the risk management strategies and brings the important risk issues to the attention of the Board. The ALCO, meeting bi-weekly, is responsible for monitoring and managing the structural asset liability mismatches of the Bank, as well as monitoring and controlling liquidity risk and foreign currency exchange risk. The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORC meets every three months and is responsible for reviewing operational risk issues of the Bank and defining the necessary actions to be taken to minimize these risks. The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under four groups as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Internal Audit Division, which reports directly to the Board of Directors through the Audit Committee, complements the risk management framework and acts as an independent reviewer, focusing on the effectiveness of the risk management framework and control environment.

4.1.1 Board Risk Committee

The Group's risk management policies are approved by the BRC, the members of which are the Chairman of the Board of Directors, and three members of the Board of Directors. According to its internal regulation, the BRC is responsible for all strategic risk management decisions including, for example, the approval and review of risk strategy, policies and capital adequacy and allocation as well as oversight of the CPC and the ORC.

4.1.2 Group Risk Management Department

The department seeks to protect the Group against unforeseen losses and to maintain earnings stability through the independent identification and assessment of risks. It uses a framework for evaluating risks as the basis for organizing the Group structure. Its role in maximizing the Bank's earnings potential involves measuring performance on a risk-adjusted basis and allocating capital accordingly. In addition, it is responsible for providing the BRC and the Executive Committee with data and analysis required for measuring, monitoring and managing risks and for supporting the implementation of risk management decisions. Group risk management policies are approved by the BRC.

The department undertakes to do the following:

- Analyze, measure, monitor, control, mitigate and report to management all significant on- and off-balance sheet risks undertaken at the Bank and the Group level;
- Adopt risk management policies with regard to significant credit, market, operational and other risks undertaken by the Bank and the Group;
- Evaluate the internal capital that is required in respect of all aforementioned risks and estimate all relevant capital ratios of the Bank and the Group;
- Establish a framework for undertaking risk applicable to all levels of management and collective bodies of the Bank and the Group;
- Establish early warning systems and perform stress tests on a regular basis; and
- Guide decision making processes at the Group level by providing the necessary risk management related evaluation.

4.1.3 Asset and liability management

The ALCO propose asset and liability management procedures and policies to the Board of Directors. The ALCO is responsible for executing these policies and managing structural interest rate risk within the limits defined by the Board of Directors. The ALCO meets twice a month. At these meetings, the ALCO reviews the critical issues and determines the strategies for asset and liability management.

4.1.4 Internal Audit Division

Internal Audit Division ("IAD") in the Group has objective of conducting assurance and consulting activities designed to add value and improve operations.

4.1.5 Management of specific risks

Finansbank's risk management processes distinguish among the types of risks set out below.

4.2 Credit risk

Credit risk represents the risk arising from the counterparty not fulfilling its responsibilities stated in the agreement either partially or totally. The Credit Risk Committees and Credit Divisions are responsible for managing credit risk of the Group.

The total limit amount which is imposed on debtors individually or as a group is determined according to the size of the exposure and the assessment of different allocation parties in Finansbank. Beside total limit, product base limits are also exist.

The creditworthiness of the Group’s debtors is continuously monitored as long as the credit relation exists. Updated financial statements and intelligence is periodically collected by credit departments. The limits of the loan customers are revised periodically and the Group analyses the creditworthiness of the customers and requires collaterals within the framework of its credit policies.

The Group establishes limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments is managed together with the risks resulting from market fluctuations. The Group monitors regularly risks of forward transactions, options and other similar agreements and reduces the risk if necessary by obtaining margin deposits or entering into netting agreements.

The restructured and rescheduled loans are monitored by the Bank according to its Credit Risk Policy. According to the Credit Risk Policy, the Bank could restructure or reschedule a loan in order to strengthen the liquidity of the loan customer and to increase the collectability of the loan. After evaluation of the loan, the loan is either restructured by issuing additional loan to the customer or rescheduled by modifying the payment amount or the schedule. The customer’s financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the credit department.

Grades for companies having restructured and rescheduled loans are updated based on the analysis and credit performance of the company.

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

4.2.1 Maximum exposure to credit risk

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

Gross maximum exposure	December 31, 2010	December 31, 2009	December 31, 2008
T.R. Central Bank	1,968,847	1,494,359	1,378,238
Due from banks	1,020,904	1,418,769	730,259
Financial assets at FVTPL	207,583	229,375	392,157
Derivative financial assets	421,018	425,288	549,705
Available for sale investments	7,230,439	5,334,952	4,683,828
Loans and advances to customers	26,152,685	19,636,587	20,182,607
Factoring receivables	221,065	37,046	-
Finance lease receivables	918,424	959,048	1,268,142
Other assets	179,331	170,981	214,190
Total	**38,320,296**	**29,706,405**	**29,399,126**
Contingent liabilities	6,035,682	5,217,941	5,475,553
Commitments	14,347,947	10,295,056	7,301,097
Total	**20,383,629**	**15,512,997**	**12,776,650**
Total credit risk exposure	**58,703,925**	**45,219,402**	**42,175,776**

4.2.2 Credit rating system

Finansbank aims to manage its loan portfolio based on international best practices. In this respect, the Bank has formed internal scoring and rating systems, based on statistical methods to monitor the credibility of its clients. These systems classify the customers according to their default risk from highest to lowest score or rating. Internal scoring systems are used to improve the efficiency of the loan granting process, to monitor loan portfolio quality effectively and to assist in the determination of the actions required. As of December 31, 2010 the Bank uses rating and scoring systems for corporate customers, application scoring systems for consumer loans in order to assess the creditworthiness of a customer applying for a loan, and behavioral scoring systems for existing customers in order to calculate the default probability in a certain period of time. These systems are revised periodically based on international best practices and methodologies and calibrated if necessary.

The table below indicates the level of ratings for the corporate / commercial and enterprise banking loans and advances to customers:

	2010 (%)	2009 (%)	2008 (%)
Debtor has a strong financial structure	7	3	3
Debtor has a good financial structure	59	53	55
Debtor has a medium financial structure	21	32	34
Debtor has a financial structure which needs attention in medium term	9	6	6
Not graded	4	6	2
Total	**100**	**100**	**100**

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

The table below indicates the level of ratings for the retail banking loans and advances to customers:

	2010 (%)	2009 (%)	2008 (%)
Debtor has a strong financial structure	45	39	40
Debtor has a good financial structure	28	38	36
Debtor has a medium financial structure	13	11	12
Debtor has a financial structure which needs attention in medium term	14	12	12
Not graded	-	-	-
Total	**100**	**100**	**100**

The most common practice used by the Group to mitigate credit risk is the taking of security for funds advances. The Group implements guidelines on the acceptability of specific classes of collateral. The principal collateral types for loans and advances to customers are:

- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, ships, vehicles, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Cash collaterals;
- Bank or personal guarantees.

Revolving credit facilities to individuals and debt securities, treasury and other eligible bills are generally unsecured.

4.2.3 Loans and advances to customers and finance lease receivables renegotiated

The carrying amount of loans whose terms have been renegotiated that would otherwise be past due or impaired was TL 145,913, TL 101,901 and TL 157,931 as of December 31, 2010, 2009 and 2008, respectively. The carrying amount of finance lease receivables whose terms have been renegotiated that would otherwise be past due or impaired was TL 27,242, TL 61,087 and TL 13,070 as of December 31, 2010, 2009 and 2008, respectively.

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

4.2.4 Credit risk by industry sector

An industry sector analysis of the Group's loans and advances to customers are as follows;

Industry sector	December 31, 2010	December 31, 2009	December 31, 2008
Private individuals	16,388,044	12,287,281	9,818,418
Trade and services (excl. tourism)	2,523,482	1,899,543	2,111,059
Industry & mining	2,352,147	1,752,789	2,509,726
Small scale industry	1,273,414	942,444	1,282,814
Transportation and telecommunications	678,931	696,449	906,325
Construction and real estate development	532,768	558,295	1,009,223
Factoring	425,058	153,751	216,325
Tourism	375,157	325,339	545,463
Energy	153,519	73,910	301,951
Leasing	42,660	12,041	83,984
Shipping	3,591	771	9,481
Other	1,403,914	933,974	1,387,838
Total	**26,152,685**	**19,636,587**	**20,182,607**

An industry sector analysis of the Group's finance lease receivables are as follows;

Industry sector	December 31, 2010	December 31, 2009	December 31, 2008
Small scale industry	641,052	688,106	910,773
Industry and mining	161,736	118,822	143,367
Construction and real estate development	33,784	29,002	34,269
Transportation and telecommunications	6,557	11,843	15,429
Trade and services (excl. tourism)	5,234	8,053	11,739
Tourism	940	2,117	1,432
Other	69,121	101,105	151,133
Total	**918,424**	**959,048**	**1,268,142**

An industry sector analysis of the Group's factoring receivables are as follows;

Industry sector	December 31, 2010	December 31, 2009	December 31, 2008
Industry and mining	76,891	10,793	-
Construction and real estate development	52,241	8,403	-
Tourism	36,725	4,900	-
Transportation and telecommunications	6,118	1,376	-
Shipping	3,591	1,581	-
Trade and services (excl. tourism)	2,639	-	-
Other	42,860	9,993	-
Total	**221,065**	**37,046**	**-**

4.2.5 Counterparty risk

The Group faces counterparty risk from the over-the-counter transactions and the repurchase agreements in which it is involved. Counterparty risk is the risk arising from an obligor's failure to meet its contractual obligations. For the efficient management of counterparty risk, the Bank has established a framework of counterparty limits. The financial institution department is responsible for setting and monitoring the limits.

Counterparty limits are set based on the credit ratings of the financial institutions. The credit ratings are provided by internationally recognized ratings agencies, in particular by Moody's and Standard & Poor's. According to the Bank's policy, if agencies disagree on the creditworthiness of a financial institution, only the lowest rating will be taken into consideration. In cases where a financial institution is not rated by the above agencies, its rating is given by the Bank's internal rating model.

The counterparty limits apply to all financial instruments which the Treasury department actively trades in the interbank market. The limits framework is revised according to the business needs of the Bank and prevailing conditions in international financial markets. A similar limit structure for the management of counterparty risk is enforced across all of the Group's subsidiaries.

The Group seeks to reduce counterparty risk by standardizing relationships with counterparties through International Swaps and Derivatives Association ("ISDA"), Global Master Repurchase Agreement ("GMRA") and Global Master Securities Lending Agreement ("GMSLA") contracts that respectively include all necessary closeout netting clauses and margining agreements. Additionally, for the most active counterparties in over-the-counter derivatives, credit support annexes have been put in effect so that on the basis of daily valuations, net current exposures are managed through margin accounts where cash collaterals can be reciprocally posted.

The Bank avoids taking positions in derivative contracts where the values of the underlying assets are highly correlated with the credit quality of the counterparty.

To calculate capital requirements, Finansbank measures the exposure amount by applying a methodology that includes:

- data gathering via risk management systems;
- performance of quantitative and qualitative checks; and
- application of the fair value methodology according to the BRSA.

4.3 Market risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, equity and bond prices and foreign exchange rates) and their levels of volatility. In recent years, the Group has expanded its trading activities to include a wide variety of financial products in order to enhance its profitability and its service to customers. These trading activities require Finansbank to assume market risk, which the Group seeks to identify, estimate, monitor and manage effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of the Group's transactions. The capital required for General Market Risk and Specific Risk is calculated and reported monthly in accordance with the Standard Method defined in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" issued by the BRSA. The most significant types of market risk for the Group are interest rate risk, equity risk and foreign exchange risk.

Interest rate risk is the risk related to the potential loss on the Group's portfolio due to adverse movements in the interest rates. A principal source of interest rate risk exposure arises from the Group's trading and available-for-sale bond portfolios, and its interest rate exchange traded and OTC transactions.

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

The Group has to manage the interest rate risk that derives from the positions it retains in Turkish government bonds, denominated mostly in TL. In addition, the Group enters into swap transactions either for hedging purposes, or for proprietary reasons. As a means of hedging, the Group enters into swap transactions in order to hedge the interest rate risk of its Eurobond portfolio, which consists of Turkish government bonds denominated in foreign currency.

The Group also obtains liquidity in US dollars and Euro which are then converted into TL through cross currency interest rate swaps in order to offer loans to its customers. Furthermore, these cross currency interest rate swaps act as a hedge to the interest rate risk that derives from the Group's loan portfolio.

Equity risk is the risk related to the potential loss that might occur due to adverse movements in the prices of stocks and equity indices. The Group holds a limited portfolio of stocks, the majority of which are traded on the Istanbul Stock Exchange, and also retains positions in stock and equity index derivatives traded in the Turkish and international exchanges.

Foreign exchange risk is the risk related to the potential loss due to adverse movements in foreign exchange rates. The foreign exchange risk derives from the Group's Open Currency Position ("OCP").

The Group trades in all major currencies holding mainly short-term positions for trading purposes and for servicing its institutional, corporate, domestic and international clients. According to the Bank's strategy, the end of day OCP should comply with the regulatory limits.

4.3.1 Market risk on trading and available-for-sale portfolio

The Bank estimates the market risk of its trading and available-for-sale ("AFS") portfolios by applying a Value-at-Risk ("VaR") methodology. In particular, the Bank has adopted a historical simulation methodology with a 99% confidence interval and a one day holding period. The system used is Risk

Watch. VaR is calculated with 'Historical Simulation' method. An overall "Bank Risk Tolerance" and VaR limits for each risk factor are determined in order to manage the market risk efficiently and to keep the market risk within the desired limits. The Group Risk Management Department monitors VaR balances daily for compliance with the limits. Periodic stress tests and scenario analyses are used to support the results of VaR.

The VaR limits have been determined by reference to worldwide best practices; they refer not only to specific types of market risk, such as interest rate, foreign exchange and equity risk, but also to the overall market risk of the Bank's trading and AFS portfolios.

