

**TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.**

**FINANCIAL STATEMENTS**

**AT 31 DECEMBER 2011**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Türkiye İhracat Kredi Bankası A.Ş.

1. We have audited the accompanying financial statements of Türkiye İhracat Kredi Bankası A.Ş. ("the Bank") which comprise the balance sheet as of 31 December 2011 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the financial statements*

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

### *Auditor's responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye İhracat Kredi Bankası A.Ş. as of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
a member of  
PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be "Haluk Yalçın", written in a cursive style.

Haluk Yalçın, SMMM

Istanbul, 30 March 2012

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## FINANCIAL STATEMENTS AT 31 DECEMBER 2011

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# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## BALANCE SHEET AT 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	2011	2010
<b>ASSETS</b>			
Cash and due from banks	5	667,369	886,771
Trading securities	6	342,935	308,488
Derivative financial instruments	7	15,895	1,885
Loans and advances to customers	8	7,997,214	4,106,275
Investment securities			
- Available-for-sale	9	11,295	15,202
- Held-to-maturity	9	511,436	891,703
Property and equipment	10	9,693	8,104
Intangible assets	11	569	390
Other assets	12	26,738	10,748
<b>Total assets</b>		<b>9,583,144</b>	<b>6,229,566</b>
<b>LIABILITIES</b>			
Funds borrowed	13	4,669,760	1,798,712
Debt securities in issue	13	960,419	-
Interbank money market deposits	13	157,988	-
Other liabilities	15	112,040	764,692
Derivative financial instruments	7	23,317	25,164
Retirement benefit obligations	16	11,560	10,856
<b>Total liabilities</b>		<b>5,935,084</b>	<b>2,599,424</b>
<b>EQUITY</b>			
- Share capital	17	2,000,000	2,000,000
- Adjustment to share capital	17	812,518	812,518
Total paid in share capital		2,812,518	2,812,518
Other reserves		3,630	8,582
Retained earnings	18	831,912	809,042
<b>Total equity</b>		<b>3,648,060</b>	<b>3,630,142</b>
<b>Total liabilities and equity</b>		<b>9,583,144</b>	<b>6,229,566</b>

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The financial statements as at and for the year ended 31 December 2011 have been approved for issue by the Board of Directors on 30 March 2012 and signed on behalf of the Bank by Necati Yeniaras, the Assistant General Manager of Coordination and; by Muhittin Akbaş, the Head of Accounting and Reporting of the Bank.

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

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	1 January - 31 December 2011	1 January - 31 December 2010
Interest income	19	313,359	315,753
Interest expense	19	(48,869)	(27,045)
<b>Net interest income</b>		<b>264,490</b>	<b>288,708</b>
Fee and commission income		5,866	804
Fee and commission expense		(6,081)	(9,940)
<b>Net fee and commission expense</b>		<b>(215)</b>	<b>(9,136)</b>
Impairment charges on loans	8	(18,413)	(19,389)
Foreign exchange gains, net		162,498	23,875
Losses on financial instruments classified as held for trading, net		(124,230)	(4,883)
Other operating income	20	53,403	42,466
<b>Operating profit before operating expenses</b>		<b>337,533</b>	<b>321,641</b>
Operating expenses	21	(107,255)	(65,171)
<b>Net profit for the year</b>		<b>230,278</b>	<b>256,470</b>

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

**TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS  
ENDED 31 DECEMBER**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	1 January - 31 December 2011	1 January - 31 December 2010
<b>Net profit for the year</b>	<b>230,278</b>	<b>256,470</b>
<b>Other comprehensive income</b>		
Change in fair value of available-for-sale financial assets	(4,907)	1,458
Amortisation of the fair value gains of held to maturity investments previously classified as available-for-sale financial assets	(45)	(101)
<b>Total comprehensive income for the year</b>	<b>225,326</b>	<b>257,827</b>

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

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	2011	2010
<b>Cash flows from operating activities:</b>			
Net profit for the year		230,278	256,470
<b>Adjustments for:</b>			
Depreciation and amortisation	21	1,027	676
Provision for loan losses	8	18,413	22,172
Provision for employment termination benefits	16	704	(893)
Provision for unused vacation	15	1,968	840
Remeasurement of derivative financial instruments at fair value		(15,857)	34,539
Interest income, net		(264,490)	(288,708)
Other non-cash items		(10,938)	9,921
<b>Operating profit before changes in operating assets and liabilities</b>		<b>(38,895)</b>	<b>35,017</b>
Net increase/(decrease) in due from banks		26,300	(16,000)
Net increase in loans and advances to customers		(3,893,100)	(252,636)
Net increase in trading securities		(34,447)	(141,991)
Net (increase)/decrease in other assets		(15,990)	4,130
Net decrease in other liabilities		(656,439)	(4,731)
Interest expense paid		(45,890)	(34,889)
Interest income received		294,420	309,864
<b>Net cash used in operating activities</b>		<b>(4,364,041)</b>	<b>(101,236)</b>
<b>Cash flows from/(used in) investing activities:</b>			
Purchases of property and equipment, net	10,11	(2,795)	(73)
Purchases of available-for-sale financial assets		(2,716)	-
Purchases of investment securities	9	(242,578)	(1,115,881)
Redemption of investment securities	9	639,199	537,579
<b>Net cash from/(used in) investing activities</b>		<b>391,110</b>	<b>(578,375)</b>
<b>Cash flows from/(used in) financing activities:</b>			
Proceeds from borrowings		7,870,402	2,491,973
Repayment of borrowings		(4,999,354)	(2,711,472)
Proceeds from interbank money market deposit		157,988	-
Proceeds from issuance of debt securities		960,419	-
Dividends paid		(207,408)	(284,888)
<b>Net cash from/(used in) financing activities</b>		<b>3,782,047</b>	<b>(504,387)</b>
<b>Effects of exchange-rate changes on cash and cash equivalents</b>		<b>(2,674)</b>	<b>(4,676)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(193,558)</b>	<b>(1,188,674)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>860,471</b>	<b>2,049,145</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b>666,913</b>	<b>860,471</b>

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



**TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Share Capital			Other reserves	Retained earnings	Total equity
	Share capital	Adjustment to share capital	Total paid-in capital			
<b>Balance at 1 January 2010</b>	<b>2,000,000</b>	<b>812,518</b>	<b>2,812,518</b>	<b>7,225</b>	<b>837,460</b>	<b>3,657,203</b>
Dividends paid	-	-	-	-	(284,888)	(284,888)
Other comprehensive income for the year	-	-	-	1,357	-	1,357
Profit for the year	-	-	-	-	256,470	256,470
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,357</b>	<b>256,470</b>	<b>257,827</b>
<b>Balance at 31 December 2010</b>	<b>2,000,000</b>	<b>812,518</b>	<b>2,812,518</b>	<b>8,582</b>	<b>809,042</b>	<b>3,630,142</b>
<b>Balance at 1 January 2011</b>	<b>2,000,000</b>	<b>812,518</b>	<b>2,812,518</b>	<b>8,582</b>	<b>809,042</b>	<b>3,630,142</b>
Dividends paid	-	-	-	-	(207,408)	(207,408)
Other comprehensive income for the year	-	-	-	(4,952)	-	(4,952)
Profit for the year	-	-	-	-	230,278	230,278
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,952)</b>	<b>230,278</b>	<b>225,326</b>
<b>Balance at 31 December 2011</b>	<b>2,000,000</b>	<b>812,518</b>	<b>2,812,518</b>	<b>3,630</b>	<b>831,912</b>	<b>3,648,060</b>

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

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 1 - GENERAL INFORMATION

Türkiye İhracat Kredi Bankası A.Ş. ("the Bank" or "Eximbank") was established as Turkey's "Official Export Credit Agency" on 25 March 1987 (transformed from "State Investment Bank") as a development and investment bank and accordingly, the Bank does not accept deposits. The Bank's head office is located at Mıdafa Caddesi, 20 Bakanlıklar, Ankara/Turkey. As of 31 December 2011, the Bank has 2 branches in Istanbul and Izmir and 6 liaison offices in Bursa, Adana, Trabzon, Denizli, Kayseri and Gaziantep. As of 31 December 2011, the Bank employed 397 people (2010: 360 people).

The Bank has been mandated to support foreign trade through diversification of the exported goods and services, by increasing the share of exporters and entrepreneurs in international trade, and to create new markets for the exported commodities, to provide exporters and overseas contractors with support to increase their competitiveness and to ensure a lower risk environment in international markets.

As a means of aiding export development services, the Bank provides loan, guarantee and insurance services in order to financially support export and foreign currency earning services. While performing the above mentioned operations, the Bank provides short, medium or long term, domestic and foreign currency lending funded by borrowings from domestic and foreign money and capital markets and from its own sources.

On the other hand, the Bank also performs fund management (treasury) operations related to its core banking operations. These operations are domestic and foreign currency capital market operations, domestic and foreign currency money market operations, foreign currency market operations, derivative transactions, all of which are approved by the Board of Directors.

The losses due to the political risks arising on loan, guarantee and insurance operations of the Bank, are transferred to the Undersecretariat of Treasury ("Turkish Treasury") according to article 4/c of Act number 3332 that was appended by Act number 3659 and according to Act regarding the Public Financing and Debt Management, number 4749, dated 28 March 2002.

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies are consistently applied to all periods presented unless otherwise stated.

#### (a) Basis of presentation of financial statements

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Standards Interpretation Committee ("IFRSIC").

The Bank maintains its books of accounts and prepares its statutory financial statements in Turkish Lira in accordance with the Banking Law and in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.2663 dated 1 November 2006, which refers to Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") issued by the Turkish Accounting Standards Board ("TASB") and additional explanations and notes related to them and the accounting principles promulgated by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish Commercial Code and Tax Regulations. These financial statements are based on the historical cost convention and adjusted as necessary in order to comply with IFRS issued by the IASB.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### *Standards, amendments and interpretations effective on or after 1 January 2011*

*The following amendments to published standards and interpretations to existing standards, effective on or after 1 January 2011, are relevant to the Bank's operations.*

IAS 24 (revised), "Related party disclosures", is effective for annual periods beginning on or after 1 January 2011. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. Earlier adoption is permitted either for the entire standard or for the reduced disclosures for government-related entities. The Bank chose not to apply the exemption from disclosing individually immaterial related party transactions with government related entities in IAS 24 (revised).

*Standards, amendments and interpretations effective on or after 1 January 2011 and not relevant to financial statements of the Bank;*

IAS 32 (amendment), "Financial instruments: Presentation", is effective for annual periods beginning on or after 1 February 2010. The amendment recognizes that the previous requirement to classify foreign-currency-denominated rights issued to all existing shareholders on a pro rata basis as derivative liabilities is not consistent with the substance of the transaction, which represents a transaction with owners acting in their capacity as such. The amendment therefore creates an exception to the 'fixed for fixed' rule in IAS 32 and requires rights issues within the scope of the amendment to be classified as equity. The amendment is applied retrospectively.

IFRIC 19, "Extinguishing financial liabilities with equity instruments", is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a 'debt for equity swap'). The interpretation is applied retrospectively from the beginning of the earliest comparative period presented, as adoption in earlier periods would result only in a reclassification of amounts within equity.

IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2010. The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. Also clarifies the transition provisions of the amendments to IFRS 7. Early adoption is required for a first-time adopter that has a first reporting period that begins earlier than 1 July 2010 in order to benefit from the disclosure relief.

IFRIC 14 (amendment), "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction", is effective for annual periods beginning on or after 1 January 2011. The amendment removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. The amendment also results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense. It was applied from the beginning of the earliest comparative period presented.

Annual Improvements to IFRSs 2010. Amendments effect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 27, IAS 34 and IFRIC 13.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Standards, amendments and interpretations to existing standards issued but not yet effective for the financial year beginning 1 January 2011 and have not been early adopted*

IFRS 7 (amendment), "Financial instruments: Disclosures", is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Comparative information is not needed in the first year of adoption. Earlier adoption is permitted. The amendment is not relevant to the operations of the Bank.

IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. Earlier adoption is permitted. The amendment is not relevant to the operations of the Bank.

IAS 12 (amendment), "Income taxes", is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes - recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Early adoption is permitted. The amendment is not relevant to the operations of the Bank.

IAS 1 (amendment), "Presentation of financial statements", is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Early adoption is permitted. The amendment does not have a material impact on the financial statements of the Bank.

IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Early adoption is permitted. The amendment is not relevant to the operations of the Bank.

IFRS 9, "Financial instruments", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Bank is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 at the accounting period beginning on or after 1 January 2015.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not relevant to the operations of the Bank.

IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The new standard is not relevant to the operations of the Bank.

IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The IFRS 12 does not have a material impact on the financial statements of the Bank.

IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The IFRS 13 does not have a material impact on the financial statements of the Bank.

IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The amendment is not relevant to the operations of the Bank.

IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The amendment is not relevant to the operations of the Bank.

IFRIC 20, Stripping costs in the production phase of a surface mine. The interpretation is not relevant to the operations of the Bank.

#### (b) Accounting for the effect of hyperinflation

Prior to 1 January 2006, the adjustments and reclassifications made to the statutory records for the purpose of fair presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of the Turkish Lira in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of Turkey indicate that hyperinflation has ceased, effective from 1 January 2006, the Bank no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2005 are treated as the basis for the carrying amounts in these financial statements.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Derivative financial instruments

Derivative financial instruments, including currency and interest rate swap instruments, are initially recognised in the balance sheet at their fair value evidenced by their cost and are subsequently remeasured at their fair value. All derivative financial instruments are classified as held for trading. Cross currency swap transactions, while providing effective economic hedges under the Bank's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading with fair value gains and losses reported in income. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Fair value of over-the-counter ("OTC") forward or swap foreign exchange contracts is determined based on the comparison of the original forward rate with the market interest rates. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

#### (d) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the investment securities.

Available-for-sale investment debt and equity securities are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from discounted cash flow models. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income, unless there is objective evidence that the asset is impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are transferred from other comprehensive income to the income statement.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method, less any provision for impairment. Interest earned whilst holding investment securities is reported as interest income. Dividends receivable is included separately in dividend income when a dividend is declared and inflow of economic benefit is probable.

All purchases and sales of investment securities that require delivery with the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the settlement date, which is the date that the asset is delivered to/from the Bank.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

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### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit making exists. These are initially recognised at fair value; transaction costs are taken directly to the income statement and subsequently they are re-measured at fair value based on quoted bid prices or amounts derived from discounted cash flow models. All related realized and unrealized gains and losses are included in net trading income. Dividends received are included in dividend income.

All regular way purchases and sales of trading financial assets are recognised at the settlement date.

#### (f) Income and expense recognition

Income and expenses are recognised on an accrual basis.

##### *Fee and commission income*

Commission income and fees for certain banking services such as import and export related services and issuance of letters of guarantee are recorded as income overtime as the service is provided. Fees received for guarantees are recognized over the guaranteed period.

##### *Dividend income*

Dividends are recognized in the income statement in "Dividend income" when the entity's right to receive payment is established.

##### *Interest income and expense*

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price until, in management's judgment, collection becomes doubtful. Interest income includes coupons earned on fixed income securities and accrued discount on treasury bills.

##### *Premium income and expense*

Insurance programs of the Bank are composed of two schemes: short-term export credit insurance and medium- and long-term export credit insurance. Premium income of the Bank under these two schemes represents premiums on policies written during the year, net of cancellations.

In addition, since commencement of the insurance facility, the Bank has sought to reinsure the major portion (currently 70%) of its underwritten short-term commercial risks on the basis of a quota-share treaty concluded with a group of domestic and overseas reinsurance companies. Accordingly, expenses include the premiums paid to reinsurance companies.

Premium income and expense representing reinsurer's share of the premium are recognized in the financial statements on accrual basis over the period of related policy.

##### *Reinsurance commissions*

Reinsurance commission income received in relation to ceded premiums is recognized on an accrual basis.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Loans and advances to customers, provision for loan impairment and cash guarantees

Loans originated by the Bank by providing money directly to the borrower or to a sub-participation agent are categorized as loans originated by the Bank and are carried at amortized cost, net of any provision for impairment losses. All originated loans are recognised when cash is advanced to borrowers. Cash guarantees received for loans and advances given are recorded under "other liabilities" upon receipt and repaid back to the borrower on the maturity date when the Bank collects all amounts due.

A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the original effective interest rate. The level of the provision is also based on applicable banking regulations. An additional provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such.

The provision made during the year is charged against the income for the year. Loans that can not be recovered are written off against the allowance for impairment losses. Such loans are written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for impairment losses for the year (Note 8).

#### (h) Financial liabilities

Financial liabilities, including funds borrowed from banks, debt securities in issue and interbank money market deposits received are recognized initially at fair value net of transaction costs that are directly attributable to the issue of the financial liability. Subsequently, financial liabilities are stated at amortised cost and any difference between the amount at initial recognition and the redemption value is recognised in the income statement over the period of the financial liability using the effective yield method.

#### (i) Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### (j) Property and equipment

All property and equipment are carried at historical cost less accumulated depreciation. For purchases before 31 December 2005, they are restated to the equivalent purchasing power at 31 December 2005. Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	50 years
Equipment and vehicles	4 - 16 years



# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recognized in income.

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

#### (k) Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives (not exceeding a period of five years). These assets are accounted for as intangible assets in these financial statements.

#### (l) Taxation on income

According to Act number 3332 and article 4/b of Act number 3659, dated 25 March 1987 and 26 September 1990, respectively, the Bank is exempt from Corporate Tax. Due to the 3<sup>rd</sup> Article of Act number 3659, the above mentioned exemption became valid from 1 January 1988. Accordingly, deferred tax is not calculated and reflected to these financial statements.

#### (m) Employee benefits

##### (i) Provision for employment termination benefits

Provision for employment termination benefits ("ETB") is recognized in these financial statements as they are earned using the Projected Unit Credit Method. The total provision represents the present value of the estimated total reserve for the future probable obligation of the Bank arising from the retirement of the employees, calculated in accordance with the Turkish Labor Law (Note 16). Actuarial gains and losses are recognized immediately in the statement of income.

##### (ii) Bonus plans

The Bank recognizes a liability and an expense for employee bonuses based on a formula that takes into consideration the performance of the employees. The Bank recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### (n) Provisions

Provisions are recognized when the Bank 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.

# **TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.**

## **NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Bank, in relation to its insurance business, accounts for outstanding claim provision for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims in addition to provisions calculated by taking into account the historical loss experience on insurance contracts. At each reporting period liability adequacy tests are also performed to ensure the adequacy of the contract liabilities.

#### **(o) Offsetting**

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

#### **(p) Other credit related commitments**

In the normal course of business, the Bank enters into other credit related commitments including loan commitments and guarantees. These are reported as off-balance sheet items at their notional amounts and are assessed using the same criteria as loans and advances; specific provisions are therefore established for other credit related commitments when losses are considered probable and recorded as other liabilities (Note 22).

#### **(q) Reporting of cash flows**

For the purposes of cash flow statement, cash and cash equivalents include cash, due from banks, trading securities and investment securities with original maturity periods of less than three months (Note 5).

#### **(r) Related parties**

For the purpose of these financial statements the shareholders of the Bank together with state-controlled entities in Turkey and the Bank's key management personnel are considered and referred to as related parties (Note 23).

#### **(s) Comparatives**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **NOTE 3 - FINANCIAL RISK MANAGEMENT**

#### **(a) Strategy in using financial instruments**

As of 31 December 2011, the loan portfolio of the Bank constitutes 83% (2010: 66%) of total assets. In short, medium and long term lending (except for fund sourced and country loans), the Bank is taking the risk of the Turkish banking system, however medium-to-long term country loans are under the political risk guarantee of the Turkish Treasury.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The Board of Directors of the Bank sets risk limits and parameters for the transactions having significant implications for the operations of the Bank.

The objective of the Bank's asset and liability management and use of financial instruments is to limit the Bank's exposure to liquidity risk, interest rate risk and foreign exchange risk, while ensuring that the Bank has sufficient capital adequacy.

#### (b) Credit risk

According to article numbered 25 of the decree (regulating the "Articles of Association" of the Bank) of the Council of Ministers dated 17 June 1987; the scope of the annual operations of the Bank is determined by the Bank's Annual Program that is approved by Supreme Advisory and Credit Guidance Committee ("SCLGC"). SCLGC is chaired by the Prime Minister or State Minister appointed by the Prime Minister and includes executive managers. The Board of Directors of the Bank is authorized to allocate the risk limits of loan, guarantee and insurance premium to country, sector and commodity groups, within the principles set by the Annual Program.

In accordance with the collateralisation policy of the Bank, the Bank is taking the risks of short term loans to domestic banks. The cash and non-cash limits of domestic banks for short term and medium and long term credits are approved by the Board of Directors.

Board of Directors fulfilled authorisations for the determination of loan limits for a person or legal entity, limited with only the loans which were given with respect to specified guaranties, within the framework of the 5th item in the Regulation related with Loan Transactions.

The risk limits of the foreign country loans are determined by annual programs which are approved by SCLGC within the foreign economic policy.

Country loans are granted with the approval of the Board of Directors and the approval of the Minister and the Council of Ministers, according to article 10 of Act number 4749 dated 28 March 2002 related to the regulation of Public Finance and Debt Management.

The fundamental collateral of the foreign country loans are the government guarantee of the counter country and the guarantee of banks that the Bank accepts as accredited.

The limit of a country is restricted by both "maximum limit that can be undertaken" and "maximum amount that can be used annually".

Each year major portion of the commercial and politic risks emerged in Short Term Export Insurance Program is transferred to international reinsurance companies under renewed agreements.

According to the Article 4/C of Act number 3332 that was appended by Act number 3659 and Act regarding the regulation of Public Financing and Debt Management dated 28 March 2002, the losses incurred by the Bank in its credit, guarantee and insurance transactions as a result of political risks are covered by the Turkish Treasury.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The Bank reviews reports of OECD country risk groupings, reports of the members of the International Union of Credit and Investment Insurers, reports of independent credit rating institutions and the financial statements of the banks risks of which are undertaken during the assessment and review of the loans granted. In addition, country reports and short term country risk classifications prepared within the Bank are also utilized.

The risks and limits of companies and banks are followed by both loan and risk departments on a weekly and monthly basis.

In addition, all of the foreign exchange denominated operations and other derivative transactions of the Bank are carried out under the limits approved by the Board of Directors.

Business and geographic distribution of the loan risks runs parallel with the export composition of Turkey and this is followed up by the Bank regularly.

#### Impairment and provisioning policies

The Bank reviews its loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence comprises observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The Bank uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The classification of the loan portfolio of the Bank under the following categories is as follows:

	31 December 2011		31 December 2010	
	Corporate Loans	Personnel Loans	Corporate Loans	Personnel Loans
Neither past due nor impaired	8,040,658	2,406	3,511,096	2,591
Past due but not impaired	22,555	-	645,451	-
Individually impaired	114,853	-	120,776	-
	<b>8,178,066</b>	<b>2,406</b>	<b>4,277,323</b>	<b>2,591</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2011 and 2010, loans and advances that are past due but not impaired are as follows:

	31 December 2011	31 December 2010
Past due up to 30 days	279	4,479
Past due 30-60 days	724	8
Past due 60-90 days	-	27
Past due over one year	21,552	640,937
<b>Total loans and advances that are past due but not impaired</b>	<b>22,555</b>	<b>645,451</b>

In line with the mission of the Bank, the Bank grants loans only to corporate customers either directly or indirectly through banks and financial institutions and follows its credit portfolio under categories specified below:

	31 December 2011		31 December 2010	
	Corporate Loans	Personnel Loans	Corporate Loans	Personnel Loans
Standard loans and advances (*)	7,977,924	2,406	4,152,033	2,591
Loans and advances under close monitoring (**)	85,289	-	4,514	-
Impaired loans and advances	114,853	-	120,776	-
<b>Total loans and advances to customers</b>	<b>8,178,066</b>	<b>2,406</b>	<b>4,277,323</b>	<b>2,591</b>
Allowance for impairment losses	(183,258)	-	(173,639)	-
<b>Net loans and advances to customers</b>	<b>7,994,808</b>	<b>2,406</b>	<b>4,103,684</b>	<b>2,591</b>

(\*) Standard corporate loans and advances include loans amounting to TL21,552 thousand (2010: TL640,937 thousand) which are past due but not impaired as potential losses on those loans are transferred to Turkish Treasury (Notes 8 and 15).