The tables below present the Bank's VaR for 2010, 2009 and 2008;

2010	Total VaR	Interest Rate VaR	Foreign Exchange Risk VaR	Equity VaR
As of December 31	25,065	25,581	1,015	513
Average	16,937	16,602	2,471	182
Minimum	5,778	5,943	212	-
Maximum	28,031	29,052	9,557	672

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

2009	**Total VaR**	**Interest Rate VaR**	**Foreign Exchange Risk VaR**	**Equity VaR**
As of December 31	7,964	7,599	2,569	91
Average	13,974	13,281	1,762	242
Minimum	4,970	4,308	81	8
Maximum	46,501	47,708	7,551	1,843

2008	**Total VaR**	**Interest Rate VaR**	**Foreign Exchange Risk VaR**	**Equity VaR**
As of December 31	33,636	35,273	4,669	262
Average	17,577	17,468	2,112	542
Minimum	3,854	4,083	160	25
Maximum	42,712	38,501	13,742	1,263

In addition, the Bank performs back testing in order to verify the predictive power of its VaR model. The calculations involve the comparison of “hypothetical” daily gains and losses with the respective estimates of the VaR model used for regulatory purposes.

Stress test analysis is also performed by Finansbank on its trading and available for sale portfolios on a monthly basis. The scenarios refer to extreme movements of interest rates and foreign exchange prices and are based on the latest financial crises which have taken place in Turkey.

4.3.2 Limitations of our VaR model

The VaR model is based on certain theoretical assumptions, which under extreme market conditions might not capture the maximum loss the Bank will suffer. The restrictions of our methodology are summarized as follows:

- The use of historical data series as predictive measures for the behaviour of risk factors in the future might prove insufficient in periods of intense volatility in financial markets.
- The one-day holding period for VaR calculations (or ten days for regulatory purposes) implies that the Bank will be able to liquidate all its trading assets within this length of time. This assumption might underestimate market risk in periods of insufficient liquidity in financial markets or in cases where certain assets in the Bank’s portfolio cannot be easily liquidated.
- VaR refers to the plausible loss on the Bank’s portfolio for a 99% confidence interval, not taking into account any losses beyond that level.
- All calculations are based on the Bank’s positions at the end of each business day, ignoring the intra-day exposures and any realized losses that might have been incurred.
- VaR estimates rely on small changes in the prices of risk factors. For bigger movements, the methodology would not fully capture the effect on the value of the portfolio.

4.3.3 Interest rate risk in the banking book and interest rate sensitivity

Interest rate risk in the banking book is the current or prospective risk to earnings (net interest income) and capital due to adverse movements in interest rates affecting the banking book positions. Exposure to interest rate risk in the banking book arises from re-pricing mismatches between assets and liabilities. The Group's banking book consists mainly of loans and advances to customers, leasing and factoring receivables, cash and balances with central banks, amounts due from banks, customer deposits, amounts due to banks, debt securities issued and funds borrowed that are measured at amortized cost. The Group believes that it maintains adequate measurement, monitoring, and control functions for interest rate risk in the banking book, including:

- measurement systems for interest rate risk that capture all material sources of interest rate risk and that assess the effect of interest rate changes in ways that are consistent with the scope of the Group's activities;
- measurement of vulnerability to loss under stressful market conditions;
- processes and information systems for measuring, monitoring, controlling, and reporting interest rate risk exposures in the banking book; and
- a documented policy regarding the management of interest rate risk in the banking book.

Interest rate risk that would arise from the changes in interest rates depending on the Group's position is managed by the Asset and Liability Committee ("ALCO") of the Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset and Liability Committee meetings held every two weeks by taking the market developments into consideration.

The Management of the Group follows the interest rates in the market on a daily basis and revises interest rates of the Group when necessary.

The assets and liabilities of the Bank, carrying a positive interest yield, are re-priced within an average period of six months, after excluding the fixed rate assets and liabilities.

In addition to customer deposits, the Bank funds its long term fixed interest rate TL installment loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank swaps the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating foreign currency interest rate).

Even though the Bank is exposed to structural interest rate risk on its statement of financial position due to the nature of its existing activities, the Bank's policy aim to ensure that this risk stays within the pre-defined limits. The ALCO aims to protect the economic value of equity, while sustaining a stable earnings profile. Duration/GAP analyses, which rely on calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk.

The Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins, so as to calculate their impact on net economic value. Beside the standard interest rate shock scenario, 2001 crisis, May 2004 and June 2006 scenarios are also simulated.

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

As of the reporting date, 1% increase in interest rates, would result in a decrease the Group's profit for the year of TL 85,763 (2009: TL 63,462, 2008: TL 67,038), and a 1% decrease in interest rates would result in an increase in the Group's profit for the year of TL 93,983 (2009: TL 62,731, 2008: TL 73,747), when all the other variables are assumed to be constant.

The following table indicates the periods in which financial assets and liabilities re-price as of December 31, 2010:

December 31, 2010

ASSETS	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 years	Non-interest bearing	Total
Cash and balances with T.R. Central Bank	-	-	-	-	-	2,394,476	2,394,476
Due from banks	509,519	303,244	4,322	-	-	203,819	1,020,904
Financial assets at FVTPL	94,319	16,187	30,338	40,778	8,544	17,417	207,583
Derivative financial assets	53,045	129,624	26,104	33,466	3,473	175,306	421,018
Loans and advances to customers	7,225,841	2,827,561	7,106,475	7,035,386	1,957,422	-	26,152,685
Factoring receivables	-	112,737	99,054	9,274	-	-	221,065
Finance lease receivables	146,994	55,603	231,376	379,439	8,891	96,121	918,424
Available for sale investments	1,053,420	414,493	2,123,015	2,472,176	1,040,739	126,596	7,230,439
Other assets	-	-	-	-	-	179,331	179,331
Total assets	**9,083,138**	**3,859,449**	**9,620,684**	**9,970,519**	**3,019,069**	**3,193,066**	**38,745,925**
LIABILITIES							
Due to other banks	1,924,604	89,021	2,247	-	-	21,707	2,037,579
Customer deposits	14,766,506	5,816,977	371,419	27,177	-	2,194,438	23,176,517
Derivative financial liabilities	19,178	49,921	173,267	348,919	49,386	161,644	802,315
Debt securities issued	-	309,956	-	107,384	-	-	417,340
Funds borrowed	1,169,219	1,960,460	1,954,093	80,382	73,285	-	5,237,439
Other liabilities	-	-	-	-	-	1,174,516	1,174,516
Total liabilities	**17,879,507**	**8,226,335**	**2,501,026**	**563,862**	**122,671**	**3,552,305**	**32,845,706**
Total interest sensitivity gap	**(8,796,369)**	**(4,366,886)**	**7,119,658**	**9,406,657**	**2,896,398**	**(359,239)**	**5,900,219**

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

The following table indicates the periods in which financial assets and liabilities re-price as of December 31, 2009:

December 31, 2009

ASSETS	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 yrs**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and balances with T.R. Central Bank	1,494,098	-	-	-	-	298,347	1,792,445
Due from banks	1,257,546	26,243	-	-	-	134,980	1,418,769
Financial assets at FVTPL	39,885	13,190	20,496	142,006	997	12,801	229,375
Derivative financial assets	34,712	161,432	59,469	72,205	7,953	89,517	425,288
Loans and advances to customers	5,594,940	2,394,835	5,269,191	5,137,022	1,240,599	-	19,636,587
Factoring receivables	-	-	37,046	-	-	-	37,046
Finance lease receivables	162,568	70,715	277,153	444,595	4,017	-	959,048
Available for sale investments	919,984	1,197,036	1,666,420	1,164,582	306,790	80,140	5,334,952
Other assets	-	-	-	-	-	170,981	170,981
Total assets	**9,503,733**	**3,863,451**	**7,329,775**	**6,960,410**	**1,560,356**	**786,766**	**30,004,491**
LIABILITIES							
Due to other banks	1,577,723	16,369	204	-	-	50,590	1,644,886
Customer deposits	12,359,644	3,971,592	192,638	33,657		1,893,693	18,451,224
Derivative financial liabilities	21,871	38,595	51,534	90,469	27,972	40,228	270,669
Debt securities issued	-	301,533	-	326,937	-	-	628,470
Funds borrowed	964,287	632,088	1,523,391	171,914	-	489,353	3,781,033
Other liabilities	-	-	-	-	-	820,893	820,893
Total liabilities	**14,923,525**	**4,960,177**	**1,767,767**	**622,977**	**27,972**	**3,294,757**	**25,597,175**
Total interest sensitivity gap	**(5,419,792)**	**(1,096,726)**	**5,562,008**	**6,337,433**	**1,532,384**	**(2,507,991)**	**4,407,316**

The following table indicates the periods in which financial assets and liabilities re-price as of December 31, 2008:

December 31, 2008

ASSETS	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 yrs**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and balances with T.R. Central Bank	1,378,238	-	-	-	-	224,822	1,603,060
Due from banks	517,236	21,398	2,183	-	-	189,442	730,259
Financial assets at FVTPL	518	114,423	808	247,684	16,269	12,455	392,157
Derivative financial assets	17,479	10,305	60,631	318,717	6,609	135,964	549,705
Loans and advances to customers	6,473,770	3,516,699	4,959,590	5,097,592	134,956	-	20,182,607
Finance lease receivables	116,956	74,708	326,041	728,902	21,535	-	1,268,142
Available for sale investments	525,529	1,672,594	805,203	1,201,947	338,132	140,423	4,683,828
Other assets	-	-	-	-	-	214,190	214,190
Total assets	**9,029,726**	**5,410,127**	**6,154,456**	**7,594,842**	**517,501**	**917,296**	**29,623,948**
LIABILITIES							
Due to other banks	2,912,646	789,409	1,070	-	-	110,075	3,813,200
Customer deposits	9,771,859	3,919,940	491,052	11,802	10,101	1,699,573	15,904,327
Derivative financial liabilities	6,406	43,682	45,202	90,847	14,528	88,916	289,581
Debt securities issued	-	633,542	215,176	169,305	-	-	1,018,023
Funds borrowed	1,595,636	383,809	1,809,160	341,251	289,755	-	4,419,611
Other liabilities	-	-	-	-	-	607,742	607,742
Total liabilities	**14,286,547**	**5,770,382**	**2,561,660**	**613,205**	**314,384**	**2,506,306**	**26,052,484**
Total interest sensitivity gap	**(5,256,821)**	**(360,255)**	**3,592,796**	**6,981,637**	**203,117**	**(1,589,010)**	**3,571,464**

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

4.3.4 Foreign exchange risk

The Group evaluates its exposure for the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group enters into foreign currency forward transactions and swap transactions to decrease foreign currency position risk. The Group also engages in foreign currency and Eurobond buy-sell option transactions.

The position limit of the Group related to currency risk is determined according to the Foreign Currency Net Position Standard ratio determined by BRSA.

Consolidated subsidiaries and associates determine position limit related with currency risk as determined by local regulatory bodies. Branches established abroad conduct their operations in local currencies of the countries they are incorporated in.

As of December 31, 2010, the Group's net foreign currency position, after including off-balance sheet position (notional values of derivatives) is TL 422,623 short.

December 31, 2010

ASSETS	**TL**	**USD**	**EUR**	**Other**	**Total**
Cash and balances with T.R. Central Bank	1,146,497	1,136,699	78,763	32,517	2,394,476
Due from banks	83,810	579,922	352,182	4,990	1,020,904
Financial assets at FVTPL	183,479	21,715	2,389	-	207,583
Derivative financial assets	280,776	136,450	3,792	-	421,018
Loans and advances to customers	22,478,213	2,032,773	1,443,865	197,834	26,152,685
Factoring receivables	155,040	34,921	31,104	-	221,065
Finance lease receivables	160,306	210,712	539,319	8,087	918,424
Available for sale investments	6,554,279	591,105	85,055	-	7,230,439
Property and equipment	392,424	-	-	39	392,463
Other assets	454,327	5,317	2,580	-	462,224
Total	**31,889,151**	**4,749,614**	**2,539,049**	**243,467**	**39,421,281**
LIABILITIES					
Due to other banks	1,327,620	486,833	204,280	18,846	2,037,579
Customer deposits	17,569,790	3,380,209	2,143,293	83,225	23,176,517
Derivative financial liabilities	664,134	131,326	6,855	-	802,315
Debt securities issued	-	417,340	-	-	417,340
Funds borrowed	544,703	2,849,996	1,842,740	-	5,237,439
Other liabilities	1,379,939	26,497	85,575	8,328	1,500,339
Total	**21,486,186**	**7,292,201**	**4,282,743**	**110,399**	**33,171,529**
Net on balance sheet position	**10,402,965**	**(2,542,587)**	**(1,743,694)**	**133,068**	**6,249,752**
Net off-balance sheet position	**(4,089,324)**	**2,329,951**	**1,524,949**	**(124,310)**	**(358,734)**
Net position including TL	**6,313,641**	**(212,636)**	**(218,745)**	**8,758**	**5,891,018**

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

As of December 31, 2009, the Group's net foreign currency position, after including off-balance sheet position (notional values of derivatives) is TL 18,465 short.

December 31, 2009

ASSETS	**TL**	**USD**	**EUR**	**Other**	**Total**
Cash and balances with T.R. Central Bank	1,012,925	711,366	60,923	7,231	1,792,445
Due from banks	131,040	445,369	770,187	72,173	1,418,769
Financial assets at FVTPL	157,178	72,197	-	-	229,375
Derivative financial assets	376,490	46,153	2,645	-	425,288
Loans and advances to customers	16,513,957	1,734,369	1,174,115	214,146	19,636,587
Factoring receivables	35,465	1,581	-	-	37,046
Finance lease receivables	146,449	246,500	558,708	7,391	959,048
Available for sale investments	4,951,397	335,954	47,601	-	5,334,952
Property and equipment	401,361	-	-	-	401,361
Other assets	383,443	2,298	1,792	-	387,533
Total	**24,109,705**	**3,595,787**	**2,615,971**	**300,941**	**30,622,404**
LIABILITIES					
Due to other banks	129,456	1,444,450	69,609	1,371	1,644,886
Customer deposits	12,664,021	3,895,683	1,820,873	70,647	18,451,224
Derivative financial liabilities	240,475	25,649	4,335	210	270,669
Debt securities issued	-	628,470	-	-	628,470
Funds borrowed	440,978	2,435,191	904,864	-	3,781,033
Other liabilities	1,029,370	39,941	49,728	5,525	1,124,564
Total	**14,504,300**	**8,469,384**	**2,849,409**	**77,753**	**25,900,846**
Net on balance sheet position	**9,605,405**	**(4,873,597)**	**(233,438)**	**223,188**	**4,721,558**
Net off-balance sheet position	**(5,569,256)**	**4,826,302**	**262,557**	**(223,477)**	**(703,874)**
Net position including TL	**4,036,149**	**(47,295)**	**29,119**	**(289)**	**4,017,684**

As of December 31, 2008, the Group's net foreign currency position, after including off-balance sheet position (notional values of derivatives) is TL 239,601 long.