(\*\*) As of 31 December 2011, loans and advances under close monitoring includes loans amounting to TL84,286 thousand that were not past due but had been extended to customers whose other loans are under close monitoring.

As of 31 December 2011 and 2010, the fair value of collaterals held for total loans and advances are as follows:

	31 December 2011		31 December 2010	
	Corporate Loans	Personnel Loans	Corporate Loans	Personnel Loans
Loans guaranteed by other banks	4,410,551	-	1,457,180	-
Loans guaranteed by Turkish Treasury	21,552	-	640,937	-
Loans guaranteed by a third party	-	2,406	-	2,591
<b>Total</b>	<b>4,432,103</b>	<b>2,406</b>	<b>2,098,117</b>	<b>2,591</b>
Unsecured exposures (*)	3,745,963	-	2,179,206	-
<b>Total loans and advances to customers</b>	<b>8,178,066</b>	<b>2,406</b>	<b>4,277,323</b>	<b>2,591</b>

(\*) Unsecured exposures represent loans and advances granted to domestic banks, foreign banks and other financial institutions and individually impaired loans.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2011, the Bank does not have repossessed collateral (2010: None).

#### Bank's credit rating system

##### *The risk assessment of banks and other financial institutions*

The Bank requests independent auditor's report in addition to financial statements and related notes and net foreign currency position from banks and other financial institutions on a quarterly basis.

Financial statement information derived from the independent audit or review reports of banks and other financial institutions is recorded into a database in a standard format and percentage changes and ratios related with the capital adequacy, asset quality, liquidity and profitability of the banks and other financial institutions are calculated. In addition, the standard ratios for capital adequacy, asset quality, liquidity and profitability ratios are redefined periodically considering the operations of the banking groups and acceptable intervals for standard ratios are defined.

In accordance with the standard ratios, the financial analysis groups are defined by assigning grades from 1 to 4 to banks and other financial institutions. Group with grade 1 consists of the lowest risk profile of banks and financial institutions and group with grade 4 consists of the highest risk profile of banks and financial institutions.

In accordance with the financial analysis group of the banks and other financial institutions, the final risk groups are determined by considering qualitative factors such as shareholding structure, group companies, credit ratings from international credit rating institutions, quality of management and also information obtained from media.

As of 31 December 2011, loans granted by the Bank to banks and other financial institutions amount to TL3,631,110 thousand (2010: TL2,058,430 thousand). As of 31 December 2011 and 2010, the concentration level of the loans and advances to banks and other financial institutions which are neither past due nor impaired in accordance with the defined financial analysis groups of the Bank are as follows:

		31 December 2011 Concentration level (%)	31 December 2010 Concentration level (%)
	Rating Class		
Low	1-2	54	22
Medium	3	24	33
High	4	22	45

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

#### *The risk assessment of the companies:*

In the risk evaluation of the companies, the Bank obtains financial and organizational information both from the companies and also from various sources (such as Central Bank of the Republic of Turkey ("CBRT") records, Trade Registry Gazette, Chamber of Trade records, information obtained from the Undersecretariat of Foreign Trade, banks and companies operating in the same sector) and uses investigation and verification methods. In addition to the analysis of the last three year financial statements of the companies, the Bank also analyses the current status of the sectors in which the companies operate, economic and political changes affecting the target sectors in the international markets, the advantages and disadvantages of the companies compared to their rival companies operating in or outside Turkey. In case the company is a member of a group of companies not organized as a holding company, the developments that affect the group's operations are monitored and outstanding bank debts of the group are also assessed and company analysis reports are prepared taking into account the group risk as well. The Bank does not utilize a separate rating system regarding the risk assessment of the companies.

As of 31 December 2011 and 2010, the analysis of credit limits for top 60 corporate customers constituting approximately 67% and 82%, respectively of total loans to corporate customers amounting to TL4,409,548 thousand (2010-TL1,452,666 thousand) and whose loans are neither past due nor impaired at 31 December 2011 and 2010 is as follows;

Credit Limits (TL'000)	31 December 2011	31 December 2010
	Concentration level (%)	Concentration level (%)
0-20,000	4	26
20,000-40,000	21	31
40,000-60,000	23	15
Over 60,000	52	28

As of 31 December 2011 and 2010, the classification and allowance percentages of the loans and advances of the Bank are as follows:

	31 December 2011		31 December 2010	
	Loans and advances (%)	Allowance for loan losses (%)	Loans and advances (%)	Allowance for loan losses (%)
Standard loans and advances	97.55	-	97.08	-
Loans and advances under close monitoring	1.04	-	0.10	-
Impaired loans and advances	1.41	100.00	2.82	100.00
<b>Total</b>	<b>100.00</b>	<b>2.24</b>	<b>100.00</b>	<b>4.06</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The Bank's maximum exposure to credit risk as of 31 December 2011 and 2010:

	31 December 2011	31 December 2010
<b>Credit risk exposures relating to on-balance sheet assets:</b>		
Due from banks	667,357	886,750
Loans and advances to		
- Domestic banks and other financial institutions	3,492,429	1,987,088
- Foreign banks and other financial institutions	138,681	71,342
- Corporate customers other than banks and financial institutions and personnel	4,366,104	2,047,845
Trading securities	342,935	308,488
Derivative financial instruments	15,895	1,885
Investment securities		
- Held-to-maturity	511,436	891,703
Other assets	13,335	5,087
<b>Credit risk exposures relating to off-balance sheet items:</b>		
Financial guarantees	518,997	1,078,703
<b>Total</b>	<b>10,067,169</b>	<b>7,278,891</b>

There are no financial assets that are past due but not impaired and there are no past due or impaired financial assets at 31 December 2011 and 2010, other than loans and advances explained above. As of 31 December 2011 and 2010, the trading securities and investment securities (held to maturity securities) are issued by the Turkish Treasury, the controlling shareholder of the Bank.

The table below shows the concentration level of due from banks for domestic banks and financial institutions which constitute approximately 70% of due from banks account at 31 December 2011 and 2010;

		31 December 2011 Concentration level (%)	31 December 2010 Concentration level (%)
Low	1-2	86	50
Medium	3	9	21
High	4	5	29



# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2011 and 2010, the geographical distribution of the on-balance sheet assets exposed to credit risk;

	Turkey	EU Countries	OECD Countries <sup>(*)</sup>	USA	Other Countries	Total
Due from banks	613,352	12,060	1,384	40,561		667,357
Loans and advances to						
- Domestic banks and other financial institutions	3,492,429	-	-	-	-	3,492,429
- Foreign banks and other financial institutions	-	-	-	-	138,681	138,681
- Corporate customers and personnel	4,366,104	-	-	-	-	4,366,104
Trading securities	342,935	-	-	-	-	342,935
Derivative financial instruments	-	15,895	-	-	-	15,895
Investment securities						
- Held-to-maturity	511,436	-	-	-	-	511,436
Other assets	13,335	-	-	-	-	13,335
<b>As of 31 December 2011</b>	<b>9,339,591</b>	<b>27,955</b>	<b>1,384</b>	<b>40,561</b>	<b>138,681</b>	<b>9,548,172</b>
<b>As of 31 December 2010</b>	<b>5,820,154</b>	<b>308,335</b>	<b>229</b>	<b>128</b>	<b>71,342</b>	<b>6,200,188</b>

(\*) The OECD countries except for EU countries, Canada and USA.

As of 31 December 2011 and 2010, the sectoral distribution of the on-balance sheet assets exposed to credit risk;

	Financial Institutions	Agriculture	Manufacturing	Wholesale and Retail Trade	Construction	Public Sector	Other	Personnel	Total
Due from banks	667,357	-	-	-	-	-	-	-	667,357
Loans and advances to									
- Domestic banks and other financial institutions	3,492,429	-	-	-	-	-	-	-	3,492,429
- Foreign banks and other financial institutions	138,681	-	-	-	-	-	-	-	138,681
- Corporate customers and personnel	-	136,271	3,430,586	111,598	380,628	-	304,615	2,406	4,366,104
Trading securities	-	-	-	-	-	342,935	-	-	342,935
Derivative financial instruments	15,895	-	-	-	-	-	-	-	15,895
Investment securities									
- Held-to-maturity	-	-	-	-	-	511,436	-	-	511,436
Other assets	8,354	-	4,356	625	-	-	-	-	13,335
<b>As of 31 December 2011</b>	<b>4,322,716</b>	<b>136,271</b>	<b>3,434,942</b>	<b>112,223</b>	<b>380,628</b>	<b>854,371</b>	<b>304,615</b>	<b>2,406</b>	<b>9,548,172</b>
<b>As of 31 December 2010</b>	<b>2,948,529</b>	<b>24,076</b>	<b>1,213,147</b>	<b>31,179</b>	<b>754,769</b>	<b>1,200,191</b>	<b>25,706</b>	<b>2,591</b>	<b>6,200,188</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Market risk

The Bank marks to market all its Turkish lira and foreign currency trading security positions as a result of its daily financial activities in order to be able to hedge market risk. In order to limit any possible losses from market risk, the Bank applies a maximum daily transaction and stop/loss limits for all trading Turkish lira and foreign currency transactions including marketable security transactions; such limits are approved by the Board of Directors.

#### Sensitivity Tests

In accordance with the mission of the Bank, the Bank does not follow a profit oriented strategy but rather follows a strategy aiming to avoid the eroding effects of inflation on the share capital by making reasonable amount of profit. Under this framework, necessary changes to loan interest rates are made considering the changes in cost of funds and market interest rates; changes in the interest rates are made using the expected year-end inflation levels as break-even point considering the return on equity at the same time. In this context, the sensitivity analysis are also prepared under various scenarios (optimistic, pessimistic and normal) and also under abnormal fluctuation (stress) assumptions which measure the sensitivity of the net profit to the changes in market interest rates and the Bank's loan interest rates. Moreover, possible losses arising from interest rate and foreign exchange risk are calculated under various scenarios and in order to minimize possible losses, the Bank undertakes swap transactions (especially money and interest swaps).

The market risk table of calculated market risk at month ends (for one day) for the years ended 31 December 2011 and 2010, as per the statutory financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in Official Gazette no.26333 dated 1 November 2006 showing the maximum and minimum total amount subject to market risk among the twelve months of calculated market risk for each year and the average of the total amount subject to market risk for each month end for 12 months are as follows:

	31 December 2011			31 December 2010		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	5,448	8,058	3,914	3,781	5,371	3,097
Equity Share risk	-	-	-	-	-	-
Currency Risk	33,383	42,765	30,664	28,184	35,238	22,352
Total Capital to be Employed for Market Risk (A)	38,831	50,823	34,578	31,965	40,609	25,449
<b>Total Amount Subject to Market Risk (A*12.5)</b>	<b>485,387</b>	<b>635,287</b>	<b>432,224</b>	<b>399,562</b>	<b>507,613</b>	<b>318,113</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Currency risk

Foreign currency denominated assets and liabilities, together with purchase and sale commitments give rise to foreign exchange exposure.

The Bank's foreign exchange position is followed daily, and the transactions are performed in accordance with the expectations in the market and within the limits determined by the Risk Management Principles approved by the Board of Directors of the Bank.

The Bank attempts to maintain a square position in foreign exchange through its on-balance sheet and off-balance sheet activities. As part of its strategy to manage the impact of exchange rates and to hedge against foreign exchange exposure, the Bank enters into swap transactions. Short-term currency swap transactions, carried out during the year to meet exporters' foreign exchange loan demand and to manage the Bank's foreign currency risk.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Included in the table are the Bank's assets, liabilities and equity at carrying amounts, categorized by currency.

The table below summarizes the Bank's exposure to foreign currency exchange rate risk as monitored by management at 31 December 2011 and 2010.

	31 December 2011					Total
	US\$	EUR	JPY	Other	TL	
Cash and due from banks	78,986	103,297	1,384	1,789	481,913	667,369
Trading securities	41,571	-	-	-	301,364	342,935
Derivative financial instruments	9	-	3	-	15,883	15,895
Loans and advances to customers	4,247,885	1,199,808	8,296	6,404	2,534,821	7,997,214
Investment securities						
- Available-for-sale	-	-	-	-	11,295	11,295
- Held-to-maturity	45,364	-	-	-	466,072	511,436
Property and equipment and intangible assets	-	-	-	-	10,262	10,262
Other assets	5,042	8,954	-	15	12,727	26,738
<b>Total assets</b>	<b>4,418,857</b>	<b>1,312,059</b>	<b>9,683</b>	<b>8,208</b>	<b>3,834,337</b>	<b>9,583,144</b>
Funds borrowed	3,023,234	1,646,526	-	-	-	4,669,760
Debt securities in issue	960,419	-	-	-	-	960,419
Interbank money market deposits	-	-	-	-	157,988	157,988
Derivative financial instruments	12,547	-	-	-	10,770	23,317
Other liabilities	33,901	6,467	-	-	71,672	112,040
Reserve for employment termination benefits	-	-	-	-	11,560	11,560
Equity	129	-	-	-	3,647,931	3,648,060
<b>Total liabilities and equity</b>	<b>4,030,230</b>	<b>1,652,993</b>	<b>-</b>	<b>-</b>	<b>3,899,921</b>	<b>9,583,144</b>
<b>Net balance sheet position</b>	<b>388,627</b>	<b>(340,934)</b>	<b>9,683</b>	<b>8,208</b>	<b>(65,584)</b>	<b>-</b>
Off balance sheet derivative instruments net notional position	(404,802)	333,855	6,699	-	56,603	(7,645)

At 31 December 2011, assets and liabilities denominated in foreign currency were translated into Turkish lira using foreign exchange rate of TL1.9141 = US Dollar 1 ("US\$") and TL2.4730 = EUR1.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2010					
	US\$	EUR	JPY	Other	TL	Total
Cash and due from banks	86,336	306,495	229	105	493,606	886,771
Trading securities	3,646	-	-	-	304,842	308,488
Derivative financial instruments	168	-	-	-	1,717	1,885
Loans and advances to customers	2,039,988	699,839	11,770	6,441	1,348,237	4,106,275
Investment securities						
- Available-for-sale	-	-	-	-	15,202	15,202
- Held-to-maturity	50,862	-	-	-	840,841	891,703
Property and equipment and intangible assets	-	-	-	-	8,494	8,494
Other assets	1,487	562	-	9	8,690	10,748
<b>Total assets</b>	<b>2,182,487</b>	<b>1,006,896</b>	<b>11,999</b>	<b>6,555</b>	<b>3,021,629</b>	<b>6,229,566</b>
Funds borrowed	804,071	994,641	-	-	-	1,798,712
Derivative financial instruments	3,982	-	-	-	21,182	25,164
Other liabilities	735,512	1,985	-	-	27,195	764,692
Reserve for employment termination benefits	-	-	-	-	10,856	10,856
Equity	174	-	-	-	3,629,968	3,630,142
<b>Total liabilities and equity</b>	<b>1,543,739</b>	<b>996,626</b>	<b>-</b>	<b>-</b>	<b>3,689,201</b>	<b>6,229,566</b>
<b>Net balance sheet position</b>	<b>638,748</b>	<b>10,270</b>	<b>11,999</b>	<b>6,555</b>	<b>(667,572)</b>	<b>-</b>
<b>Off balance sheet derivative instruments net notional position</b>	<b>(638,076)</b>	<b>(10,284)</b>	<b>-</b>	<b>-</b>	<b>631,120</b>	<b>(17,240)</b>

At 31 December 2010, assets and liabilities denominated in foreign currency were translated into Turkish lira using foreign exchange rate of TL1.5416 = US\$1 and TL2.0568 = EUR1.

As of 31 December 2011 and 2010, the effect of the devaluation of TL by 10% against other currencies mentioned below, on net profit and equity of the Bank, are presented in the table below. The analysis covers all foreign currency denominated assets and liabilities. The other variables, especially interest rates are assumed to be fixed.

	31 December 2011		31 December 2010	
	Effect on Net Profit	Effect on Equity (*)	Effect on Net Profit	Effect on Equity (*)
US\$	(1,620)	(1,607)	(1,194)	(1,176)
EUR	(1,377)	(1,377)	1,027	1,027
JPY	968	968	1,200	1,200
Other currencies	822	822	656	655
<b>Total</b>	<b>(1,207)</b>	<b>(1,194)</b>	<b>1,689</b>	<b>1,706</b>

(\*) Effect on equity also includes effect on net income.

As of 31 December 2011 and 2010, the effect of the appreciation of TL by 10% against other currencies with all other variables held constant, on net profit and equity of the Bank is the same as the total amount with a negative sign as presented in the above table.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

#### (e) Interest rate risk

The Bank estimates the effects of the changes in interest rates on the profitability of the Bank by analyzing TL and foreign currency denominated interest rate sensitive assets and liabilities considering both their interest components as being fixed rate or variable rate and also analyzing their weights among the Bank's total assets and liabilities. Long or short positions arising from interest rate risk are determined by currency types at the related maturity intervals (up to 3 months, 3 months to 1 year, 1 year to 5 years and over 5 years) as of the period remaining to repricing date, considering the repricing of TL and foreign currency-denominated interest sensitive assets and liabilities at maturity date (for fixed rate) or at interest payment dates (for floating rate). By classifying interest sensitive assets and liabilities according to their repricing dates, Bank's exposure to possible variations in market interest rates are determined.

The Bank determines maturity mismatches of assets and liabilities by analyzing the weighted average days to maturity of TL and foreign currency-denominated (for each currency and in total in terms of their US\$ equivalents) assets and liabilities.

According to the Risk Management Policy approved by the Board of Directors, the Bank emphasizes the matching of assets and liabilities with fixed and floating interest rates and under different currencies and also pays special attention to the level of maturity mismatch of assets and liabilities with floating and fixed interest rates in relation to the asset size of the Bank in order to limit the negative effects of interest rate changes on the Bank's profitability.

As of 31 December 2011 and 2010, the tables below summarize the Bank's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates;

	31 December 2011					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	
Cash and due from banks	659,189	-	-	-	8,180	667,369
Trading securities	63,279	207,159	32,855	39,642	-	342,935
Derivative financial instruments	12,892	3,003	-	-	-	15,895
Loans and advances to customers	4,137,735	3,779,769	79,710	-	-	7,997,214
Investment securities						
- Available-for-sale	-	-	-	-	11,295	11,295
- Held-to-maturity	224,795	196,179	90,462	-	-	511,436
Property and equipment and intangible assets	-	-	-	-	10,262	10,262
Other assets	-	-	-	-	26,738	26,738
<b>Total assets</b>	<b>5,097,890</b>	<b>4,186,110</b>	<b>203,027</b>	<b>39,642</b>	<b>56,475</b>	<b>9,583,144</b>
Funds borrowed	2,938,965	1,730,795	-	-	-	4,669,760
Debt securities in issue	-	-	960,419	-	-	960,419
Interbank money market deposit	157,988	-	-	-	-	157,988
Derivative financial instruments	23,226	91	-	-	-	23,317
Other liabilities	13,085	14,674	3,630	-	80,651	112,040
Reserve for employment termination benefits	-	-	-	-	11,560	11,560
<b>Total liabilities</b>	<b>3,133,264</b>	<b>1,745,560</b>	<b>964,049</b>	<b>-</b>	<b>92,211</b>	<b>5,935,084</b>
<b>Net repricing gap</b>	<b>1,964,626</b>	<b>2,440,550</b>	<b>(761,022)</b>	<b>39,642</b>	<b>(35,736)</b>	<b>3,648,060</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2010					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	
Cash and due from banks	883,681	-	-	-	3,090	886,771
Trading securities	-	138,691	166,152	3,645	-	308,488
Derivative financial instruments	1,885	-	-	-	-	1,885
Loans and advances to customers	1,809,870	2,257,586	38,819	-	-	4,106,275
Investment securities						
- Available-for-sale	-	-	-	-	15,202	15,202
- Held-to-maturity	489,206	285,976	116,521	-	-	891,703
Property and equipment and intangible assets	-	-	-	-	8,494	8,494
Other assets	-	-	-	-	10,748	10,748
<b>Total assets</b>	<b>3,184,642</b>	<b>2,682,253</b>	<b>321,492</b>	<b>3,645</b>	<b>37,534</b>	<b>6,229,566</b>
Funds borrowed	1,605,707	193,005	-	-	-	1,798,712
Derivative financial instruments	24,887	277	-	-	-	25,164
Other liabilities	81,208	568,491	-	-	114,993	764,692
Reserve for employment termination benefits	-	-	-	-	10,856	10,856
<b>Total liabilities</b>	<b>1,711,802</b>	<b>761,773</b>	<b>-</b>	<b>-</b>	<b>125,849</b>	<b>2,599,424</b>
<b>Net repricing gap</b>	<b>1,472,840</b>	<b>1,920,480</b>	<b>321,492</b>	<b>3,645</b>	<b>(88,315)</b>	<b>3,630,142</b>

The tables below summarise the range for effective average interest rates by major currencies for monetary financial instruments of the Bank at 31 December:

	31 December 2011			
	US\$ (%)	EUR (%)	JPY (%)	TL (%)
<b>Assets</b>				
Cash and due from banks				
-Time deposits in foreign banks	0.35	0.64	-	-
-Time deposits in domestic banks	-	-	-	10.13
-Interbank money market placements				10.40
Trading securities	6.20	-	-	7.99
Loans and advances to customers	1.67	2.76	2.60	7.48
Investment securities				
-Held-to-maturity	6.77	-	-	8.89
<b>Liabilities</b>				
Funds borrowed	0.75	2.50	-	-
Debt securities in issue	5.38	-	-	-
Interbank money market deposits	-	-	-	5.75

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2010			
	US\$ (%)	EUR (%)	JPY (%)	TL (%)
<b>Assets</b>				
Cash and due from banks				
-Time deposits in foreign banks	0.44	0.6	-	-
-Time deposits in domestic banks	-	-	-	6.43
Trading securities	7.05	-	-	8.35
Loans and advances to customers	2.68	3.16	3.22	8.49
Investment securities				
-Held-to-maturity	6.56	-	-	7.52
<b>Liabilities</b>				
Funds borrowed	1.33	2.62	-	-

In the analysis presented below, the sensitivity of the statement of comprehensive income is the effect of (+) 1% and (-) 1% decrease in the interest rates on the net interest income of floating rate financial assets and liabilities at 31 December 2011 and 2010. The sensitivity of the shareholders' equity at 31 December 2011 and 2010 is calculated through revaluating the financial assets available-for-sale taking into account the possible changes in interest rates, where applicable. The tax effects are not considered in the analysis. The other variables, especially exchanges rates, are assumed to be fixed in this analysis.