December 31, 2008

ASSETS	**TL**	**USD**	**EUR**	**Other**	**Total**
Cash and balances with T.R. Central Bank	712,372	61,171	823,954	5,563	1,603,060
Due from banks	31,441	326,918	281,846	90,054	730,259
Financial assets at FVTPL	280,365	111,071	721	-	392,157
Derivative financial assets	452,858	96,465	280	102	549,705
Loans and advances to customers	13,836,960	3,671,197	2,369,730	304,720	20,182,607
Finance lease receivables	227,428	312,182	716,084	12,448	1,268,142
Available for sale investments	4,352,524	274,124	57,180	-	4,683,828
Property and equipment	385,253	-	226	18	385,497
Other assets	371,181	12,456	7,169	13	390,819
Total	**20,650,382**	**4,865,584**	**4,257,190**	**412,918**	**30,186,074**
LIABILITIES					
Due to other banks	638,714	1,768,689	1,401,173	4,624	3,813,200
Customer deposits	10,536,482	3,263,062	2,014,516	90,267	15,904,327
Derivative financial liabilities	222,706	63,452	3,423	-	289,581
Debt securities issued	-	1,018,023	-	-	1,018,023
Funds borrowed	425,624	2,513,290	1,480,571	126	4,419,611
Other liabilities	817,296	20,361	43,955	22,623	904,235
Total	**12,640,822**	**8,646,877**	**4,943,638**	**117,640**	**26,348,977**
Net on balance sheet position	**8,009,560**	**(3,781,293)**	**(686,448)**	**295,278**	**3,837,097**
Net off-balance sheet position	**(5,118,434)**	**4,048,454**	**690,448**	**(326,838)**	**(706,370)**
Net position including TL	**2,891,126**	**267,161**	**4,000**	**(31,560)**	**3,130,727**

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

Foreign currency sensitivity

The Group is mainly exposed to EUR and USD currencies.

The following table details the Group's sensitivity to a 10% appreciation and depreciation in the TL against USD and EUR. The 10% rate is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. A positive number indicates an increase in profit or loss and equity where the TL strengthens against USD and EUR.

	Change in currency rate in %	Effect on profit or loss			Effect on equity(*)		
		2010	2009	2008	2010	2009	2008
USD	10	6,832	(4,537)	12,015	7,510	(2,237)	12,855
EUR	10	(43,235)	(10,663)	3,427	(43,096)	(10,375)	4,061

(*)Effect on equity also includes the effect of the change in foreign currency rates on income statement.

4.4 Liquidity risk

Liquidity risk arises in the general funding of Finansbank's financing and trading activities and in the management of investment positions. It includes the risk of increases in funding costs and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

It reflects the potential mismatch of payment obligation to incoming payments, taking into account unexpected delays in repayments (term liquidity risk) or unexpectedly high payment outflows (withdrawal/ call risk). Liquidity risk involves both the risk of unexpected increases in the cost of the funding the portfolio of asset at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

The primary objectives of Finansbank's asset and liability management are to ensure that sufficient liquidity is available to meet Finansbank's commitments to its customers in respect of repayment of deposits and ATM transactions, to satisfy Finansbank's other liquidity needs and to ensure compliance with capital adequacy and other applicable Central Bank regulations.

The ALCO is responsible for forming and overseeing the implementation of the asset and liability management strategy of Finansbank. The objective of Finansbank's asset and liability management strategy is to structure Finansbank's balance sheet in view of liquidity risk, maturity risk, interest rate risk and foreign exchange risk, while ensuring that Finansbank has adequate capital and is using capital to maximize net interest income.

The ALCO sets Finansbank's policies for interest rate levels and terms for loans and deposits and makes decisions regarding maturities and pricing of loans and deposits. In addition, members of the treasury department, including the group managers, managers, assistant managers and fixed income and foreign exchange traders, meet on a daily basis to monitor the risk exposure of Finansbank, particularly Finansbank's net foreign currency short position and the daily interest rate gap and duration.

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

Finansbank's treasury department is responsible for managing and implementing Finansbank's asset and liability positions on a day-to-day basis and ensuring the availability of funds for all of Finansbank's products and services distributed through Finansbank's branch network. The Treasury department measures and evaluates on a daily basis Finansbank's risk exposure and unfavorable changes in market conditions and regularly monitors the short-term mismatches between assets and liabilities.

Analysis of financial liabilities by remaining contractual maturities

The tables below show the Group's maturity distribution of certain financial liabilities, other than derivatives. The tables below are prepared by considering the contractual undiscounted cash flows expected on the nearest cash flow dates. The interest which will be paid at the maturity date is included in these tables.

December 31, 2010	Carrying Amount	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 years	Total
Due to other banks	2,037,579	21,707	1,926,312	89,379	2,352	-	-	2,039,750
Customer deposits	23,176,517	2,194,438	14,802,908	5,866,765	382,488	26,619	-	23,273,218
Debt securities issued	417,340	-	-	151,794	152,813	143,046	-	447,653
Funds borrowed	5,237,439	-	170,607	664,850	2,677,830	1,701,033	324,608	5,538,928
Other liabilities	1,174,516	-	962,815	135,300	67,230	9,171	-	1,174,516
Total	**32,043,391**	**2,216,145**	**17,862,642**	**6,908,088**	**3,282,713**	**1,879,869**	**324,608**	**32,474,065**

December 31, 2009	Carrying Amount	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 years	Total
Due to other banks	1,644,886	50,590	463,038	16,616	1,128,191	-	-	1,658,435
Customer deposits	18,451,224	1,893,693	12,404,517	4,011,628	195,554	33,668	-	18,539,060
Debt securities issued	628,470	-	-	57,878	30,678	602,389	-	690,945
Funds borrowed	3,781,033	-	220,530	292,575	971,952	2,364,260	301,064	4,150,381
Other liabilities	820,893	-	625,405	103,412	80,385	11,691	-	820,893
Total	**25,326,506**	**1,944,283**	**13,713,490**	**4,482,109**	**2,406,760**	**3,012,008**	**301,064**	**25,859,714**

December 31, 2008	Carrying Amount	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 yrs	Over 5 years	Total
Due to other banks	3,813,200	110,075	2,918,802	800,667	1,124	-	-	3,830,668
Customer deposits	15,904,327	1,699,573	9,819,304	3,995,935	509,039	22,445	-	16,046,296
Debt securities issued	1,018,023	-	-	80,711	391,587	665,849	-	1,138,147
Funds borrowed	4,419,611	-	169,081	289,222	2,155,462	2,041,216	329,458	4,984,439
Other liabilities	607,742	-	460,580	90,219	35,869	21,074	-	607,742
Total	**25,762,903**	**1,809,648**	**13,367,767**	**5,256,754**	**3,093,081**	**2,750,584**	**329,458**	**26,607,292**

The tables below shows the remaining maturities of derivatives (notional, net)

December 31, 2010	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Forward Contracts	696,091	146	(6,069)	(45)	-	690,123
Currency Swap Contracts	35,151	(8,445)	(14,814)	(740,072)	(341,622)	(1,069,802)
Options	(3,014)	16,256	10,073	(432)	-	22,883
Total	**728,228**	**7,957**	**(10,810)**	**(740,549)**	**(341,622)**	**(356,796)**

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

December 31, 2009	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Forward Contracts	(507)	(3,101)	(332)	586	-	(3,354)
Currency Swap Contracts	29,094	83,865	97,446	(607,999)	(289,462)	(687,056)
Options	(3,342)	(2,222)	(1,169)	-	-	(6,733)
Total	**25,245**	**78,542**	**95,945**	**(607,413)**	**(289,462)**	**(697,143)**

December 31, 2008	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Forward Contracts	508	(1,213)	(3,382)	58	-	(4,029)
Currency Swap Contracts	46,423	263	(17,274)	(641,652)	(131,424)	(743,664)
Options	(1,048)	51,074	(23)	-	-	50,003
Total	**45,883**	**50,124**	**(20,679)**	**(641,594)**	**(131,424)**	**(697,690)**

4.5 Insurance risk

The insurance policies issued by the Group carry a degree of risk. The risk under any insurance policy is the possibility of the insured event resulting in a claim. By the very nature of an insurance policy, risk is based on fortuity and is therefore unpredictable.

The principal risk that the Group may face under its insurance policies is that the actual claims and benefit payments or the timing thereof, differ from expectations. This could occur because the frequency or severity of claims is greater than estimated.

The above risk exposure is mitigated, to some extent, by diversification across a large portfolio of insurance policies. The variability of risks is also improved by the careful selection and implementation of the Group's underwriting policy, reinsurance strategy and internal guidelines, within an overall risk management framework. Pricing is based on assumptions and statistics with regard to trends, current market conditions and past experience.

Reinsurance arrangements include proportional, optional facultative, excess of loss and catastrophic coverage.

4.6 Fair values of financial assets and liabilities

a. Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at fair value and the fair value is materially different from the carrying amount.

	December 31, 2010	
Financial assets	**Carrying amount**	**Fair value**
Loans and advances to customers (Note 24)	25,159,454	25,177,367
Finance lease receivables	918,424	948,812
Financial liabilities	**Carrying amount**	**Fair value**
Customer deposits	23,176,517	23,174,584
Debt securities issued	417,340	414,376
Funds borrowed	5,237,439	5,240,499

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

	December 31, 2009	
Financial assets	**Carrying amount**	**Fair value**
Loans and advances to customers (Note 24)	18,064,458	18,185,987
Finance lease receivables	959,048	914,360
Financial liabilities	**Carrying amount**	**Fair value**
Customer deposits	18,451,224	18,456,152
Debt securities issued	628,470	642,930
Funds borrowed	3,781,033	3,747,976

	December 31, 2008	
Financial assets	**Carrying amount**	**Fair value**
Loans and advances to customers (Note 24)	17,928,727	17,984,121
Finance lease receivables	1,268,142	1,316,385
Financial liabilities	**Carrying amount**	**Fair value**
Customer deposits	15,904,327	15,898,881
Debt securities issued	1,018,023	1,018,236
Funds borrowed	4,419,611	4,359,510

The following methods and assumptions were used to estimate the fair values of the above financial instruments at December 31, 2010, 2009 and 2008:

Cash and balances with T.R. Central Bank, due from and due to banks: The carrying amount of cash and balances with central banks, due from and due to banks approximates their fair value.

Loans and advances to customers and finance lease receivables: The fair value of loans and advances to customers and finance lease receivables with fixed interest rates is estimated using discounted cash flow models. The discount rates are based on current market interest rates offered for instruments with similar terms to the same borrowers or borrowers of similar credit quality. The carrying amount of floating rate loans is considered to approximate their fair values.

Customer deposits: The fair value of demand deposits is the payable amount at customer intention for withdrawal. The fair value of floating rated placements and the overnight deposits approximates their carrying amount. The fair value of fixed rate time deposits is calculated by discounting the expected future cash flows using the interest rate prevailing in the market.

Debt securities issued: Fair value is estimated using market prices, or if such are not available, using a discounted cash flow analysis, based on current market rates of similar maturity debt securities.

Funds borrowed: Fair value is estimated using market prices, or if such are not available, discounted cash flow analysis based on the Group’s current incremental borrowing rates for similar types of borrowing arrangements is used.

b. Financial instruments measured at fair value

The tables below present the fair values of those financial assets and liabilities presented on the Group’s statement of financial position at fair value by fair value measurement level at December 31, 2010, 2009 and 2008, as described in Note 2.20. The Group has no financial assets and liabilities measured in Level 3 at December 31, 2010, 2009 and 2008. In 2010, there is no transfer of financial assets and liabilities between Level 1 and Level 2.

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

	December 31, 2010		
Financial assets	**Level 1**	**Level 2**	**Total**
Financial assets at FVTPL	187,624	19,959	207,583
Derivative financial assets	1,488	419,530	421,018
Loans and advances to customers designated at FVTPL (Note 24)	-	993,231	993,231
Available for sale investments [1]	7,018,793	205,515	7,224,308
Financial liabilities	**Level 1**	**Level 2**	**Total**
Derivative financial liabilities	2,753	799,562	802,315

[1] The amount excludes the equity investments of TL 6,131 measured at cost which do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

	December 31, 2009		
Financial assets	**Level 1**	**Level 2**	**Total**
Financial assets at FVTPL	147,079	82,296	229,375
Derivative financial assets	3,298	421,990	425,288
Loans and advances to customers designated at FVTPL (Note 24)	-	1,572,129	1,572,129
Available for sale investments [1]	5,286,809	41,765	5,328,574
Financial liabilities	**Level 1**	**Level 2**	**Total**
Derivative financial liabilities	1,402	269,267	270,669

[1] The amount excludes the equity investments of TL 6,378 measured at cost which do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

	December 31, 2008		
Financial assets	**Level 1**	**Level 2**	**Total**
Financial assets at FVTPL	259,004	133,153	392,157
Derivative financial assets	2,477	547,228	549,705
Loans and advances to customers designated at FVTPL (Note 24)	-	2,253,880	2,253,880
Available for sale investments [1]	4,679,700	-	4,679,700
Financial liabilities	**Level 1**	**Level 2**	**Total**
Derivative financial liabilities	4,061	285,520	289,581

[1] The amount excludes the equity investments of TL 4,128 measured at cost which do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

4.7 Capital adequacy and credit ratings

The Group’s capital base includes all types of regulatory eligible Own Funds, as these are defined by the BRSA, which differs from the total equity under IFRS. Among others, the Group’s regulatory own funds include the share capital, the share premium account, the reserves, retained earnings, and subordinated debt issues.

The Group manages actively its capital base by taking advantage of the contemporary means for raising capital, with the objective to sustain its capital adequacy ratios well above the minimum regulatory levels and at the same time to improve the weighted average cost of capital to the benefit of its shareholders. In this framework, both the calculation of the capital requirements and the dynamic management of the capital base are embedded in the business plan and the annual budgeting processes, in accordance with the capital adequacy targets that have been set in the Group’s Risk Strategy.

The Group’s total capital ratio is calculated by dividing its Tier 1 capital, which comprises general provisions per its statutory financial statements and evaluation surplus, by the aggregate of its risk-weighted assets, risk-weighted off-balance sheet exposures, market and other risk provisions. In accordance with the BRSA guidelines the Group must, in general, maintain a total capital ratio in excess of 8%; however, if operations include activities in offshore regions, as is the case with Finansbank, BRSA imposes 12%.

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

The capital adequacy of the Group in accordance with the BRSA guidelines is as follows;

	December 31, 2010	**December 31, 2009**	**December 31, 2008**
Tier I capital	5,036,795	3,651,286	3,192,494
Tier II capital	1,324,270	1,685,870	1,350,760
Total capital	6,361,065	5,337,156	4,543,254
Deductions	(40,894)	(43,541)	(14,029)
Net total capital	6,320,171	5,293,615	4,529,225
Risk-weighted assets (including market & operational risk)	36,466,099	28,060,959	27,925,936
Capital adequacy ratios			
Tier I ratio	13.81%	13.01%	11.43%
Total capital ratio	17.33%	18.86%	16.22%

Credit ratings

The table below sets forth the credit ratings that have been assigned to the Bank by Moody's Investors Service Limited (referred to below as ''Moody's''), Fitch Ratings Ltd. (referred to below as ''Fitch'') and Capital Intelligence Ltd. (referred below as 'Capital Intelligence'). All credit ratings have been recently affirmed and/or upgraded.

	Rating Agency		
	January 2011 ***Fitch***	**October 2010** ***Moody's***	**November 2010** ***Capital Intelligence***
Long-term foreign currency	BBB-	Ba3	BB
Short-term foreign currency	F3	-	B
Long-term local currency deposit	BBB-	Baa2	-
Short-term local currency deposit	F3	P-2	-
Long-term national rating	AAA	-	-
Individual rating	C	-	-
Support	3T	-	3
Bank financial strength	-	C-	-
Local market strength			BBB+
Outlook	Stable	Stable	Stable

5 Segment reporting

5.1 Operating segment

The Group has identified operating segments in a manner consistent with the internal reporting provided to the chief operating decision maker, the Board of Directors (previously Group Executive Committee was the chief operating decision maker, however it was dissolved in 2010). The Group manages its business through the following business segments:

Retail banking

Retail banking includes individuals and micro enterprises. Finansbank's retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits and investments and insurance products.

Corporate and commercial banking

Corporate and commercial banking include lending to all large and medium-sized companies. Finansbank's corporate and commercial banking activities include trade finance, traditional lending, SME banking, project finance, cash management, corporate syndication and secondary market transactions, deposits and the issuance of certificated debt instruments. Finansbank's SME banking activities consist primarily of revolving credit lines, installment loans, overdrafts, business housing loans and deposits.

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

- **Fee income and expense:** Fees received and paid which are considered an integral part of the effective interest rate calculation are presented as 'Net fee and commission income' instead of "Net interest income" as under IFRS.
- **Recoveries on loans and advances to customers previously written-off:** The subsequent recovery on loan amounts previously written off are reported in "net other income" instead of as a reduction of the provision for loan losses as under IFRS.
- **Other activities:** Other activities include consolidated subsidiaries and treasury activities.
- **Operating expenses:** Represents certain operating expenses which are not included in the segment results of operations.
- **Disposal of subsidiary:** The segment results of operations include the results of Finans Malta Holdings Ltd., a subsidiary which the Bank disposed of in February 2009. In the IFRS income statement, the operation of the subsidiary was accounted for as a discontinued operation and the comparative income statement for the year ended December 31, 2008 was restated to present the discontinued operation separately from continuing operations.
- **Other:** Adjustments included in other represent the unwinding of interest, which is not included in the provision for impairment losses in the segment results of operations, and other individually insignificant reclassifications.

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

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

Breakdown by business segment	**Retail Banking**	**Corporate and Commercial Banking**	**Total**	**Reconciling Items**				**Total**
				Fee income	**Other activities**	**Operating expenses**	**Other**	
12 month period ended December 31, 2010								
External operating income	2,031,676	489,680	2,521,356	(25,582)	315,513	-	3,718	2,815,005
Net interest income	1,154,889	324,727	1,479,616	481,651	117,449	-	3,718	2,082,434
Net fee and commission income	837,937	108,064	946,001	(507,233)	77,323	-	-	516,091
Earned premium net of claims and commissions	-	-	-	-	57,720	-	-	57,720
Net other income	38,850	56,889	95,739	-	63,021	-	-	158,760
Revenues from other segments	47,251	31,940	79,191	-	(79,191)	-	-	-
Total operating income	**2,078,927**	**521,620**	**2,600,547**	**(25,582)**	**236,322**	**-**	**3,718**	**2,815,005**
Total operating expenses	(930,304)	(279,413)	(1,209,717)	25,582	(114,024)	(111,999)	-	(1,410,158)
Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables	(256,623)	(23,378)	(280,001)	-	7,066	-	-	(272,935)
Profit before tax	**892,000**	**218,829**	**1,110,829**	**-**	**129,364**	**(111,999)**	**3,718**	**1,131,912**
Other Segment items								
Capital expenditure								141,401
Depreciation and amortization								108,245

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

Breakdown by business segment	**Retail Banking**	**Corporate and Commercial Banking**	**Total**	**Reconciling Items**					**Total**
				Fee income	**Recoveries on loans and advances to customers written-off**	**Other activities**	**Operating expenses**	**Other**	
12 month period ended December 31, 2009									
External operating income	1,664,420	576,604	2,241,024	(19,739)	(38,677)	461,706	-	16,292	2,660,606
Net interest income	922,557	394,241	1,316,798	390,842	-	287,228	-	19,328	2,014,196
Net fee and commission income	717,858	141,070	858,928	(410,581)	-	47,370	-	-	495,717
Earned premium net of claims and commissions	-	-	-	-	-	34,694	-	-	34,694
Net other income	24,005	41,293	65,298	-	(38,677)	92,414	-	(3,036)	115,999
Revenues from other segments	42,858	43,469	86,327	-	-	(86,327)	-	-	-
Total operating income	**1,707,278**	**620,073**	**2,327,351**	**(19,739)**	**(38,677)**	**375,379**	**-**	**16,292**	**2,660,606**
Total operating expenses	(664,530)	(235,826)	(900,356)	19,739	-	(45,477)	(322,277)	19,956	(1,228,415)
Impairment losses on loans and advances to customers and finance lease receivables	(307,125)	(135,450)	(442,575)	-	38,677	(70,059)	-	(18,248)	(492,205)
Profit before tax	**735,623**	**248,797**	**984,420**	**-**	**-**	**259,843**	**(322,277)**	**18,000**	**939,986**
Other Segment items									
Capital expenditure									126,659
Depreciation and amortization									92,051

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

Breakdown by business segment	Retail Banking	Corporate and Commercial Banking	Total	Reconciling Items						Total
				Fee income	Recoveries on loans and advances to customers written-off	Other activities	Disposal of Subsidiary	Operating Expenses	Other	
12 month period ended December 31, 2008										
External operating income	1,090,906	636,337	1,727,243	(16,238)	(32,114)	655,183	(50,684)	-	15,562	2,298,952
Net interest income	461,269	438,063	899,332	307,720	-	222,188	(47,784)	-	20,918	1,402,374
Net fee and commission income	612,502	176,518	789,020	(323,958)	-	66,925	(2,900)	-		529,087
Earned premium net of claims and commissions	-	-	-	-	-	16,341	-	-	-	16,341
Net other income	17,135	21,756	38,891	-	(32,114)	349,729	-	-	(5,356)	351,150
Revenues from other segments	27,333	22,350	49,683	-	-	(49,683)	-	-	-	-
Total operating income	**1,118,239**	**658,687**	**1,776,926**	**(16,238)**	**(32,114)**	**605,500**	**(50,684)**	**-**	**15,562**	**2,298,952**
Total operating expenses and provisions	(579,437)	(267,614)	(847,051)	16,238	-	(117,401)	-	(214,533)	18,899	(1,143,848)
Impairment losses on loans and advances to customers and finance lease receivables	(134,663)	(119,048)	(253,711)	-	32,114	22,915	-	-	(9,530)	(208,212)
Profit before tax	**404,139**	**272,025**	**676,164**	**-**	**-**	**511,014**	**(50,684)**	**(214,533)**	**24,931**	**946,892**
Other Segment items										
Capital expenditure										148,519
Depreciation and amortization										76,572

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

5.2 Geographical information

The Bank and its subsidiaries operate principally in Turkey and Bahrain. As the operation results outside of Turkey are quite negligible in the consolidated results, no further geographical segment information is presented.

6 Net interest income

	12 month period ended December 31,		
	2010	**2009**	**2008**
Interest earned on:			
Loans and advances to customers	3,460,414	3,396,729	3,105,718
Securities	406,232	574,454	655,484
Financial assets at FVTPL	24,776	20,666	46,666
Available for sale investments	381,456	553,788	608,818
Finance lease receivables	75,430	110,598	140,670
Factoring receivables	13,199	398	-
Due from banks	73,626	76,096	126,150
Interest income	**4,028,901**	**4,158,275**	**4,028,022**
Interest payable on:			
Customer deposits	(1,288,336)	(1,281,082)	(1,518,272)
Debt securities issued and funds borrowed	(558,531)	(733,418)	(874,975)
Due to other banks	(99,600)	(129,579)	(232,401)
Interest expense	**(1,946,467)**	**(2,144,079)**	**(2,625,648)**
Net interest income	**2,082,434**	**2,014,196**	**1,402,374**

7 Net fee and commission income

	12 month period ended December 31,		
	2010	**2009**	**2008**
Fee and commission income			
Banking	510,710	491,469	526,511
Brokerage and fund management	39,944	38,335	30,436
Other	1,404	1,268	1,787
Total	**552,058**	**531,072**	**558,734**
Fee and commission expense			
Banking	(31,573)	(31,678)	(26,429)
Other	(4,394)	(3,677)	(3,218)
Total	**(35,967)**	**(35,355)**	**(29,647)**
Net fee and commission income	**516,091**	**495,717**	**529,087**

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

8 Earned premium net of claims and commissions

	12 month period ended December 31,		
	2010	**2009**	**2008**
Gross written premium	79,726	48,782	47,900
Change in unearned premium reserve	1,993	25,927	2,020
Other	6,565	4,885	7,320
Earned premium net of reinsurance	**88,284**	**79,594**	**57,240**
Paid claims	(11,922)	(8,774)	(3,133)
Change in mathematical reserve	(16,193)	(29,376)	(26,061)
Change in outstanding claims	(1,699)	(2,517)	(1,314)
Other	(750)	(4,233)	(10,391)
Net claims incurred	**(30,564)**	**(44,900)**	**(40,899)**
Earned premium net of claims and commissions	**57,720**	**34,694**	**16,341**

9 Net trading income and results from investment securities

	12 month period ended December 31,		
	2010	**2009**	**2008**
Gains on foreign exchange	41,805	26,430	49,681
Unrealized gains / (losses) on interest rate instruments	(306,541)	(251,054)	287,427
Realized gains / (losses) on equity shares under FVTPL	1,817	2,885	(10,910)
Realized gains from investment securities	369,912	319,562	20,435
Unrealized gains/ (losses) on securities designated at FVTPL	614	(2,043)	(23,348)
Total	**107,607**	**95,780**	**323,285**

10 Other operating income

Other operating income mainly consists of gain on disposal of property and equipment, rent income, change in expense accruals and other.

11 Personnel expenses

	12 month period ended December 31,		
	2010	**2009**	**2008**
Wages and salaries	412,485	379,028	338,750
Bonuses and other fringe benefits	130,168	105,864	75,692
Pension costs: defined benefit plans (Note 12)	13,608	8,444	5,217
Other personnel related benefits	76,529	64,282	70,339
Total	**632,790**	**557,618**	**489,998**

The average number of employees of the Group during the year 2010, 2009 and 2008 was 11,900, 10,940 and 10,470, respectively.

Other personnel related benefits include the cost of various benefits such as health insurance, subsidy and legal staff related costs.

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

12 Retirement benefit obligations

Defined benefit plans

In accordance with Turkish Labor Law, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 2.62 thousand as of December 31, 2010, TL 2.37 thousand as of December 31, 2009 and TL 2.17 thousand as of December 31, 2008) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2010, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the reporting date. As of December 31, 2010, retirement pay liability of the Bank and local subsidiaries are accounted based on the actuarial calculations performed by an independent actuary. The plan is unfunded and hence, there are no plan assets disclosed.