	31 December 2011		31 December 2010	
	(+) 1% Gain/(Loss) Effect	(-) 1% Gain/(Loss) Effect	(+) 1% Gain/(Loss) Effect	(-) 1% Gain/(Loss) Effect
TL	(1,618)	1,537	(3,101)	2,728
US\$	1,933	(1,776)	3,167	(3,172)
EUR	616	(715)	496	(207)
Other foreign currencies	32	(34)	46	(50)
<b>Total</b>	<b>963</b>	<b>(988)</b>	<b>608</b>	<b>(701)</b>

#### (f) Liquidity risk

A major objective of the Bank's asset and liability management is to ensure that sufficient liquidity is available to meet the Bank's commitments and to satisfy the Bank's own liquidity needs. The Bank measures and manages its cash flow commitments on a daily basis, and maintains liquid assets determined by the Board of Directors which it judges sufficient to meet its commitments.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the liquidity management of the Bank. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions. It is unusual for banks ever to be completely matched since the maturity, interest rates and the types of business transactions are different. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The Bank uses the TL and foreign currency cash flow schedules prepared weekly, monthly and annually in the decision making process of the liquidity management.

As of 31 December 2011 and 2010, the table below analyses the assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity dates.

	31 December 2011					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No stated maturity	
Cash and due from banks	667,369	-	-	-	-	667,369
Trading securities	63,279	207,159	32,855	39,642	-	342,935
Derivative financial instruments	12,892	3,003	-	-	-	15,895
Loans and advances to customers	3,531,760	3,830,107	635,347	-	-	7,997,214
Investment securities						
- Available-for-sale	-	-	-	-	11,295	11,295
- Held-to-maturity	180,364	77,893	164,583	88,596	-	511,436
Property and equipment and intangible assets	-	-	-	-	10,262	10,262
Other assets	-	11,599	15,139	-	-	26,738
<b>Total assets</b>	<b>4,455,664</b>	<b>4,129,761</b>	<b>847,924</b>	<b>128,238</b>	<b>21,557</b>	<b>9,583,144</b>
Funds borrowed	2,260,587	1,836,534	207,630	365,009	-	4,669,760
Debt securities in issue	-	-	960,419	-	-	960,419
Interbank market deposits	157,988	-	-	-	-	157,988
Derivative financial instruments	23,226	91	-	-	-	23,317
Other liabilities	13,085	44,674	54,281	-	-	112,040
Reserve for employment termination benefits	11,560	-	-	-	-	11,560
<b>Total liabilities</b>	<b>2,466,446</b>	<b>1,881,299</b>	<b>1,222,330</b>	<b>365,009</b>	<b>-</b>	<b>5,935,084</b>
<b>Net liquidity gap</b>	<b>1,989,218</b>	<b>2,248,462</b>	<b>(374,406)</b>	<b>(236,771)</b>	<b>21,557</b>	<b>3,648,060</b>



# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2010					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No stated maturity	
Cash and due from banks	883,681	-	-	-	3,090	886,771
Trading securities	-	138,690	166,152	3,646	-	308,488
Derivative financial instruments	1,885	-	-	-	-	1,885
Loans and advances to customers	1,462,815	2,361,072	276,548	5,840	-	4,106,275
Investment securities						
- Available-for-sale	-	-	-	-	15,202	15,202
- Held-to-maturity	355,919	273,898	190,874	71,012	-	891,703
Property and equipment and intangible assets	-	-	-	-	8,494	8,494
Other assets	-	-	-	-	10,748	10,748
<b>Total assets</b>	<b>2,704,300</b>	<b>2,773,660</b>	<b>633,574</b>	<b>80,498</b>	<b>37,534</b>	<b>6,229,566</b>
Funds borrowed	599,643	840,263	133,064	225,742	-	1,798,712
Derivative financial instruments	21,182	277	3,705	-	-	25,164
Other liabilities	81,208	568,491	-	-	114,993	764,692
Reserve for employment termination benefits	-	-	-	-	10,856	10,856
<b>Total liabilities</b>	<b>702,033</b>	<b>1,409,031</b>	<b>136,769</b>	<b>225,742</b>	<b>125,849</b>	<b>2,599,424</b>
<b>Net liquidity gap</b>	<b>2,002,267</b>	<b>1,364,629</b>	<b>496,805</b>	<b>(145,244)</b>	<b>(88,315)</b>	<b>3,630,142</b>

The undiscounted cash flows of the financial liabilities of the Bank into relevant maturity grouping based on the remaining period at 31 December 2011 and 2010 to the contractual maturity dates are presented in the tables below:

	31 December 2011					Total
	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	
Funds borrowed	2,265,361	1,875,871	345,535	457,591	-	4,944,358
Debt securities in issue	-	52,442	1,165,674	-	-	1,218,116
Interbank money market deposits	158,824	-	-	-	-	158,824
Other financial liabilities	36,311	7,652	3,630	-	50,450	98,043
<b>Total financial liabilities</b>	<b>2,460,496</b>	<b>1,935,965</b>	<b>1,514,839</b>	<b>457,591</b>	<b>50,450</b>	<b>6,419,341</b>

	31 December 2010					Total
	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	
Funds borrowed	220,593	1,266,100	130,959	257,250	-	1,874,902
Other financial liabilities	102,390	568,767	3,706	-	125,849	800,712
<b>Total financial liabilities</b>	<b>322,983</b>	<b>1,834,867</b>	<b>134,665</b>	<b>257,250</b>	<b>125,849</b>	<b>2,675,614</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The undiscounted cash inflows and outflows of derivative transactions of the Bank at 31 December 2011 and 2010 are presented in the tables below:

	31 December 2011				Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
<b>Derivatives held for trading:</b>					
Foreign exchange derivatives:					
- Outflow	1,208,387	-	-	-	1,208,387
- Inflow	1,200,742	-	-	-	1,200,742
Interest rate derivatives:					
- Outflow	1,529	1,529	6,802	-	9,860
- Inflow	712	832	3,403	-	4,947
<b>Total outflow</b>	<b>1,209,916</b>	<b>1,529</b>	<b>6,802</b>	<b>-</b>	<b>1,218,247</b>
<b>Total inflow</b>	<b>1,201,454</b>	<b>832</b>	<b>3,403</b>	<b>-</b>	<b>1,205,689</b>

	31 December 2010				Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
<b>Derivatives held for trading:</b>					
Foreign exchange derivatives:					
- Outflow	668,431	29,800	-	-	698,231
- Inflow	661,972	-	-	-	661,972
Interest rate derivatives:					
- Outflow	570	953	5,450	-	6,973
- Inflow	1,232	1,856	7,941	-	11,029
<b>Total outflow</b>	<b>669,001</b>	<b>30,753</b>	<b>5,450</b>	<b>-</b>	<b>705,204</b>
<b>Total inflow</b>	<b>663,204</b>	<b>1,856</b>	<b>7,941</b>	<b>-</b>	<b>673,001</b>

As of 31 December 2011 and 2010, the maturity groupings of financial guarantees and commitments based on the earliest period they can be claimed from the Bank are as follows:

	31 December 2011				Total
	Up to 1 month	1 month to 6 months	6 months to 1 year	Over 1 year	
Share capital investment commitment	-	-	-	1,000	1,000
Other guarantees	113,933	403,610	1,454	-	518,997
<b>Total</b>	<b>113,933</b>	<b>403,610</b>	<b>1,454</b>	<b>1,000</b>	<b>519,997</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2010				Total
	Up to 1 month	1 month to 6 months	6 months to 1 year	Over 1 year	
Endorsements	74,186	614,546	-	-	688,732
Share capital investment commitment	-	-	-	2,000	2,000
Other guarantees	8,170	364,596	12,383	4,822	389,971
<b>Total</b>	<b>82,356</b>	<b>979,142</b>	<b>12,383</b>	<b>6,822</b>	<b>1,080,703</b>

#### (g) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a current market exchange.

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

#### (i) Financial assets

The fair values of certain financial assets carried at cost or amortized cost, including cash and due from banks (including receivables from CBRT) are considered to approximate their respective carrying values due to their short-term nature.

The fair value of investment securities has been determined based on bid market prices at balance sheet dates.

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances to customers represents the discounted amount, at current market rates, of future cash flows expected to be received.

The fair value of other financial assets is also considered to approximate their respective carrying values due to their nature.

#### (ii) Financial liabilities

The fair value of funds borrowed is based on market prices or are based on discounted cash flows using current interest rates prevailing at the balance sheet date (Note 13).

The fair value of other financial liabilities is also considered to approximate their respective carrying values due to their nature.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

#### (iii) Derivative financial instruments

The fair values of foreign exchange and interest rate swaps have been estimated based on quoted market rates prevailing at the balance sheet date (Notes 7 and 22).

The following table summarises the carrying amounts and fair values of those significant financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	31 December 2011		31 December 2010	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets:</b>				
Cash and due from banks	667,369	667,369	886,771	886,771
Investment securities				
- Held to maturity	511,436	513,720	891,703	900,459
Loans and advances to customers	7,997,214	8,082,416	4,106,275	4,112,136
Other financial assets	26,228	26,288	11,813	11,813
<b>Financial liabilities:</b>				
Funds borrowed	4,669,760	4,683,915	1,798,712	1,809,631
Debt securities in issue	960,419	965,280	-	-
Interbank money market deposits	157,988	159,500	-	-
Other financial liabilities	93,224	93,224	748,209	748,209

The following table summarizes the fair values of those financial assets and liabilities presented on the Bank's balance sheet based on the hierarchy of valuation technique as of 31 December 2011 and 2010.

31 December 2011	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
<b>Financial assets at fair value through profit and loss</b>				
Financial assets held for trading				
- Debt securities	342,935	-	-	342,935
- Derivatives	-	15,895	-	15,895
<b>Available-for-sale financial assets</b>				
- Investment securities - equity	8,295	-	3,000 (****)	11,295
<b>Total assets</b>	<b>351,230</b>	<b>15,895</b>	<b>3,000</b>	<b>370,125</b>
<b>Financial liabilities at fair value through profit and loss</b>				
Financial liabilities held for trading				
- Derivatives	-	23,317	-	23,317
<b>Total liabilities</b>	<b>-</b>	<b>23,317</b>	<b>-</b>	<b>23,317</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2010	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
<b>Financial assets at fair value through profit and loss</b>				
<b>Financial assets held for trading</b>				
- Debt securities	308,488	-	-	308,488
- Derivatives	-	1,885	-	1,885
<b>Available-for-sale financial assets</b>				
- Investment securities - equity	13,202	-	2,000 (****)	15,202
<b>Total assets</b>	<b>321,690</b>	<b>1,885</b>	<b>2,000 (****)</b>	<b>325,575</b>
<b>Financial liabilities at fair value through profit and loss</b>				
<b>Financial liabilities held for trading</b>				
- Derivatives	-	25,164	-	25,164
<b>Total liabilities</b>	<b>-</b>	<b>25,164</b>	<b>-</b>	<b>25,164</b>

(\*) Fair values are calculated with quoted prices (unadjusted) in active markets for listed equity securities and debt instruments. This level includes listed equity securities and debt instruments actively traded on exchanges.

(\*\*) Fair values are calculated with observable input parameters (either directly as prices or indirectly as derived from prices) for derivative transactions. This level includes OTC derivative contracts.

(\*\*\*) Fair values are calculated with unobservable inputs for equity instruments.

(\*\*\*\*) Note 9a.

#### (h) Capital management

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("BIS"). These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current period minus period loss (if any), prepaid expenses, leasehold improvements and intangible assets), its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which comprises participations in financial institutions, special and preliminary and negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk, market risk and operational risk. In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%.

The Bank has complied with the minimum capital adequacy ratio requirement, stated above, for the years ended 31 December 2011 and 2010.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The Bank's regulatory capital position on at 31 December 2011 and 2010 were as follows:

	31 December 2011	31 December 2010
Tier I capital	3,657,278	3,656,594
Tier II capital	49,949	27,970
<b>Total regulatory capital (A)</b>	<b>3,707,227</b>	<b>3,684,564</b>
Risk-weighted assets (including market and operational risk) (B)	3,865,201	2,580,167
<b>Capital adequacy ratio (%) (A)/(B)</b>	<b>95.91</b>	<b>142.80</b>

### NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) Impairment losses on loans and advances to customers

The Bank reviews its loan portfolio periodically, to assess impairment. For individually impaired assets, the Bank provides 100% impairment.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of cash flows that are expected to be received. In estimating these cash flows, management makes judgement about counterparty's financial situation and the net realisable value of any underlying collateral. As of 31 December 2011 and 2010, the Bank provided 100% impairment provision for individually impaired loans and advances.