Amount recognized in the income statement:

	12 month period ended December 31,		
	2010	**2009**	**2008**
Current service cost	5,168	3,867	3,456
Interest cost on obligation	3,150	2,311	1,770
Amortization of unrecognized net (gain) / loss	300	13	(9)
Settlement/ curtailment / termination loss	4,990	2,253	-
Total charge	**13,608**	**8,444**	**5,217**

Net liability in the statement of financial position:

	December 31, 2010	**December 31, 2009**	**December 31, 2008**
Present value of unfunded obligations	42,897	30,769	20,724
Unrecognized actuarial (losses) /gains	(14,215)	(7,973)	(2,200)
Total	**28,682**	**22,796**	**18,524**

Movement in net liability:

	2010	**2009**	**2008**
Net liability at January 1	22,796	18,524	16,080
Benefit paid directly	(7,722)	(4,172)	(2,773)
Total expense recognized in the income statement	13,608	8,444	5,217
Net liability at December 31	**28,682**	**22,796**	**18,524**

Reconciliation of defined benefit obligation:

	2010	**2009**	**2008**
Defined benefit obligation at January 1	30,769	20,724	17,416
Current service cost	5,168	3,867	3,456
Interest cost on obligation	3,150	2,311	1,770
Benefits paid directly by the Group	(7,722)	(4,172)	(2,773)
Settlement/ curtailment losses	4,078	2,102	-
Actuarial losses / (gains)	7,454	5,937	855
Defined benefit obligation at December 31	**42,897**	**30,769**	**20,724**

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

The weighted average assumptions used to determine the net periodic pension costs for the year ended December 31, 2010, 2009 and 2008 are:

	December 31, 2010	December 31, 2009	December 31, 2008
Discount rate	10.25%	11.00%	12.00%
Rate of compensation increase	6.50%	6.30%	7.00%
Average future years of working life	16.53	16.46	15.49
Inflation rate	5.00%	4.80%	5.50%

13 General and administrative expenses

	12 month period ended December 31,		
	2010	2009	2008
Utilities and rentals	228,048	195,978	166,732
Promotion and advertisement expenses	76,854	65,725	64,887
Credit card expenses	53,890	46,689	50,781
Third party remuneration expenses and fees	53,154	44,860	68,717
Duties and taxes other than on income	45,550	22,638	21,744
Withholding taxes and duties on loans granted	22,724	19,123	19,045
Saving deposits insurance fund premiums	22,248	21,531	19,457
Audit, consulting and legal fees	20,152	14,748	14,171
Stationary and other consumables	18,278	16,078	13,449
Traveling expenses	10,746	8,465	9,528
Subscriptions and contributions	5,050	4,739	3,707
Research expenses	4,151	2,260	1,502
Other administrative expenses	58,329	52,768	42,214
Total	**619,174**	**515,602**	**495,934**

14 Depreciation, amortization and impairment charges

	12 month period ended December 31,		
	2010	2009	2008
Intangible assets (Note 29)	30,805	21,772	15,122
Property and equipment (Note 30)	77,440	70,279	61,410
Total	**108,245**	**92,051**	**76,532**

15 Impairment losses on loans and advances to customers, finance lease receivables and factoring receivables

	12 month period ended December 31,		
	2010	2009	2008
Impairment losses on loans and advances to customers (Note 24)	264,165	463,107	213,255
Collection from loans written off	(37,579)	(29,450)	(32,114)
Legal expenses	34,175	18,249	9,528
Impairment losses on loans and advances to customers (net)	**260,761**	**451,906**	**190,669**
Impairment losses on finance lease receivables (Note 26)	**11,214**	**40,299**	**17,543**
Impairment losses on factoring receivables	**960**	**-**	**-**
Total	**272,935**	**492,205**	**208,212**

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

16 Other operating expenses

	12 month period ended December 31,		
	2010	**2009**	**2008**
Maintenance and other related expenses	42,292	32,059	25,152
Provision charges for guarantees	4,614	30,528	18,307
Other provision charges	3,619	148	37,925
Total	**50,525**	**62,735**	**81,384**

17 Income tax expense

The details of income tax expense are as follows:

	12 month period ended December 31,		
	2010	**2009**	**2008**
Current tax	(256,588)	(122,966)	(42,506)
Deferred tax benefit/(charge) (Note 31)	37,873	(34,078)	(115,727)
Adjustments to prior periods corporate taxes[1]	-	-	(38,881)
Prior period corporate tax that was paid in the current period	-	-	(1,498)
Total	**(218,715)**	**(157,044)**	**(198,612)**
Profit before tax	**1,131,912**	**939,986**	**946,892**
Tax calculated based on the current tax rate of 20%	(226,382)	(187,997)	(189,378)
Effect of income not subject to taxation	40,551	44,698	115,149
Effect of expenses not deductible for tax purposes	(35,620)	(45,736)	(64,496)
Deferred tax on unused investment incentive	(2,506)	24,993	-
Investment incentives utilized	-	-	19,674
Other	5,242	6,998	(39,182)
Current tax and deferred tax	**(218,715)**	**(157,044)**	**(158,233)**
Adjustments to Corporate Taxes[1]	-	-	(38,881)
Prior period corporate tax that was paid in the current period	-	-	(1,498)
Income tax expense	**(218,715)**	**(157,044)**	**(198,612)**

[1] The Group has applied for settlement of a lawsuit filed against the tax authorities by renouncing the total amount of TL 121,739 for the overpaid tax due to the fact that it was not allowed to deduct the losses incurred because of the inflation accounting application in 2001 calendar year from the corporate income base, in line with Article 3 of Tax Law No 5736. The application for the settlement of the previously filed lawsuit has been made to be able to use 65 percent of losses realized amounting to TL 363,733 due to inflation accounting as previous year losses and deduct the amount from the previous year corporate tax base. The tax amount of TL 38,881 paid to the tax authority due to the settlement has been accounted for under “income tax expense” in the accompanying income statement for the year ending December 31, 2008.

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group’s results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

In Turkey, corporate income tax is levied at the rate of 20% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year ended December 31, 2010. This rate was 20% for the year ended December 31, 2009 and 2008 as well. Capital gains arising from the sale of property and equipment and investments owned for at least two years are exempt at a rate of 75% from corporate tax provided that such gains are reflected in the equity with the intention to be utilized in a share capital increase within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate applied in 2010 is 20%. (2009 and 2008: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between April 1-25 following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied between April 24, 2003 –July 22, 2006 is 10% and commencing from July 23, 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19.80% is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Investment incentives

According to the regulation, published in the Official Gazette on August 1, 2010 based on Law No. 6009, the investment allowance amounts can be used without a year limitation. Investment allowance amount, which will be used in the determination of the tax assessment, will not exceed 25% profit of the concerned period. In addition to this, 20% corporate tax rate will be applied on the income after the deduction of the allowance.

The Group offsets current tax assets and current tax liabilities separately for each entity considering the legally enforceable right to set off the recognized amounts. As of December 31, 2010, after the offsetting, the corporate tax payables is TL 72,849 (December 31, 2009, corporate tax payable amounting to TL 4,328 and corporate tax receivable amounting to TL 50,499, December 31, 2008, corporate tax payable amounting to TL 10,178 and corporate tax receivable amounting to TL 27,160) in the accompanying consolidated financial statements.

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

18 Discontinued operations

The Bank disposed of its subsidiary "Finans Malta Holdings Ltd."s shares on February 24, 2009 for EUR 185.0 million to NBG International Holdings B.V. fully paid in cash. The nominal value of these shares was EUR 110,001,490 corresponding to 99.99% of the capital. The gain on the disposal of the subsidiary before income tax amounted to TL 43,324.

Operation of the subsidiary was a discontinued operation as at December 31, 2009 and the comparative income statement has been restated to show the discontinued operation separately from continuing operations.

Profits attributable to the discontinued operation were as follows:

Results of discontinued operation

	December 31, 2009	December 31, 2008
Interest income	34,796	239,381
Interest expense	(20,258)	(187,731)
Net interest income	**14,538**	**51,650**
Fee and commission income	124	2,648
Fee and commission expense	(62)	(230)
Net fee and commission income	**62**	**2,418**
Net trading gain	**911**	**4,467**
Total operating income	**15,511**	**58,535**
Operating expenses	(480)	(2,283)
Impairment losses on loans and advances	-	1,830
Profit before tax	**15,031**	**58,082**
Income tax expense	(1,123)	(3,912)
Profit of discontinued operations	**13,908**	**54,170**
Gain on disposal of discontinued operation	43,324	-
Income tax expense on gain on disposal of discontinued operation	(9,855)	-
Profit for the year from discontinued operations (net)	**47,377**	**54,170**

Net cash inflows on disposal of subsidiary;

	December 31, 2009	December 31, 2008
Consideration received in cash and cash equivalents	399,027	-
Less: cash and equivalent balances disposed of	(47,264)	-
Net cash inflows	**351,763**	**-**

Cash flows from discontinued operations;

	December 31, 2009	December 31, 2008
Net cash inflows / (outflows) from operating activities	(258,548)	865,600
Net cash inflows / (outflows) from investing activities	(21,022)	131,156
Net cash inflows / (outflows) from financing activities	201	(2,119)
Net cash inflows	**(279,369)**	**994,637**

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

19 Earnings per share

	December 31, 2010	December 31, 2009	December 31, 2008
Net profit attributable to equity holders of the parent	898,405	813,254	784,572
Less: attributable to founder shares	-	-	(26,952)
Net profit attributable to Finansbank ordinary shareholders	898,405	813,254	757,620
Adjusted weighted average number of ordinary shares outstanding	20,921,570,400	20,862,865,970	20,862,865,970
Basic and diluted earnings per share from discontinued operations	-	0.0023	0.0026
Basic and diluted earnings per share from continuing operations	0.0429	0.0367	0.0337

The Bank decided to increase its share capital through bonus issue by way of the capitalization of its extraordinary reserves in 2010, 2009 and 2008. In 2010, 787,500,000 shares were issued by capitalizing reserves in the amount of TL 78,750, in 2009, 750,000,000 shares were issued by capitalizing reserves in the amount of TL 75,000 and in 2008 1,000,000,000 shares were issued by capitalizing reserves in the amount of TL 100,000. In addition, on December 13, 2010, the Bank increased the paid in capital by TL 551,250 by issuing 5,512,500,000 shares. TL 4,107 of the total increase of TL 551,250 was provided from extraordinary general reserves in the form of bonus shares (41,070,000 shares)and the remaining amount of TL 547,143 (5,471,430,000 shares) was increased by rights issue and collected in cash.

The Group's weighted average number of ordinary shares outstanding for 2010, 2009 and 2008 has been adjusted as if the capital increase through bonus issue and the capital increase through rights issue in 2010 was made at the beginning of the earliest year presented. Accordingly for the purpose of EPS calculation, the weighted average number of ordinary shares outstanding is 20,921,570,400 for 2010 and 20,862,865,970 for 2009 and 2008.

20 Cash and balances with T.R. Central Bank

	December 31, 2010	December 31, 2009	December 31, 2008
Cash in hand	425,629	298,086	224,822
Balances with T.R. Central Bank- Non-obligatory	285,108	211,080	245,103
Balances with T.R. Central Bank- Obligatory	1,683,739	1,283,279	1,133,135
Total	**2,394,476**	**1,792,445**	**1,603,060**

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

According to the 2010/9 numbered announcement of the T.R. Central Bank, "Announcement on the Change of Reserve Deposits", all banks operating in Turkey should provide a reserve at 5.50% of the liabilities in Turkish Lira and 11.00% for liabilities in foreign currencies.

From October 1, 2010, T.R. Central Bank will not make interest payments for TL reserves, as is currently the case for foreign currency reserves.

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

21 Due from banks

	December 31, 2010	December 31, 2009	December 31, 2008
Time deposits with banks	820,564	1,324,245	522,050
Demand deposit with banks	195,362	80,169	189,442
Securities purchased under agreements to resell	4,978	14,355	18,767
Total	**1,020,904**	**1,418,769**	**730,259**

The Group does not have any past due or impaired balances due from banks.

The effective interest rates applied for time deposits are 9.27% for TL, 3.53% for USD and 3.75% for EUR accounts (December 31, 2009 - 9.43% for TL, 0.50% for USD and 0.43% for EUR, December 31, 2008- 20.10% for TL, 0.14% for USD and 1.46% for EUR).

The amount of collaterals given for derivative transactions as of December 31, 2010, 2009 and 2008 are TL 456,596, TL 91,810 and TL 311,125, respectively.

22 Financial assets at fair value through profit or loss

	December 31, 2010	December 31, 2009	December 31, 2008
Foreign corporate bonds held for trading	19,959	82,296	133,153
Turkish government bonds designated at FVTPL	74,654	78,452	228,488
Turkish government bonds held for trading	95,566	55,826	22,986
Equity shares held for trading	17,069	12,523	5,207
Mutual funds held for trading	335	278	2,323
Total	**207,583**	**229,375**	**392,157**

23 Derivative financial instruments

	Contract/Notional	Fair values	
December 31, 2010	**Amount**	**Assets**	**Liabilities**
Derivatives held for trading:			
Interest rate derivatives	9,411,734	220,245	(314,531)
Foreign exchange derivatives	12,339,570	168,669	(157,797)
Other types of derivatives	178,603	3,456	(3,202)
Fair value hedging derivatives:			
Interest rate derivatives	4,800,287	28,648	(257,240)
Cash flow hedging derivatives:			
Interest rate derivatives	654,938	-	(69,545)
Total	**27,278,861**	**421,018**	**(802,315)**

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

	Contract/Notional	Fair values	
December 31, 2009	**Amount**	**Assets**	**Liabilities**
Derivatives held for trading:			
Interest rate derivatives	11,431,698	337,222	(229,346)
Foreign exchange derivatives	7,434,665	82,186	(37,167)
Other types of derivatives	109,428	3,463	(1,463)
Fair value hedging derivatives:			
Interest rate derivatives	213,509	2,417	(2,693)
Total	**19,189,301**	**425,288**	**(270,669)**

	Contract/Notional	Fair values	
December 31, 2008	**Amount**	**Assets**	**Liabilities**
Derivatives held for trading:			
Interest rate derivatives	3,488,741	188,440	(154,927)
Foreign exchange derivatives	4,697,272	132,954	(72,554)
Other types of derivatives	76,137	2,477	(4,061)
Fair value hedging derivatives:			
Interest rate derivatives	3,615,801	225,834	(58,039)
Total	**11,877,952**	**549,705**	**(289,581)**

The Group's derivative financial instruments mostly comprise of OTC derivatives.

The Group's cash flow hedges principally consist of interest rate swaps that are used to hedge changes in the interest payments of deposits due to changes in the market interest rates. For the period ended December 31, 2010, the Group recognized in other comprehensive income net loss on cash flow hedge of TL 26,470.

The Group's fair value hedges principally consist of interest rate swaps that are used to hedge changes in the fair value of fixed-rate, long-term financial instruments due to movements in market interest rates. The Group records fair value losses on derivatives designated under fair value hedge under net trading income and results from investment securities in the income statement. For the year ended December 31, 2010 the Group recognized in the income statement TL 197,441 (December 31, 2009- TL 179,193, December 31, 2008 – TL 274,995) fair value losses on derivatives designated for fair value hedge accounting of loans and advances to customers. This amount was offset by TL 167,726 (December 31, 2009 – TL 175,697, December 31, 2008 – TL 287,663) of fair value gains recognized on hedged items (loans) of the Group.

For the year ended December 31, 2010 the Group recognized in the income statement fair value losses of TL 8,029 (December 31, 2009 gains -TL 6,986, December 31, 2008- Nil) on derivatives designated for fair value hedge accounting of available for sale investments. This amount was offset by TL 7,708 (December 31, 2009 losses – TL 7,189, December 31, 2008 - Nil) of fair value gains recognized on hedged items (available for sale investments).

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

24 Loans and advances to customers

	December 31, 2010	December 31, 2009	December 31, 2008
Loans and advances to customers at FVTPL	993,231	1,572,129	2,253,880
Loans and advances to customers at amortized cost	25,159,454	18,064,458	17,928,727
Total	**26,152,685**	**19,636,587**	**20,182,607**

December 31, 2010	Corporate	Consumer	Credit Cards	Mortgage	Total
Neither past due nor impaired	8,864,684	2,827,664	5,687,629	5,940,136	23,320,113
Past due not impaired	147,080	364,420	683,793	538,357	1,733,650
Impaired-collective	523,567	322,388	647,212	54,577	1,547,744
Impaired-individual	652,517	-	-	-	652,517
Total Gross	**10,187,848**	**3,514,472**	**7,018,634**	**6,533,070**	**27,254,024**
Less: Allowance for impairment on loans and advances to customers	(441,589)	(212,295)	(424,937)	(22,518)	(1,101,339)
Loans and advances to customers	**9,746,259**	**3,302,177**	**6,593,697**	**6,510,552**	**26,152,685**

December 31, 2009 (*)	Corporate	Consumer	Credit Cards	Mortgage	Total
Neither past due nor impaired	6,482,531	2,214,775	3,809,862	4,656,879	17,164,047
Past due not impaired	15,597	318,654	613,309	436,166	1,383,726
Impaired-collective	242,511	224,535	448,191	51,021	966,258
Impaired-individual	968,172	-	-	-	968,172
Total Gross	**7,708,811**	**2,757,964**	**4,871,362**	**5,144,066**	**20,482,203**
Less: Allowance for impairment on loans and advances to customers	(402,126)	(139,211)	(283,058)	(21,221)	(845,616)
Loans and advances to customers	**7,306,685**	**2,618,753**	**4,588,304**	**5,122,845**	**19,636,587**

December 31, 2008 (*)	Corporate	Consumer	Credit Cards	Mortgage	Total
Neither past due nor impaired	9,264,519	1,790,053	2,962,632	3,967,137	17,984,341
Past due not impaired	117,423	253,542	519,691	351,637	1,242,293
Impaired-collective	717,719	73,160	154,944	22,810	968,633
Impaired-individual	411,936	-	-	-	411,936
Total Gross	**10,511,597**	**2,116,755**	**3,637,267**	**4,341,584**	**20,607,203**
Less: Allowance for impairment on loans and advances to customers	(228,042)	(58,626)	(126,491)	(11,437)	(424,596)
Loans and advances to customers	**10,283,555**	**2,058,129**	**3,510,776**	**4,330,147**	**20,182,607**

(*) Comparative figures were revised during 2010.

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

Movement in allowance for impairment on loans and advances to customers:

	2010	2009	2008
Balance at January 1	845,616	424,596	429,191
Impairment losses on loans and advances to customers	264,165	463,107	213,255
Loans written off	(4,724)	(12,878)	(195,102)
Unwinding of interest	(3,718)	(19,328)	(20,918)
Net impairment losses on loans from discontinued operations	-	-	(1,830)
Effect of disposed subsidiary	-	(9,881)	-
Balance at December 31	**1,101,339**	**845,616**	**424,596**

The write-offs and recoveries by categories are as follows:

	12 month period ended December 31,		
	2010	**2009**	**2008**
Write-offs			
Credit cards	1,918	12,300	73,817
Mortgage and consumer loans	284	21	18,695
Corporate loans	2,522	557	102,590
Total write-offs	**4,724**	**12,878**	**195,102**
Recoveries			
Credit cards	24,840	26,307	31,308
Mortgage and consumer loans	1,383	1,378	486
Corporate loans	11,356	1,765	321
Total recoveries (Note 15)	**37,579**	**29,450**	**32,115**

Collateral and credit enhancements obtained during the year amount to TL 39,691 of residential, commercial or industrial property (December 31, 2009 - TL 44,388, December 31, 2008 - TL 25,941).

Ageing analysis of past due but not impaired loans and advances to customers per class of financial statements:

December 31, 2010	**Less than 30 days**	**31-60 days**	**61-90 days**	**Total**
Corporate	114,734	16,645	15,701	147,080
Consumer	236,982	87,875	39,563	364,420
Credit cards	532,964	110,208	40,621	683,793
Mortgage	305,638	143,788	88,931	538,357
Total	**1,190,318**	**358,516**	**184,816**	**1,733,650**

December 31, 2009	**Less than 30 days**	**31-60 days**	**61-90 days**	**Total**
Corporate	13,575	1,412	610	15,597
Consumer	202,417	78,485	37,752	318,654
Credit cards	400,510	128,132	84,667	613,309
Mortgage	269,606	111,055	55,505	436,166
Total	**886,108**	**319,084**	**178,534**	**1,383,726**

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December 31,2008	Less than 30 days	31-60 days	61-90 days	Total
Corporate	75,348	35,710	6,365	117,423
Consumer	151,268	67,719	34,555	253,542
Credit cards	278,209	160,657	80,825	519,691
Mortgage	220,769	91,280	39,588	351,637
Total	**725,594**	**355,366**	**161,333**	**1,242,293**

As of December 31, 2010, for the loans and advances to customers past due but not impaired, the Group has collaterals amounting to TL 820,232 which are received for the total exposure to the customers including past due exposures (December 31, 2009 – TL 809,914, December 31, 2008 – TL 949,238). During the computation of the amount stated above, collaterals are considered to the maximum of the customers' risks.

Loans and advances to customers at fair value through profit or loss

Loans and advances to customers of the retail banking business have been designated at fair value through profit or loss as the Group manages these loans and advances to customers on a fair value basis in accordance with its investment strategy. Internal reporting and performance measurement of these loans and advances to customers are on a fair value basis.

The cumulative change in the fair value of these loans and advances to customers is set out below;

	December 31, 2010	December 31, 2009	December 31, 2008
Loans and advances at FVTPL	71,034	90,289	85,569

25 Factoring receivables

	December 31, 2010	December 31, 2009	December 31, 2008
No later than 1 year	211,791	37,046	-
Later than 1 year	9,274	-	-
Total	**221,065**	**37,046**	**-**

26 Finance lease receivables

	December 31, 2010	December 31, 2009	December 31, 2008
Not later than 1 year	524,757	562,144	606,336
Later than 1 year but not later than 5 years	525,348	555,496	856,559
Later than 5 years	19,701	13,855	21,292
Finance lease receivables, gross	**1,069,806**	**1,131,495**	**1,484,187**
Unearned future finance income on finance leases	(89,696)	(112,115)	(195,994)
Net investment in finance leases	**980,110**	**1,019,380**	**1,288,193**
Less: Impairment losses on finance lease receivables	(61,686)	(60,332)	(20,051)
Finance lease receivables	**918,424**	**959,048**	**1,268,142**

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

The net investment in finance lease receivables is analyzed as follows:

	December 31, 2010	December 31, 2009	December 31, 2008
Not later than 1 year	477,526	459,236	517,706
Later than 1 year but not later than 5 years	483,772	547,158	751,602
Later than 5 years	18,812	12,986	18,885
Total	**980,110**	**1,019,380**	**1,288,193**

Movements in impairment losses on finance lease receivables:

	2010	2009	2008
Balance at January 1	**(60,332)**	**(20,051)**	**(12,538)**
Impairment losses on finance lease receivables	(11,214)	(40,299)	(17,543)
Receivables written off	9,860	18	10,030
Balance at December 31	**(61,686)**	**(60,332)**	**(20,051)**

Finance lease receivables

	December 31, 2010	December 31, 2009	December 31, 2008
Neither past due nor impaired	797,522	773,155	923,382
Past due not impaired	91,938	154,416	313,435
Impaired	90,650	91,809	51,376
Total Gross	**980,110**	**1,019,380**	**1,288,193**
Less: impairment losses on finance lease receivables	(61,686)	(60,332)	(20,051)
Finance lease receivables	**918,424**	**959,048**	**1,268,142**

As of December 31, 2010, 2009 and 2008 aging of past due but not impaired finance lease receivables are as follows;

	December 31, 2010	December 31, 2009	December 31, 2008
Between 1-30 days	28,980	54,230	146,940
Between 1-3 months	22,588	46,210	109,137
Between 3-12 months	14,922	34,059	46,191
Between 1-5 years	25,448	19,917	11,167
Total	**91,938**	**154,416**	**313,435**

Of the total aggregate amount of gross past due but not impaired finance lease receivables, the fair value of collaterals that is held as at December 31, 2010 was TL 106,923 (December 31, 2009 - TL 163,394, December 31, 2008 - TL 309,879).

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

27 Available for sale investments

	December 31, 2010	December 31, 2009	December 31, 2008
Available-for-sale investment securities:			
Turkish government bonds and treasury bills	6,834,029	5,254,812	4,527,879
Corporate bonds	269,954	-	16,782
Debt securities	**7,103,983**	**5,254,812**	**4,544,661**
Equity shares	13,127	10,050	139,167
Mutual funds	113,329	70,090	-
Total available-for-sale investment securities	**7,230,439**	**5,334,952**	**4,683,828**

The movement of available for sale investments are summarized as follows:

	2010	2009	2008
Balance at January 1	**5,334,952**	**4,683,828**	**3,150,820**
Additions within the year	22,515,758	11,724,407	12,921,224
Disposals (sale and redemption) within the year	(20,675,391)	(10,804,824)	(11,377,745)
Disposal of subsidiary	-	(374,142)	-
Amortization of premiums/discounts	-	-	(2,276)
Gains / (losses) from changes in fair value	55,120	105,683	(8,195)
Balance at December 31	**7,230,439**	**5,334,952**	**4,683,828**

28 Investments in associates

	2010	2009	2008
Balance at January 1	**391**	**-**	**-**
Additions	2,000	800	-
Group's share of profit/(loss) of associate	576	(409)	-
Balance at December 31	**2,967**	**391**	**-**

The Group's associate is as follows:

Name of associate	**% of participation**		
	December 31, 2010	**December 31, 2009**	**December 31, 2008**
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	33.33%	33.33%	-

The associate's financial information is as follows:

Name of associate	**The Group's share**	**Current Assets**	**Fixed Assets**	**Long Term Debt**	**Current Year Loss**	**Net Asset Value**
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	33%	8,473	7,012	3,390	2,371	8,901

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

29 Intangible assets

Cost	Goodwill	Purchased software	Internally generated software	Total
December 31, 2009	**12,453**	**95,656**	**63,668**	**171,777**
Additions	-	20,300	46,569	66,869
December 31, 2010	**12,453**	**115,956**	**110,237**	**238,646**
Accumulated amortization and impairment				
December 31, 2009	**(3,484)**	**(76,841)**	**(16,650)**	**(96,975)**
Amortization charge for the year	-	(13,769)	(17,036)	(30,805)
December 31, 2010	**(3,484)**	**(90,610)**	**(33,686)**	**(127,780)**
Net book value as of December 31, 2010	**8,969**	**25,346**	**76,551**	**110,866**

The goodwill arisen from prior year's acquisitions was assessed for impairment and no adjustment to its carrying value is required. There was no indication of impairment for the remaining intangible assets.