Collective impairment allowances cover credit losses inherent in the portfolio of loans with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan 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 to define the required input parameter, based on historical experience and current economic conditions. Were the defined input parameter where the collective loan loss allowance is based differ by +/- 0.5%, the impairment loss to be estimated is TL40,328 thousand higher/lower.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

#### (b) Fair value of derivatives

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques such as discounted cash flow models. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them.

### NOTE 5 - CASH AND DUE FROM BANKS

	31 December 2011	31 December 2010
<b>Cash funds:</b>		
Cash on hand	12	21
	<b>12</b>	<b>21</b>
<b>Current accounts and demand deposits:</b>		
CBRT	25,660	682
Foreign banks	5,751	2,170
Domestic banks	1,516	218
	<b>32,927</b>	<b>3,070</b>
<b>Time deposits:</b>		
Foreign banks	40,051	304,655
Domestic banks	469,788	579,025
	<b>509,839</b>	<b>883,680</b>
<b>Interbank money market placements</b>	<b>124,591</b>	-
<b>Total cash and due from banks</b>	<b>667,369</b>	<b>886,771</b>

Cash and cash equivalents included in the statements of cash flows for the year ended 31 December is as follows:

	31 December 2011	31 December 2010	31 December 2009
Cash and due from banks	667,369	886,771	2,059,197
Less: interest accruals	(456)	(1,300)	(1,052)
Less: time deposits with maturities exceeding 3 months	-	(25,000)	(9,000)
<b>Cash and cash equivalents</b>	<b>666,913</b>	<b>860,471</b>	<b>2,049,145</b>

Cash and cash equivalents are mainly composed of bank deposits and interbank money market placements with original maturity periods of less than three months as of 31 December 2011, 2010 and 2009.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 6 - TRADING SECURITIES

	31 December 2011	31 December 2010
Government bonds	301,364	304,842
Eurobonds	41,571	3,646
	<b>342,935</b>	<b>308,488</b>

As of 31 December 2011, the carrying value of securities subject to repo transactions is TL230,868 thousand (2010: None). As of 31 December 2010, government bonds amounting to TL92,680 thousand have been pledged as collateral with the CBRT and ISE.

### NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

The Bank utilises the following derivative instruments:

"Currency and interest rate swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of principal as well. The Bank's "credit risks" represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (as assets) or unfavorable (as liabilities) as a result of fluctuations in foreign exchange rates and interest rates. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of derivative instruments held as of 31 December 2011 and 2010 are set out in the following table:

	31 December 2011		31 December 2010	
	Fair value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps purchases and sales	-	(4,842)	-	(3,982)
Foreign currency swaps purchases and sales	15,895	(18,475)	1,885	(21,182)
<b>Total derivative assets/(liabilities)</b>	<b>15,895</b>	<b>(23,317)</b>	<b>1,885</b>	<b>(25,164)</b>

As also explained in Note 2 (c), even though certain derivative transactions, while providing effective economic hedges under the Bank's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39, and are therefore treated as derivatives held for trading.

The notional amounts of derivative transactions are explained in detail in Note 22.



# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 8 - LOANS AND ADVANCES TO CUSTOMERS

The Bank follows loans and advances to customers under one class as corporate loans; the classifications in the table below mainly refer to lending programs of the Bank to corporate customers;

	31 December 2011	31 December 2010
<b>Short-term</b>		
Financial institutions	2,739,251	1,723,748
Export guaranteed loans	527,065	394,108
Fund sourced loans (Note 15)	17,922	640,937
Specialised loans	64,424	9,870
Discount loans	3,113,343	687,310
Other guaranteed loans	18,690	40,712
	<b>6,480,695</b>	<b>3,496,685</b>
<b>Medium and long-term</b>		
Financial institutions	753,178	263,340
Export guaranteed loans	417,730	211,300
Foreign country loans (political risks)	138,681	71,342
Specialized loans	19,012	6,159
Export guaranteed investment loans	10,550	11,222
Fund sourced loans (Note 15)	3,630	-
Other	156,854	94,576
	<b>1,499,635</b>	<b>657,939</b>
<b>Performing loans</b>	<b>7,980,330</b>	<b>4,154,624</b>
Loans under close monitoring	85,289	4,514
Impaired loans and advances	114,853	120,776
<b>Gross loans and advances to customers</b>	<b>8,180,472</b>	<b>4,279,914</b>
Allowance for loan losses	(183,258)	(173,639)
<b>Net loans and advances to customers</b>	<b>7,997,214</b>	<b>4,106,275</b>

The Bank provides 100% impairment provision for non-performing loans amounting to TL114,853 thousand (2010: TL120,776 thousand) comprising 1.40% (2010: 2.82%) of the total loans outstanding at 31 December 2011. The Bank also provided an additional impairment provision amounting to TL68,405 thousand (2010: TL52,863 thousand) for other components of the loan portfolio to cover the incurred of loss present in the lending relationship but not yet identified with a specific loan.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 8 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements in the provision for impairment losses for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
Balance at the beginning of the year	173,639	157,738
Recoveries (Note 20)	(8,794)	(3,488)
Provision for the year	18,413	19,389
<b>Balance at the end of the year</b>	<b>183,258</b>	<b>173,639</b>

Loans and advances to the public and private sector are as follows:

	31 December 2011	31 December 2010
Public sector	832,133	374,549
Private sector	7,348,339	3,905,365
	<b>8,180,472</b>	<b>4,279,914</b>

### NOTE 9 - INVESTMENT SECURITIES

#### (a) Available-for-sale securities:

	31 December 2011	31 December 2010
Equity securities		
- Listed	8,295	13,202
- Unlisted	3,000	2,000
<b>Total available-for-sale securities</b>	<b>11,295</b>	<b>15,202</b>

There are no securities pledged under repurchase agreements or pledged as collateral with financial institutions.

Unrealised gain and losses arising from changes in the fair value of securities classified as "available-for-sale" are recognized in other comprehensive income unless there is objective evidence that the asset is impaired in which case they are charged to the income statement.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 9 - INVESTMENT SECURITIES (Continued)

The breakdown of available-for-sale equity securities at 31 December 2011 and 2010 are as follows:

Equity securities	Share %		Carrying Amount		Business
	2011	2010	2011	2010	
Garanti Faktoring Hizmetleri A.Ş.	9.78	9.78	8,295	13,202	Factoring
Kredi Garanti Fonu A.Ş. (*)	1.66	1.66	3,000	2,000	Financial services
			<b>11,295</b>	<b>15,202</b>	

(\*) On 15 October 2009, the Bank acquired 1.66% interest in Kredi Garanti Fonu A.Ş. (Credit Guarantee Fund) which was established to provide financing support to small and medium size enterprises with a total consideration of TL2,000 thousand as cash and TL2,000 thousand as share capital commitment. The Bank paid TL1,000 thousand of the capital commitment in the year 2011 and increased the Bank's equity investment at Kredi Garanti Fonu A.Ş. to TL3,000 thousand.

#### (b) Held-to-maturity securities:

	31 December 2011	31 December 2010
<b>Debt Securities</b>		
- Government bonds	466,072	747,757
- Eurobonds	-	93,084
- Treasury bills	45,364	50,862
<b>Total held-to-maturity securities</b>	<b>511,436</b>	<b>891,703</b>

As of 31 December 2011, government bonds and treasury bills amounting to TL182,309 thousand (2010: TL156,815 thousand) have been pledged as collateral with the CBRT and Istanbul Stock Exchange-Settlement and Custody Bank.

The movement of held-to-maturity securities for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
<b>Balance at 1 January</b>	<b>891,703</b>	<b>309,068</b>
Purchases	242,578	1,115,881
Redemptions	(639,199)	(537,579)
Foreign exchange difference	10,938	509
Interest income accruals	5,416	3,824
<b>Balance at 31 December</b>	<b>511,436</b>	<b>891,703</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 10 - PROPERTY AND EQUIPMENT

	Land and Buildings	Vehicles	Other tangibles	Total
<b>At 1 January 2010</b>				
Cost	17,134	553	10,064	27,751
Accumulated depreciation (-)	9,444	553	9,310	19,307
<b>Net book amount</b>	<b>7,690</b>	<b>-</b>	<b>754</b>	<b>8,444</b>
<b>Year ended 31 December 2010</b>				
Opening net book amount	7,690	-	754	8,444
Additions	-	-	65	65
Depreciation charge (-)	309	-	96	405
<b>Closing net book amount</b>	<b>7,381</b>	<b>-</b>	<b>723</b>	<b>8,104</b>
<b>At 31 December 2010</b>				
Cost	17,134	553	10,129	27,816
Accumulated depreciation (-)	9,753	553	9,406	19,712
<b>Net book amount</b>	<b>7,381</b>	<b>-</b>	<b>723</b>	<b>8,104</b>
<b>Year ended 31 December 2011</b>				
Opening net book amount	7,381	-	723	8,104
Additions	-	805	1,502	2,307
Depreciation charge (-)	310	37	371	718
<b>Closing net book amount</b>	<b>7,071</b>	<b>768</b>	<b>1,854</b>	<b>9,693</b>
<b>At 31 December 2011</b>				
Cost	17,134	1,358	11,631	30,123
Accumulated depreciation (-)	10,063	590	9,777	20,430
<b>Net book amount</b>	<b>7,071</b>	<b>768</b>	<b>1,854</b>	<b>9,693</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 11 - INTANGIBLE ASSETS

	31 December 2011	31 December 2010
Opening net book amount	390	654
Additions (*)	488	7
Disposals	-	-
Amortisation charge (-)	309	271
<b>Net book amount</b>	<b>569</b>	<b>390</b>
Cost	1,677	1,189
Accumulated amortisation (-)	1,108	799
<b>Net book amount</b>	<b>569</b>	<b>390</b>

(\*) Additions represent computer software purchases.

### NOTE 12 - OTHER ASSETS

	31 December 2011	31 December 2010
<b>Financial assets</b>		
Receivables from Development and Support Fund	9,319	7,505
Insurance premiums receivables	4,304	3,409
Other	12,605	999
<b>Non-financial assets</b>		
Upfront fees paid	8,039	4,700
Other	1,790	1,640
	36,057	18,253
Provision for impairment on other assets	(9,319)	(7,505)
	<b>26,738</b>	<b>10,748</b>

As at 31 December 2011, US\$447,071 (TL856 thousand, 2010: TL689 thousand) receivable from the Development and Support Fund is due to the incomplete payment of General Headquarters of Gendarmerie regarding the military equipment purchases. Rest of the receivables from the Development and Support Fund, amounting to US\$4,421,357 (TL8,463 thousand, 2010: TL6,816 thousand), arises from the exchange losses due to the late transfer of the funds to the Bank from the Ministry of Defense. As of 31 December 2011, there is no improvement in the collection of these receivables and 100% provision is recognised as provision for impairment on other assets.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 13 - FUNDS BORROWED

	31 December 2011	31 December 2010
<b>Interbank money market deposits - TL</b>	<b>157,988</b>	<b>-</b>
Domestic Banks	3,432,740	985,780
Foreign Banks	1,237,020	812,932
<b>Funds borrowed</b>	<b>4,669,760</b>	<b>1,798,712</b>

Interest rate for interbank money market deposits is 5.75% and the maturity dates of such deposits is 25 January 2012 and 25 April 2012.