Cost	Goodwill	Purchased software	Internally generated software	Total
December 31, 2008	**12,453**	**81,927**	**37,595**	**131,975**
Additions	-	13,729	26,073	39,802
At December 31, 2009	**12,453**	**95,656**	**63,668**	**171,777**
Accumulated amortization and impairment				
December 31, 2008	**(3,484)**	**(64,910)**	**(6,809)**	**(75,203)**
Amortization charge for the year	-	(11,931)	(9,841)	(21,772)
December 31, 2009	**(3,484)**	**(76,841)**	**(16,650)**	**(96,975)**
Net book value as of December 31, 2009	**8,969**	**18,815**	**47,018**	**74,802**

Cost	Goodwill	Purchased software	Internally generated software	Total
December 31, 2007	**12,453**	**67,353**	**16,883**	**96,689**
Additions	-	14,574	20,712	35,286
At December 31, 2008	**12,453**	**81,927**	**37,595**	**131,975**
Accumulated amortization and impairment				
December 31, 2007	**(3,484)**	**(55,122)**	**(1,475)**	**(60,081)**
Amortization charge for the year	-	(9,788)	(5,334)	(15,122)
December 31, 2008	**(3,484)**	**(64,910)**	**(6,809)**	**(75,203)**
Net book value as of December 31, 2008	**8,969**	**17,017**	**30,786**	**56,772**

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

30 Property and equipment

Cost	Land &Buildings	Vehicles & Equipment	Leasehold Improvements	Total
December 31, 2009	**164,030**	**497,567**	**226,765**	**888,362**
Additions	3,063	48,770	22,699	74,532
Disposals and write offs	(10,884)	(6,879)	(940)	(18,703)
At December 31, 2010	**156,209**	**539,458**	**248,524**	**944,191**
Accumulated depreciation and impairment				
December 31, 2009	**(25,315)**	**(340,895)**	**(120,791)**	**(487,001)**
Disposals and write offs	6,513	4,998	1,202	12,713
Depreciation charge for the year	(3,190)	(53,455)	(20,795)	(77,440)
December 31, 2010	**(21,992)**	**(389,352)**	**(140,384)**	**(551,728)**
Net book value as of December 31, 2010	**134,217**	**150,106**	**108,140**	**392,463**

Cost	Land &Buildings	Vehicles & Equipment	Leasehold Improvements	Total
December 31, 2008	**160,323**	**442,856**	**200,562**	**803,741**
Disposal of a subsidiary	-	(304)	(50)	(354)
Additions	3,707	56,897	26,253	86,857
Disposals and write offs	-	(1,882)	-	(1,882)
At December 31, 2009	**164,030**	**497,567**	**226,765**	**888,362**
Accumulated depreciation and impairment				
December 31, 2008	**(22,085)**	**(293,558)**	**(102,601)**	**(418,244)**
Disposal of a subsidiary	-	116	10	126
Disposals and write offs	-	1,400	-	1,400
Depreciation charge for the year	(3,230)	(48,849)	(18,200)	(70,279)
Effect of depreciation charge for disposed subsidiary	-	(4)	-	(4)
December 31, 2009	**(25,315)**	**(340,895)**	**(120,791)**	**(487,001)**
Net book value as of December 31, 2009	**138,715**	**156,672**	**105,974**	**401,361**

Cost	Land &Buildings	Vehicles& Equipment	Leasehold Improvements	Assets under Construction	Total
December 31, 2007	**115,648**	**381,633**	**166,995**	**29,042**	**693,318**
Additions	15,633	62,079	35,521	-	113,233
Disposals and write offs	-	(856)	(1,954)	-	(2,810)
Transfer	29,042	-	-	(29,042)	-
December 31, 2008	**160,323**	**442,856**	**200,562**	**-**	**803,741**
Accumulated depreciation and impairment					
December 31, 2007	**(19,279)**	**(251,506)**	**(88,733)**	**-**	**(359,518)**
Disposals and write offs	-	850	1,874	-	2,724
Depreciation charge for the year (*)	(2,806)	(42,902)	(15,742)	-	(61,450)
December 31, 2008	**(22,085)**	**(293,558)**	**(102,601)**	**-**	**(418,244)**
Net book value as of December 31, 2008	**138,238**	**149,298**	**97,961**	**-**	**385,497**

(*) The line also includes the depreciation charge of disposed subsidiary amounting to TL 40 which is presented in net profit from discontinued operations in the income statement.

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

31 Deferred tax assets and liabilities

	December 31, 2010		December 31, 2009		December 31, 2008	
	Deferred tax		Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Loans and advances to customers	5,360	163,612	5,067	176,092	253	103,609
Deferred commission income	-	(28,954)	-	(11,498)	-	(11,876)
Plastic card bonus provisions	-	(1,014)	-	(2,361)	-	(1,062)
Employee termination benefits	131	(5,017)	622	(3,937)	-	(3,329)
Vacation pay liability and bonus accrual	591	(6,250)	-	(10,582)	-	(3,954)
Unused investment incentive certificate	22,487	-	24,993	-	-	-
Other temporary differences	(413)	18,141	(2,619)	14,960	1,239	28,891
Securities and derivatives	137	7,743	-	15,023	-	(18,325)
Economic life of property and equipment	-	11,173	-	13,650	-	7,697
Total deferred tax assets/(liabilities)	**28,293**	**159,434**	**28,063**	**191,347**	**1,492**	**101,651**

The Group has offset the deferred tax assets and deferred tax liabilities on an entity by entity basis based on the legally enforceable right to set off the recognized amounts i.e. offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Movement of net deferred tax asset/ (liability) is presented as follows:

	2010	2009	2008
Deferred tax asset / (liability) at January 1	(163,284)	(100,159)	7,747
Loans and advances to customers	12,773	(67,669)	(104,687)
Deferred commission income	17,455	(378)	1,209
Plastic card bonus provisions	(1,347)	1,299	(4,385)
Employee termination benefits	589	1,230	113
Vacation pay liability and bonus accrual	(3,741)	6,628	1,254
Unused investment incentive certificate	(2,506)	24,993	-
Other temporary differences	(974)	11,181	(14,929)
Securities and derivatives	13,147	(5,409)	7,687
Economic life of property and equipment	2,477	(5,953)	(1,989)
Deferred tax recognized in income statement under continued operations	**37,873**	**(34,078)**	**(115,727)**
Deferred tax recognized in income statement under discontinued operations	-	-	303
Deferred tax recognized in equity	(5,730)	(27,939)	7,518
Effect of deferred tax of disposed subsidiary	-	(1,108)	-
Deferred tax asset / (liability) at December 31	**(131,141)**	**(163,284)**	**(100,159)**

32 Insurance related assets and receivables

	December 31, 2010	December 31, 2009	December 31, 2008
Insurance business receivables	16,124	9,357	7,415
Receivable from reinsurers and reinsurance business receivables	568	-	-
Total insurance related assets and receivables	**16,692**	**9,357**	**7,415**

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

33 Other assets

	December 31, 2010	December 31, 2009	December 31, 2008
Assets acquired through foreclosure proceedings	127,064	94,804	63,255
Prepaid expenses	116,496	101,315	82,532
Checks clearance account	107,964	86,907	87,988
Trade receivables	44,201	61,843	66,238
Receivables related to mutual fund sales	27,166	22,231	59,964
VAT and other recoverable taxes	16,921	12,383	24,118
Other	22,412	8,050	6,724
Total other assets	**462,224**	**387,533**	**390,819**

34 Due to other banks

	December 31, 2010	December 31, 2009	December 31, 2008
Time deposits due to credit institutions	872,229	1,576,205	1,254,252
Demand deposits due to credit institutions	21,695	50,590	83,081
Interbank deposits	43,489	18,091	2,295,306
Securities sold under agreements to repurchase	1,100,166	-	180,561
Total due to other banks	**2,037,579**	**1,644,886**	**3,813,200**

Securities that are subject to repurchase agreements amounted to TL 1,173,810 as of December 31, 2010 (December 31, 2009 - Nil, December 31, 2008 - TL 233,420).

35 Customer deposits

	December 31, 2010	December 31, 2009	December 31, 2008
Deposits:			
Individuals	14,034,541	11,888,140	10,705,360
Corporate	8,846,673	6,185,564	5,035,330
Government and agencies	256,066	358,344	141,711
Total deposits	**23,137,280**	**18,432,048**	**15,882,401**
Securities sold to customers under agreements to repurchase	39,237	19,176	21,926
Total customer deposits	**23,176,517**	**18,451,224**	**15,904,327**

Securities that are subject to repurchase agreements amounted to TL 38,947 as of December 31, 2010 (December 31, 2009 - TL 19,168, December 31, 2009 - TL 22,856).

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

36 Debt securities issued

	Effective Interest Rate (%)	December 31, 2010	December 31, 2009	December 31, 2008
Corporate bonds - fixed rate	6.25% - 6.50%	201,783	252,507	401,470
Corporate bonds- floating rate	2.20%	215,557	375,963	616,553
Total debt securities issued		**417,340**	**628,470**	**1,018,023**

On November 23, 2004, Finansbank obtained a loan through a special purpose entity, which issued USD 225 million Series 2004-A Notes fixed rate 6.68% and USD 125 million Series 2004-B fixed rate 6.10% Notes secured on Finansbank’s Diversified Payment Rights. The notes have a five-year maturity and interest is paid quarterly, with no principal repayment for two years. Series 2004-A and Series B Notes were repaid in November 2006 and November 2009, respectively. The special purpose entities, mentioned above, are consolidated in the accompanying financial statements.

On March 15, 2005, Finansbank obtained a loan via a special purpose entity, which issued USD 500 million Series 2005-A Floating Rate Notes secured on Finansbank’s Diversified Payment Rights. The notes have a seven-year maturity and interest is paid quarterly, with no principal repayment for three years. Interest on the Series 2005-A Notes is determined as the three-month LIBOR plus 180 bps. The outstanding amount of Series 2005-A as of December 31, 2010 was USD 156 million (December 31, 2009 - USD 281 million, December 31, 2008- USD 406 million). In 2009, part of this issue to the amount of USD 39 million has been bought back by Finansbank and realized TL 3,280 gains in the income statement.

On March 24, 2006, Finansbank obtained a loan through a special purpose entity, which issued USD 110 million bonds with five-year maturity and USD 110 million bonds with a maturity of seven years. Interest is paid semi-annually for both issues and their interest rates were set at 6.25% and 6.50% respectively. In 2009, part of these issues to the amount of USD 45 million and the amount of USD 9 million have been bought back by Finansbank and realized TL 1,995 and TL 846 gains in the income statement, respectively. In 2010, part of these issues to the amount of USD 5 million and the amount of USD 30 million have been bought back by Finansbank and realized TL 152 and TL 771 losses in the income statement, respectively.

37 Funds borrowed

	December 31, 2010	December 31, 2009	December 31, 2008
Subordinated loans - floating rate	1,010,383	1,473,261	993,482
Subordinated loans - fixed rate	-	-	307,348
Secured loan - fixed rate	295,133	299,733	300,010
Syndication loans - floating rate	-	-	1,095,486
Other	3,931,923	2,008,039	1,723,285
Total funds borrowed	**5,237,439**	**3,781,033**	**4,419,611**

On October 7, 2004, Finansbank obtained a subordinated loan through a special purpose entity, which issued USD 200 million Subordinated Callable Notes, with a 10-year maturity, the proceeds of which were lent to Finansbank. Interest, paid annually, is 9.00% for the first 5 years and steps up to 11.79% thereafter and there is a repayment option at the end of the fifth year. The loan was repaid in October 2009. The special purpose entity is consolidated in the accompanying financial statements.

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

The secured loan – fixed rate represents a credit card secured loan in TL, with a five-year maturity, issued on March 31, 2006. Interest is paid quarterly and is set at 11.94%.

On April 24, 2008, a subordinated loan agreement amounting to USD 650 million was signed with National Bank of Greece S.A., the majority shareholder of the Bank and the first tranche of the loan amounting USD 200 million was withdrawn on April 29, 2008. The remaining USD 450 million represented two tranches of USD 250 million and USD 200 million, respectively, and was withdrawn on October 30, 2008. The maturity date of each tranche is 10 years subsequent to the date of withdrawal whereas at the end of the fifth year of every single tranche there is an option of prepayment. The applicable interest is fixed as 6 months' LIBOR plus 2.70% for the first tranche. Interest on the second and third tranches is 6 months' LIBOR plus the Turkish 5 years sovereign average CDS per annum, whereby the Turkish 5 years sovereign average CDS per annum is capped at a maximum of 3.70%. Interest is paid semi-annually on both tranches and the principal is due on the maturity dates. On July 19, 2010 Finansbank repaid part of this subordinated loan, amounting to USD 325 million.

On October 8, 2009, Finansbank obtained a subordinated loan from the National Bank of Greece S.A. of USD 200 million. The loan bears until (and including) the optional prepayment date interest at Libor plus 3.20% per annum and thereafter, interest at Libor plus 3.70% per annum. The loan matures on October 7, 2019, with an optional repayment date on October 7, 2014.

On December 30, 2009, a subordinated loan agreement amounting to USD 125 million was signed with National Bank of Greece S.A. The maturity date of each tranche is 10 years subsequent to the date of withdrawal whereas at the end of the fifth year of every single tranche there is an option of prepayment. The loan bears until (and including) the optional prepayment date interest at Libor plus 3.20% per annum and thereafter interest at Libor plus 3.70% per annum. Interest is paid semi-annually on both tranches and the principal is due on the maturity dates.

On December 2, 2010, Finansbank signed a dual tranche term loan facility amounting to USD 333 million and EUR 352 million with a 1-year maturity. Interest paid is quarterly and set at LIBOR plus 0.70%.

Other funds mainly include bilateral borrowings of Finansbank amounting to EUR 240.6 million, USD 980.0 million and TL 70.9 million, borrowings of Finans Leasing amounting to EUR 395.8 million, USD 191.9 million and borrowings of Finans Factoring amounting to EUR 15.1 million, USD 24.6 million.

38 Insurance related reserves and liabilities

	December 31, 2010	December 31, 2009	December 31, 2008
Mathematical reserves	42,308	28,130	24,658
Outstanding claims reserves	4,878	3,179	1,173
Unearned premium reserves	32	10	12
Liabilities arising from reinsurance operations	-	1,296	321
Amounts payable to brokers, agents and sales partners	-	-	1,879
Other life insurance reserves	1,391	665	-
Total insurance related reserves and liabilities	**48,609**	**33,280**	**28,043**

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

39 Other liabilities

	December 31, 2010	December 31, 2009	December 31, 2008
Payables for credit card settlements	612,552	371,587	238,293
Clearance checks	107,964	86,907	87,988
Checks payable	124,594	91,066	87,556
Creditors and suppliers	135,300	103,412	90,219
Other provisions	118,673	143,478	128,868
Credit cards payable	117,705	75,845	46,743
Taxes payable - other than income taxes	64,046	56,158	75,660
Payroll related accruals	56,101	52,908	33,030
Accrued expenses and deferred income	31,743	17,082	8,619
Collaterals received	18,284	18,891	19,462
Legal fees payable	11,129	4,567	2,839
Blocked accounts	9,171	11,691	21,074
Dividends payable to shareholders	-	22,910	-
Other	93,077	68,062	63,884
Total other liabilities	**1,500,339**	**1,124,564**	**904,235**

The movement of other provisions is summarized as follows:

2010	Provision for credit card bonus payments	Provision for guarantees	Other	Total
Balance at January 1	**11,805**	**83,995**	**47,678**	**143,478**
Charge for the year	27,559	24,235	-	51,794
Utilized	(24,216)	(19,626)	(32,757)	(76,599)
Balance at December 31	**15,148**	**88,604**	**14,921**	**118,673**

2009	Provision for credit card bonus payments	Provision for guarantees	Other	Total
Balance at January 1	**15,388**	**53,467**	**60,013**	**128,868**
Charge for the year	14,836	39,569	148	54,553
Utilized	(18,419)	(9,041)	(12,483)	(39,943)
Balance at December 31	**11,805**	**83,995**	**47,678**	**143,478**

2008	Provision for credit card bonus payments	Provision for guarantees	Other	Total
Balance at January 1	**27,241**	**35,160**	**44,443**	**106,844**
Charge for the year	18,923	33,449	49,778	102,150
Utilized	(30,776)	(15,142)	(34,208)	(80,126)
Balance at December 31	**15,388**	**53,467**	**60,013**	**128,868**

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

40 Contingent liabilities and commitments

a. Pending tax inspections

The tax authorities have not yet audited all subsidiaries for certain financial years and accordingly their tax obligations for those years may not be considered final. Additional taxes and penalties may be imposed as a result of such tax audits; although the amount cannot be determined at present, it is not expected to have a material effect on the Group's net assets.

b. Credit commitments

In the normal course of business, the Group enters into various contractual commitments on behalf of its customers and is a party to financial instruments with off-balance sheet risk ("non-cash loans") to meet the financing needs of its customers. These contractual commitments consist of commitments to extend credit, commercial letters of credit and standby letters of credit and guarantees. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of the conditions established in the contract. Commercial letters of credit ensure payment by a bank to a third party for a customer's foreign or domestic trade transactions, generally to finance a commercial contract for the shipment of goods. Standby letters of credit and financial guarantees are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. All of these arrangements are related to the normal lending activities of the Group. The Group's exposure to credit loss in the events of non-performance by the other party to the financial instrument for commitments to extend credit and commercial and standby letters of credit is represented by the contractual notional amount of those instruments.

The Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

	December 31, 2010	**December 31, 2009**	**December 31, 2008**
Letters of guarantee	4,554,985	3,945,226	4,038,169
Acceptance credits	721,538	664,139	1,026,512
Letters of credit	722,850	539,923	346,071
Other guarantees	36,309	68,653	64,801
Total non-cash loans	**6,035,682**	**5,217,941**	**5,475,553**
Other commitments	2,616,912	2,530,358	1,519,115
Credit card limits	11,731,035	7,764,698	5,781,982
Total commitments	**20,383,629**	**15,512,997**	**12,776,650**

c. Assets pledged as collaterals

	December 31, 2010	**December 31, 2009**	**December 31, 2008**
Reserve deposits with T.R. Central Bank	1,683,739	1,283,279	1,133,135
Securities given as collateral	340,616	273,797	37,291
Blocked placements at foreign banks	49,600	49,296	83,784
Securities pledged for borrowings	-	7,339	126,551
Total	**2,073,955**	**1,613,711**	**1,380,761**

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

d. Operating lease commitments

	December 31, 2010	December 31, 2009	December 31, 2008
No later than 1 year	75,416	63,139	62,719
Later than 1 year and no later than 5 years	235,467	203,326	206,830
Later than 5 years	98,171	69,680	97,959
Total operating lease commitments	**409,054**	**336,145**	**367,508**

41 Share capital issued

Share capital	Number of shares	Amount TL
January 1, 2008	**14,000,000,000**	**1,400,000**
Increase of share capital	1,000,000,000	100,000
December 31, 2008	**15,000,000,000**	**1,500,000**
Increase of share capital	750,000,000	75,000
December 31, 2009	**15,750,000,000**	**1,575,000**
Increase of share capital	6,300,000,000	630,000
December 31, 2010	**22,050,000,000**	**2,205,000**

The Bank's share capital is composed of 22,050,000,000 ordinary shares and 100 founder shares. Founder shares have no voting rights but are entitled to receive 10% of statutory profit based on statutory financial statement as dividend after allocation of tax, legal reserve and first dividend (5% of nominal share capital) to shareholders.

At the meeting held on June 14, 2010, the Board of Directors decided to increase the paid in capital of the Bank from TL 1,575,000 to TL 1,653,750 within the registered capital ceiling. The increase was made through capitalization of extraordinary reserves in the amount of TL 78,750.

At the meeting held on August 2, 2010, the Board of Directors decided to increase the paid in capital of the Bank from TL 1,653,750 to TL 2,205,000 within the registered capital ceiling. TL 4,107 of the total increase of TL 551,250 was provided from extraordinary general reserves in the form of bonus shares and the remaining amount of TL 547,143 was increased by rights issue and collected in cash.

Based on the Board of Directors' decision dated December 15, 2010, it was decided to increase the paid-in capital from TL 2,205,000 up to TL 2,460,000 by up to TL 255,000 in cash within the registered capital ceiling of TL 6,000,000. As of the reporting date, paid-in capital increase process has not been completed.

42 Reserves and retained earnings

	December 31, 2010	December 31, 2009	December 31, 2008
Legal reserves	206,865	170,731	146,544
Other reserves and retained earnings	3,439,464	2,660,823	1,973,708
Total	**3,646,329**	**2,831,554**	**2,120,252**

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

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profit at the rate of 5%, until the total reserve reaches a maximum of 20% of the Bank's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

43 Dividends

The dividends declared by the Group, on its shares with respect to the profits for the prior periods indicated; are as follows:

	2009	2008	2007
Dividends in the form of bonus shares	78,750	75,000	70,000
Cash dividends to founder shares	-	26,952	43,494

Each of the foregoing amounts was distributed in the subsequent periods.

44 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of the following balances;

	December 31, 2010	December 31, 2009	December 31, 2008
Cash and balances with T.R. Central Bank	2,392,970	1,784,535	1,580,648
FVTPL with original maturities of less than three months	83	825	90
Due from banks with original maturities of less than three months	1,015,632	1,417,828	725,231
Total cash and cash equivalents	**3,408,685**	**3,203,188**	**2,305,969**

45 Related - party balances and transactions

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at December 31, 2010, 2009 and 2008 are presented below. Transactions were entered into with related parties during the course of business at market rates.

a. Balances and transactions with members of the Board of Directors and the key management of the Group

The Group entered into banking transactions with members of the Board of Directors and key management of the Bank and other Group companies, as well as with the close members of family and entities controlled or jointly controlled by those persons, in the normal course of business. The list of the members of the Board of Directors of the Bank is shown under Note 1 General Information.

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

	December 31, 2010	December 31, 2009	December 31, 2008
Assets			
Loans and advances to customers	-	4	5
Liabilities			
Customer deposits	4,975	10,604	21,175

	12 month period ended December 31,		
	2010	2009	2008
Income Statement			
Interest income	-	2	3
Fee and commission income	1	3	1
Interest expense	333	1,319	898

Compensation of the members of the Board of Directors and the key management of the Group

The members of Board of Directors and management received remuneration and benefits totaling approximately TL 25,234 as of December 31, 2010, (December 31, 2009 – TL 23,626, December 31, 2008 – TL 26,370) comprising mainly of salaries and other short-term benefits.

b. Balances and transactions with shareholders

	December 31, 2010	December 31, 2009	December 31, 2008
Assets			
Due from banks	556	104	-
Derivative financial assets(*)	3,141	7,919	-
Liabilities			
Due to other banks	1,832	1,116,700	529,063
Derivative financial liabilities(*)	7,722	-	4,966
Funds borrowed- Subordinated loans(**)	1,010,295	1,473,261	993,482
Funds borrowed-Other(**)	1,134,114	953,918	691,721

	12 month period ended December 31,		
	2010	2009	2008
Income Statement			
Interest income	29	103	147
Fee and commission income	93	79	-
Interest expense	76,951	68,527	51,646
Fee and commission expense	200	634	-
Net trading income and results from investment securities	(4,521)	11,278	-

(*) The amounts refer to fair values of the derivative transactions presented at the consolidated statement of financial position as of the balance sheet date.
(**) Please refer to Note 37.

The Group has not pledged any guarantees for the above transactions.

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

c. Other related party (other companies of NBG Group) balances and transactions

Transactions between the other related parties are as follows:

	December 31, 2010	December 31, 2009	December 31, 2008
Assets			
Due from banks	45,776	53,124	1,194,554
Loans and advances to customers	29,061	31,550	13,586
Derivative financial assets (*)	10,915	26,235	16,341
Liabilities			
Due to other banks	98,264	4,489	-
Customer deposits	799	41,362	81,694
Funds borrowed	8,013	10,769	-
Letters of guarantees	-	22,740	36,347
Derivative financial liabilities (*)	5,486	3,808	9,692

	12 month period ended December 31,		
	2010	2009	2008
Income Statement			
Interest income	13,492	29,420	2,814
Fee and commission income	2,556	860	-
Interest expense	3,499	5,127	49,948
Net trading income and results from investment securities	5,550	22,427	6,648

(*) The amounts refer to fair values of the derivative transactions presented at the consolidated statement of financial position as of the balance sheet date.

d. Balances and transactions with subsidiaries

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank have been eliminated on consolidation and are not disclosed in this note.

46 Group consolidated companies

		% Participation		
Name	**Place of Incorporation**	**December 31, 2010**	**December 31, 2009**	**December 31, 2008**
Finans Emeklilik ve Hayat A.Ş. (Finans Pension Fund)	Turkey	99.99%	99.99%	99.99%
Finans Faktoring Hizmetleri A.Ş. (Finans Factoring)	Turkey	99.99%	99.99%	-
Finans Tüketici Finansmanı A.Ş. (Finans Consumer Finance)	Turkey	99.99%	99.99%	99.99%
Finans Yatırım Menkul Degerler A.Ş. (Finans Invest)	Turkey	100.00%	100.00%	100.00%
Finans Portfoy Yonetimi A.Ş. (Finans Portfolio Asset Management)	Turkey	100.00%	100.00%	100.00%
Finans Yatirim Ortakligi A.Ş. (Finans Investment Trust)	Turkey	70.28%	81.00%	82.13%
Finans Finansal Kiralama A.Ş. (Finans Leasing)	Turkey	64.32%	59.24%	59.24%
Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş. (IBTech)	Turkey	99.91%	99.91%	99.91%
Bosphorus Financial Services	Cayman Islands	100%	100%	100%
Istanbul Bond Company	Luxembourg	100%	100%	100%
Finansbank Malta Limited (*)	Malta	-	-	100%
Finans Malta Holdings Limited (*)	Malta	-	-	100%

(*) In 2008, the Bank included Finans Malta Holdings Ltd. of which the Bank owned 100% of the shares and its subsidiary Finansbank Malta Limited in consolidation; from the year 2009 on, due to the disposal of these subsidiaries to NBG International Holdings B.V on February 23, 2009 the Bank excluded these subsidiaries from consolidation.

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

47 Reclassifications

Certain amounts in prior years have been reclassified to conform to the current presentation, as follows:

- Credit cards cash withdrawal fees that were previously reported under fee and commission income amounting to TL 51,907 and TL 40,607 have been reclassified to interest income in 2009 and 2008, respectively.
- Legal expenses relating to loan collection activities that were previously reported under general and administrative expenses amounting to TL 18,249 and TL 9,529 have been reclassified to impairment losses on loans and advances, finance lease receivables and factoring receivables in 2009 and 2008, respectively.
- Banking and insurance transactions tax ("BITT") on sales of securities that was previously reported under general and administrative expenses amounting to TL 12,798 and TL 6,962 has been reclassified to net trading income in 2009 and 2008, respectively.

	12 month period ended December 31, 2009		
Income statement	**As Restated**	**As previously reported**	**Reclassified**
Interest income	4,158,275	4,106,368	51,907
Net interest income	**2,014,196**	**1,962,289**	**51,907**
Fee and commission income	531,072	582,979	(51,907)
Net fee and commission income	**495,717**	**547,624**	**(51,907)**
Net trading income and results from investment securities	95,780	108,578	(12,798)
Total operating income	**2,660,606**	**2,673,404**	**(12,798)**
General and administrative expenses	(515,602)	(546,649)	31,047
Impairment losses on loans and advances, finance lease receivables and factoring receivables	(492,205)	(473,956)	(18,249)
Profit before tax from continuing operations	**939,986**	**939,986**	**-**

	12 month period ended December 31, 2009		
Cash flows from operating activities	**As Restated**	**As previously reported**	**Reclassified**
Interest received	4,325,853	4,273,946	51,907
Fee and commission received	531,196	583,103	(51,907)
Trading gain	(72,038)	(59,240)	(12,798)
Cash paid for other operating activities	(491,590)	(504,388)	12,798
Cash flows from operating activities before changes in operating assets and liabilities	**1,268,345**	**1,268,345**	-

	12 month period ended December 31, 2008		
Income statement	**As Restated**	**As previously reported**	**Reclassified**
Interest income	4,028,022	3,987,415	40,607
Net interest income	**1,402,374**	**1,361,767**	**40,607**
Fee and commission income	558,734	599,341	(40,607)
Net fee and commission income	**529,087**	**569,694**	**(40,607)**
Net trading income and results from investment securities	323,285	330,247	(6,962)
Total operating income	**2,298,952**	**2,305,914**	**(6,962)**
General and administrative expenses	(495,934)	(512,425)	16,491
Impairment losses on loans and advances, finance lease receivables and factoring receivables	(208,212)	(198,683)	(9,529)
Profit before tax from continuing operations	**946,892**	**946,892**	**-**

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

	12 month period ended December 31, 2008		
Cash flows from operating activities	**As Restated**	**As previously reported**	**Reclassified**
Interest received	4,117,052	4,076,445	40,607
Fee and commission received	561,382	601,989	(40,607)
Trading gain	113,352	120,314	(6,962)
Cash paid for other operating activities	(387,000)	(393,962)	6,962
Cash flows from operating activities before changes in operating assets and liabilities	**811,477**	**811,477**	-

48 Subsequent events

On January 20, 2011, Finansbank obtained the required permissions from legal authorities regarding the issuing of bank bonds with maturity of up to 1 year in the domestic market valued up to TL 1,000,000.

On January 24, 2011, "The Announcement About The Change in The Announcement About Required Reserve Ratios" was published in Official Gazette numbered 27825 (Repeated) 2011/2. The required reserve ratios of TL liabilities changed to vary from 5% to 12% depending on maturities of liabilities. In foreign currency liabilities the required reserve ratio of 11% has not been changed.

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