The breakdown of funds borrowed as of 31 December 2011 and 2010 is as follows:

31 December 2011	Original Currency Amount ('000)	Original Currency	Interest rate	TL ('000)	Maturity Dates
CBRT loans	1,341,761	US\$	1.13	2,568,264	(*)
CBRT loans	199,980	EUR	2.18	494,551	(*)
Syndicated loan	165,220	EUR	2.58	408,590	1 June 2012
World Bank (EFIL) Loans	129,156	US\$	0.53	247,217	1 March 2038
Subordinated loan	108,538	US\$	0.71	207,753	15 April 2018
T.C. Ziraat Bankası A.Ş.	50,556	EUR	3.72	125,026	13 March 2012
ING Bank NV	50,532	EUR	3.73	124,966	15 August 2012
ING Bank - Amsterdam	70,952	EUR	2.89	175,465	25 April 2012 - 7 November 2012
Demir-Halkbank NV - Netherland	25,238	EUR	3.75	62,414	29 March 2012
Mizuho Corporate Bank Ltd	25,228	EUR	2.59	62,389	24 August 2012
Europen Investment Bank	50,142	EUR	2.03-2.19	124,002	17 December 2021- 3 October 2023
World Bank (EFIL) Loans	12,720	EUR	1.78	31,457	1 March 2038
Ziraat International AG	15,231	EUR	4.03	37,666	15 August 2012
<b>Total funds borrowed</b>				<b>4,669,760</b>	

31 December 2010	Original Currency Amount ('000)	Original Currency	Interest rate	TL ('000)	Maturity Dates
CBRT loans	313,765	US\$	0.84	483,700	(*)
Syndicated loan	150,188	EUR	2.16	308,906	2 December 2011
ING Bank Club Loan	150,477	EUR	1.98	309,502	27 April 2011
Subordinated loan	125,198	US\$	0.69	193,005	16 April 2018
World Bank (EFIL) Loans	82,620	US\$	0.55	127,366	1 March 2038
CBRT loans	99,685	EUR	1.57	205,032	(*)
T.C. Ziraat Bankası A.Ş.	50,585	EUR	2.97	104,043	18 February 2011
Europen Investment Bank	25,016	EUR	1.44	51,454	17 December 2021
World Bank (EFIL) Loans	7,635	EUR	1.18	15,704	16 April 2018
<b>Total funds borrowed</b>					<b>1,798,712</b>

(\*) CBRT loans are rediscount loans extended by CBRT, having wide range of maturity dates.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 13 - FUNDS BORROWED (Continued)

The repayment of the funds borrowed was as follows during 2011:

	Repayment Amount	Repayment Dates
Subordinated Loans	US\$8,333,000	15 April 2011
Subordinated Loans	US\$8,333,000	15 October 2011
Ziraat Bankası	EUR 50,000,000	18 February 2011
Club Loan, Syndicated Loan	EUR150,000,000	27 April 2011
Club Loan, Syndicated Loan	EUR150,000,000	2 December 2011

### Debt securities in issue

As of 31 December 2011, the total liability amount due for bonds issued by the Bank on October 2011, amounting to US\$500 million is TL960,419 thousand with TL952,332 thousand as principal and the TL8,087 thousand as interest.

### NOTE 14 - TAXATION

According to Act number 3332 and article 4/b of Act number 3659, dated 25 March 1987 and 26 September 1990, respectively, the Bank is exempt from Corporate Tax. Due to the 3rd Article of the same act; the above mentioned exemption became valid from 1 January 1988. In accordance with clause 9 of the Provisional Article 1 of Corporate Tax Law No. 5520, which states "The provision of Article 35 shall not apply to exemptions, allowances and deductions included in other laws in relation to Corporation Tax prior to the effective date of the Law No. 5520", the exemption from Corporation Tax continues. Accordingly, deferred tax asset or liability is not recognized in these financial statements.

### NOTE 15 - OTHER LIABILITIES

The principal components of other liabilities are as follows:

	31 December 2011	31 December 2010
<b>Financial liabilities</b>		
Guarantees received (***)	29,305	5,565
Turkish Treasury-current account-Iraq Credit	21,454	634,928
Funds	103	6,711
Funds from United Nations Compensation Fund-Iraq Credit	35	95,068
Other (*)	42,327	5,937
<b>Non-financial liabilities</b>		
Insurance technical provisions	4,900	4,054
Vacation pay liability (**)	6,802	5,313
Other	7,114	7,116
	<b>112,040</b>	<b>764,692</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 15 - OTHER LIABILITIES (Continued)

- (\*) This amount covers the bonus accrual amounting to TL30,000 thousand allocated by the Bank management for the second half of 2008 and for the years 2009, 2010 and 2011, in which no bonus was paid to the employees, taking into the account the cases that resulted in decisions against the Bank (Note 22).
- (\*\*) Payment amounting to TL479 thousand was made from the vacation pay liability account during the year 2011.
- (\*\*\*) Guarantees received refers to cash guarantees obtained in relation to Pre-shipment export credits, which has increased in line with the increase in the amount of pre-shipment export credits.

#### *Turkish Treasury-current account-Iraq Credit*

As of 31 December 2011, the funds recorded under the Turkish Treasury current account consists of the funds transferred by the Turkish Treasury to the Bank to finance Iraq loans including the related interest income and foreign exchange differences amounting to TL396 thousand (2010: TL8,098 thousand) and the principal amounting to TL21,058 thousand (2010: TL626,830 thousand). The total amounting to TL21,454 thousand (2010: TL634,928 thousand) is recorded as 'Fund Sourced loans' under the account 'Loans and advances to customers' (Note 8).

As of 25 February 2011, Law No. 6111 on the Restructuring of Certain Receivables was enacted. With this regulation, which enabled debts to be restructured, it was possible for the Iraq Loan provided through the Development and Support Fund ("DSF") to be restructured. According to this law, payments which were transferred from United Nations Compensation Fund ("UNCF") and similar sources, amounting to TL99,566 thousand (US\$61,586 thousand) and payments made by the companies whose loans were restructured, amounting to TL183,949 thousand (US\$113,781 thousand) and TL5,247 thousand (EUR2,241 thousand) were transferred to the Undersecretariat of Treasury. In addition, the interest amounting to TL191,619 thousand (US\$118,525 thousand) for the restructured loans was cancelled by the Bank in the scope of the restructuring.

Accordingly, the Undersecretariat of Treasury Current Account - Iraq Loan amounted to TL634,928 thousand as of 31 December 2011, was recorded as TL21,454 thousand as of 31 December 2011 following the cancellations and collections amounting to TL658,520 thousand which were made under the scope of restructuring and also considering the exchange difference amounting to TL45,046 thousand, calculated for the period ended 31 December 2011.

#### *Funds*

'Fund Sourced loans' also include TL98 thousand (2010: TL6,009 thousand) of 'Funds' accounted under Other Liabilities account. These funds are transferred to the Bank by Turkish Treasury and are covered by Turkish Treasury. Therefore, the Bank does not reflect any gains or losses to the statements of income on such loans. Within the framework of the Law No. 6111 mentioned above TL5,910 thousand of the funds transferred by the Turkish Treasury were liquidated due to collections or transferred loans.



# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 15 - OTHER LIABILITIES (Continued)

#### *Funds from United Nations Compensation Fund-Iraq Credit*

A United Nations Compensation Commission Fund covers the compensation payments that start to be transferred to the Bank for firms granted the right to receive compensation payments from those firms that use credit within the scope of the Iraqi credit scheme run by the United Nations Compensation Commission. The funds were kept in the temporary accounts of the Bank until the method to be used in the liquidation of the Iraqi credit scheme was confirmed, but they now have been transferred to the accounts of the Undersecretariat of the Treasury after being deducted from the firm's debts as of the date of the transfer within the scope of restructuring applied in accordance with Law No. 6111.

The movement for insurance technical provisions are as follows:

	2011	2010
1 January	4,054	5,115
Paid claims	(3,625)	(5,656)
Increase	4,471	4,595
<b>31 December</b>	<b>4,900</b>	<b>4,054</b>

### NOTE 16 - RETIREMENT BENEFIT OBLIGATIONS

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL2,731.85 in full TL amount (2010: 2,517.01 TL) as of 31 December 2011.

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

The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees.

IAS 19 "Employment Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 31 December 2011 and 2010:

	31 December 2011	31 December 2010
Discount rate (%)	4.66	4.66
Rate to estimate the probability of retirement (%)	0.98	0.98

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 16 - RETIREMENT BENEFIT OBLIGATIONS (Continued)

Additionally, the principal actuarial assumption is that the maximum liability for each year of service would increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL2,805.04 in full TL amount, which is effective from 1 January 2011 (1 January 2011: TL2,623.23), has been taken into consideration in calculating the reserve for employment termination benefit of the Bank.

Movement in the reserve for employment termination benefits for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
1 January	10,856	9,963
Charge for the year	813	414
Interest expense	506	589
Actuarial losses	531	644
Payments during the year	(1,146)	(754)
<b>31 December</b>	<b>11,560</b>	<b>10,856</b>

### NOTE 17 - SHARE CAPITAL

The historical paid in share capital of the Bank is TL2,000,000 thousand (2010: TL2,000,000 thousand) and consists of 2 billion (2010: 2 billion) authorized shares with a nominal value of TL1 each.

	31 December 2011	31 December 2010
Share capital - historical cost	2,000,000	2,000,000
Adjustment to share capital	812,518	812,518
<b>Total paid in share capital</b>	<b>2,812,518</b>	<b>2,812,518</b>

The Bank is fully owned by Turkish Treasury.

The adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at 31 December 2005 after elimination of the accumulated deficit.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 18 - RETAINED EARNINGS AND RESERVES

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code and in accordance with the Articles of Association of the Bank, the Bank is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

- a) First legal reserve, appropriated at the rate of 5% of net income, until the total reserve is equal to 20% of issued and fully paid-in share capital.
- b) Second legal reserve, appropriated at the rate of 10% of the distribution of second dividend, in excess of the first legal reserve, appropriated at a rate of 5% and first dividend, appropriated at a rate of 8%.

### NOTE 19 - NET INTEREST INCOME

	31 December 2011	31 December 2010
<b>Interest income on:</b>		
Interest on loans and advances to customers	231,230	171,921
Interest on held to maturity investments	42,017	37,183
Interest on deposits with banks	22,052	12,814
Interest on trading financial assets	15,476	22,117
Interest on interbank money market placements	1,847	71,432
Other interest income	737	286
<b>Total interest income</b>	<b>313,359</b>	<b>315,753</b>
<b>Interest expense on:</b>		
Interest on funds borrowed	(36,299)	(26,997)
Interest on debt securities in issue	(8,248)	-
Interest expense on money market transactions	(4,308)	-
Other interest expenses	(14)	(48)
<b>Total interest expense</b>	<b>(48,869)</b>	<b>(27,045)</b>
<b>Net interest income</b>	<b>264,490</b>	<b>288,708</b>

### NOTE 20 - OTHER OPERATING INCOME

	31 December 2011	31 December 2010
Insurance premium income	34,380	28,219
Commission from reinsurance companies	9,041	7,598
Recoveries from non-performing loans (Note 8)	8,794	3,488
Other	1,188	3,161
<b>Total</b>	<b>53,403</b>	<b>42,466</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 21 - OPERATING EXPENSES

	31 December 2011	31 December 2010
Bonus provision expense (*)	30,000	-
Staff costs (***)	25,668	23,374
Premiums paid to reinsurance companies	23,465	18,517
KOSGEB fee (**)	4,699	5,229
Employment termination benefits and unused vacation provision expense	3,339	2,076
Research expenses	2,786	2,065
BRSA contribution expense	2,415	1,887
Depreciation and amortisation charges (Notes 10 and 11)	1,027	676
Taxes and duties expenses	1,026	982
Vehicle expenses	972	1,465
Other	11,858	8,900
	<b>107,255</b>	<b>65,171</b>

(\*) Bank management has allocated bonus provision at an amount of TL30,000 thousand for the second half of 2008 and for the years 2009, 2010 and 2011 in which no bonus was paid to the employees, taking into account the cases that resulted in decisions against the Bank.

(\*\*) As the Bank's more than 50% of the paid-in share capital is owned by the government entities, the Bank is obliged to pay annual fee at a rate of 2% of the corporate tax base of the Bank to Small and Medium Industries Development Organization ("KOSGEB") in accordance with the establishment law of KOSGEB.

(\*\*\*) Pension contributions included in staff costs, amount to TL6,187 thousand and TL5,834 thousand for the years ending 31 December 2011 and 2010.

### NOTE 22 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of banking activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the balance sheets, including letters of guarantee, other guarantees and off-balance sheet derivative instruments. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities:

#### Legal proceedings

At 31 December 2011, there are 117 legal proceedings outstanding against the Bank amounting to US\$2,593,513, EUR15,000 and TL450,958. As of 31 December 2011, Bank has not provided a provision for these legal proceedings, since possible outflow of resources embodying economic benefits to settle these contingent liabilities will be immaterial.

A number of the outstanding litigation cases in Turkish courts relate to employee bonus payments. In the second half of 2008, the Bank ceased paying bi-annual bonuses to its employees. As of 31 December 2011, 57 lawsuits were filed against the Bank by employees who retired after the change was implemented alleging that the Bank should have paid their bonuses. 17 of 57 cases opened by former employees of the Bank at Ankara's 15th Labour Court with regard to "bonus" payments resulted in decisions against the Bank by the end of 2011. Furthermore, the related decision was also confirmed by the Court of Appeals' the highest appellate court in Turkey for all these cases. The Bank made a payment of TL151 thousand with regard to the lost cases in 2011.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 22 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

In this context, the Bank's management accrued employee bonus provision at an amount of TL30,000 thousand for the second half of 2008, and for the years 2009, 2010 and 2011, in which no bonus was paid, taking into account the cases, that resulted in decisions against the Bank. The related amount covers TL1,550 thousand allocated for ongoing lawsuits opened by retired personnel, TL1,300 thousand allocated for personnel who have retired but not opened a lawsuit yet, and TL27,150 thousand allocated for employees who are actively working for the Bank.

#### Commitments under derivative instruments:

The breakdown of swap transactions at 31 December 2011 and 2010 is as follows:

Transaction Type	Currency	31 December 2011		31 December 2010	
		Foreign currency amount	TL 000	Foreign currency amount	TL 000
Interest rate swap purchases	US\$	21,000,000	40,196	30,000,000	46,248
Foreign currency swap purchases	EUR	135,000,000	333,855	15,000,000	30,852
	TL	327,902,500	327,903	631,119,930	631,120
	JPY	271,705,000	6,698	-	-
Foreign currency forward purchases	US\$	212,279,510	406,324	-	-
	TL	125,961,718	125,962	-	-
<b>Total purchases</b>			<b>1,240,938</b>		<b>708,220</b>
Interest rate swap sales	US\$	21,000,000	40,196	30,000,000	46,248
Foreign currency swap sales	US\$	357,046,630	683,423	413,905,225	638,076
	TL	-	-	20,000,000	41,136
Foreign currency forward sales	US\$	66,717,100	127,703	-	-
	TL	397,260,801	397,261	-	-
<b>Total sales</b>			<b>1,248,583</b>		<b>725,460</b>
			<b>2,489,521</b>		<b>1,433,680</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 22 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Maturity analysis of swap and forward transactions are as follows:

	31 December 2011				Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 Years	
Interest rate swap purchases	-	-	40,196	-	40,196
Foreign currency swap purchases	668,456	-	-	-	668,456
Forward foreign currency purchases	532,286	-	-	-	532,286
<b>Total purchases</b>	<b>1,200,742</b>	<b>-</b>	<b>40,196</b>	<b>-</b>	<b>1,240,938</b>
Interest rate swap sales	-	-	40,196	-	40,196
Foreign currency swap sales	683,423	-	-	-	683,423
Forward foreign currency sales	524,964	-	-	-	524,964
<b>Total sales</b>	<b>1,208,387</b>	<b>-</b>	<b>40,196</b>	<b>-</b>	<b>1,248,583</b>

  

	31 December 2010				Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 Years	
Interest rate swap purchases	-	-	46,248	-	46,248
Foreign currency swap purchases	661,972	-	-	-	661,972
<b>Total purchases</b>	<b>661,972</b>	<b>-</b>	<b>46,248</b>	<b>-</b>	<b>708,220</b>
Interest rate swap sales	-	-	46,248	-	46,248
Foreign currency swap sales	668,431	10,781	-	-	679,212
<b>Total sales</b>	<b>668,431</b>	<b>10,781</b>	<b>46,248</b>	<b>-</b>	<b>725,460</b>

The above tables summarize the Bank's derivative transactions that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date, in respective currencies. Accordingly, the difference between the "sale" and "purchase" transactions represents the net exposure of the Bank with respect to commitments arising from these transactions.

#### Credit related commitments:

Letters of guarantee, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Cash requirements under these guarantees are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 22 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The following table shows the outstanding credit related commitments of the Bank at 31 December 2011 and 2010:

	31 December 2011	31 December 2010
<b>Financial guarantees</b>		
Endorsements		
- Foreign currency	-	688,732
Other guarantees		
- Foreign currency	518,997	389,971
<b>Total financial guarantees</b>	<b>518,997</b>	<b>1,078,703</b>

The Bank provides cover for Turkish exporters, against credit risk by offering variety of programs.

There exists share capital commitment of the Bank amounting to TL1,000 thousand and TL2,000 thousand as of 31 December 2011 and 2010.

### NOTE 23 - SEGMENT ANALYSIS

The main segments of the Bank are corporate banking and investment banking. Investment banking includes the treasury operations of the Bank whereas corporate banking includes all operations other than treasury (mainly all of the credit operations), which is reported in manner consistent with the internal reporting provided to the chief operating decision maker, the Assistant General Manager of Finance. The analysis is as follows:

31 December 2011	Corporate Banking	Investment Banking	Unallocated	Total
Segment revenue	757,393	70,700	-	828,093
Segment expenses	(450,485)	(124,539)	(22,791)	(597,815)
<b>Net profit</b>	<b>306,908</b>	<b>(53,839)</b>	<b>(22,791)</b>	<b>230,278</b>
Interest income	273,984	39,375	-	313,359
Interest expense	(48,869)	-	-	(48,869)
Depreciation and amortisation	-	-	(1,027)	(1,027)
Impairment charges on loans	(18,413)	-	-	(18,413)
<b>Capital expenditures</b>	<b>2,795</b>	<b>-</b>	<b>-</b>	<b>2,795</b>
<b>Total segment assets</b>	<b>8,065,279</b>	<b>1,517,865</b>	<b>-</b>	<b>9,583,144</b>
Segment liabilities	5,878,463	-	56,621	5,935,084
Equity	-	3,630	3,644,430	3,648,060
<b>Total liabilities and equity</b>	<b>5,878,463</b>	<b>3,630</b>	<b>3,701,051</b>	<b>9,583,144</b>

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 23 - SEGMENT ANALYSIS (Continued)

31 December 2010	Corporate Banking	Investment Banking	Unallocated	Total
Segment revenue	476,107	130,712	-	606,819
Segment expenses	(325,925)	(5,559)	(18,865)	(350,349)
<b>Net profit</b>	<b>150,182</b>	<b>125,153</b>	<b>(18,865)</b>	<b>256,470</b>
Interest income	209,369	106,384	-	315,753
Interest expense	(27,045)	-	-	(27,045)
Depreciation and amortisation	-	-	(676)	(676)
Impairment charges on loans	(19,389)	-	-	(19,389)
<b>Capital expenditures</b>	<b>72</b>	<b>-</b>	<b>-</b>	<b>72</b>
<b>Total segment assets</b>	<b>5,006,786</b>	<b>1,212,346</b>	<b>10,434</b>	<b>6,229,566</b>
Segment liabilities	2,539,474	25,164	34,786	2,599,424
Equity	-	8,582	3,621,560	3,630,142
<b>Total liabilities and equity</b>	<b>2,539,474</b>	<b>33,746</b>	<b>3,656,346</b>	<b>6,229,566</b>

Reconciliation of segment results of operations to consolidated results of operations.

31 December 2011	Corporate Banking	Investment Banking	Unallocated	Total
Interest income	273,984	39,375	-	313,359
Fee and commissions income	5,658	208	-	5,866
Foreign exchange gain	455,465	-	-	455,465
Other operating income	22,286	31,117	-	53,403
<b>Total segment revenue</b>	<b>757,393</b>	<b>70,700</b>	<b>-</b>	<b>828,093</b>
31 December 2011	Corporate Banking	Investment Banking	Unallocated	Total
Interest expense	(48,869)	-	-	(48,869)
Fee and commissions expense	(6,081)	-	-	(6,081)
Impairment charges on loans	(18,413)	-	-	(18,413)
Foreign exchange losses	(292,967)	-	-	(292,967)
Losses on financial instruments classified as held for trading, net	-	(124,230)	-	(124,230)
Other operating expense	(84,155)	(309)	(22,791)	(107,255)
<b>Total segment expense</b>	<b>(450,485)</b>	<b>(124,539)</b>	<b>(22,791)</b>	<b>(597,815)</b>



# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 23 - SEGMENT ANALYSIS (Continued)

31 December 2010	Corporate Banking	Investment Banking	Unallocated	Total
Interest income	209,369	106,384	-	315,753
Fee and commissions income	591	213	-	804
Foreign exchange gain	247,769	-	-	247,769
Other operating income	18,378	24,115	-	42,493
<b>Total segment revenue</b>	<b>476,107</b>	<b>130,712</b>	<b>-</b>	<b>606,819</b>

  

31 December 2010	Corporate Banking	Investment Banking	Unallocated	Total
Interest expense	(27,045)	-	-	(27,045)
Fee and commissions expense	(9,940)	-	-	(9,940)
Impairment charges on loans	(19,389)	-	-	(19,389)
Foreign exchange losses	(223,921)	-	-	(223,921)
Losses on financial instruments classified as held for trading, net	-	(4,883)	-	(4,883)
Other operating expense	(45,630)	(676)	(18,865)	(65,171)
<b>Total segment expense</b>	<b>(325,925)</b>	<b>(5,559)</b>	<b>(18,865)</b>	<b>(350,349)</b>

### NOTE 24 - RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence over the other party in making financial or operational decisions. For the purpose of this financial information the shareholders of the Bank together with state-controlled entities in Turkey are considered and referred to as related parties. Other related parties refer to entities controlled, jointly controlled or having significance influence by the Turkish Government.

A number of banking transactions were entered into with related parties in the normal course of business.

#### (i) Balances with related parties:

	31 December 2011	31 December 2010
Due from banks:		
- Other related parties <sup>(1)</sup>	246,109	178,822
Loans and advances to customers:		
- Other related parties <sup>(2)</sup>	693,452	374,549
Trading securities:		
- Shareholder <sup>(3)</sup>	342,935	308,488
Investment securities ("Held to maturity")		
- Shareholder <sup>(4)</sup>	511,436	891,703
Funds borrowed		
- Other related parties <sup>(5)</sup>	3,556,380	985,780
Other liabilities		
- Other related parties	103	6,711

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

### NOTE 24 - RELATED PARTIES (Continued)

- (1) Average interest rate for due from banks is 4.78% (2010: 4.30%)
- (2) Average interest rate for loans and advances to customers is 5.19 % (2010: 5.50%)
- (3) Average interest rate for trading securities is 8% (2010: 7%)
- (4) Average interest rate for investment securities is 7.9% (2010: 7.8%)
- (5) Average interest rate for funds borrowed is 1.22% (2010: 0.84%)

In relation with the transactions with the Turkish Treasury, please also refer to Note -15 Other Liabilities.

#### (ii) Transactions with related parties:

	31 December 2011	31 December 2010
Interest income on investment and trading securities:		
- Shareholder	57,493	59,300
Interest income on loans and advances to customers:		
- Other related parties	25,758	19,890
Interest expense on funds borrowed:		
- Other related parties	15,554	8,963
Operating expenses (taxes paid)		
-Other related parties	10,665	15,339

#### (iii) Remuneration of key management personnel:

	31 December 2011	31 December 2010
Salaries and other short-term employee benefits	808	656
Post employment benefits	259	206

### NOTE 25 - SUBSEQUENT EVENTS

On February 2012, the Bank decided to issue bond in international markets up to US\$1 billion (or EUR equivalent) and with a maturity of minimum 7 years.