TURKISH BANK A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2010

Deloitte.

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of Turkish Bank A.Ş. (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheet as at 31 December 2010 and the consolidated statement of income, statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

İstanbul, 5 May 2011

DRT BAĞIMSIZ DENETİM VE SMMM A.Ş.

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

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TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

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

ASSETS	Notes	31 December 2010	31 December 2009
Cash and cash equivalents	5	5,763	5,848
Balances with the Central Bank	6	6,195	8,505
Balances with banks	7	427,140	599,411
Money market placements	8	11,723	33,382
Financial assets at fair value through profit or loss			
-Trading securities	9	-	15
-Derivative financial instruments	27	2,206	430
Reserve deposits at the Central Bank	6	38,613	26,812
Loans and receivables	10	402,522	221,379
Finance lease receivables	11	11,202	15,135
Factoring receivables	12	25,528	32,365
Available-for-sale financial assets	13	85,136	91,125
Property and equipment	14	11,373	14,019
Intangible assets	15	699	887
Deferred tax asset	20	234	986
Other assets	16	24,001	13,976
TOTAL ASSETS		**1,052,335**	**1,064,275**

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

TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

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

LIABILITIES AND EQUITY	Notes	31 December 2010	31 December 2009
LIABILITIES			
Deposits	17	631,799	525,195
Obligations under repurchase agreements	18	64,331	60,933
Borrowings	19	170,408	307,777
Derivative financial instruments	27	414	583
Factoring payables		4	5
Corporate tax payable	20	79	120
Employee benefits	21	925	775
Other provisions	21	657	183
Other liabilities	22	25,721	14,986
TOTAL LIABILITIES		894,338	910,557
EQUITY			
Share capital issued	23	80,000	80,000
Adjustment to share capital		25,900	25,900
Premium in excess of par		37,448	37,448
Unrealized gains/(losses) on available for sale financial assets, (net of tax)	23	1,122	359
Other reserves and retained earnings		13,527	10,011
TOTAL EQUITY		157,997	153,718
TOTAL LIABILITIES AND EQUITY		**1,052,335**	**1,064,275**

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

TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

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

	Notes	1 January-31 December 2010	1 January-31 December 2009
INTEREST INCOME			
Interest on loans and receivables		25,085	23,833
Interest on securities		6,682	13,654
Interest received from banks		17,857	11,848
Interest received from money market placements		320	5,269
Other interest income		4,290	6,377
		54,234	60,981
INTEREST EXPENSES			
Interest on deposits		(18,658)	(23,914)
Interest on borrowings		(2,957)	(3,278)
Interest on money market borrowings		(2,065)	(4,746)
		(23,680)	(31,938)
NET INTEREST INCOME		30,554	29,043
Fee and commission income		16,473	15,473
Fee and commission expenses		(1,738)	(2,123)
Net fee and commission income		14,735	13,350
Net foreign currency gains / (losses)		(2,569)	872
Net securities trading gains		2,260	1,552
TOTAL TRADING INCOME		14,426	15,774
Impairment losses		(1,760)	(5,944)
NET OPERATING INCOME AFTER IMPAIRMENT LOSSES		43,220	38,873
Other operating income	24	4,577	3,702
Other operating expenses	25	(43,074)	(39,449)
INCOME BEFORE TAXATION		4,723	3,126
Income tax expense	20	(1,207)	(492)
NET INCOME FOR THE YEAR		3,516	2,634
Attributable to:			
Equity holders of the parent		3,516	2,634
NET INCOME		3,516	2,634

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

CONSOLIDATED STATEMENT OF CHANGES IN OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

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

	1 January- 31 December 2010	1 January- 31 December 2009
Income for the year	3,516	2,634
Other comprehensive income		
Fair value gains on available-for-sale financial assets, net of tax	763	5,452
Net change in fair values	908	5,659
Net amount transferred to income	(145)	(207)
Other comprehensive income for the year, net of tax	763	5,452
Total comprehensive income for the year	4,279	8,086
Total comprehensive income attributable to equity holders of the Parent	4,279	8,086

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

TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

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

	Share Capital	Adjustment to share capital	Premium in Excess of Par	Unrealized gains/(losses) on available for sale financial assets, (net of tax)	Legal reserves	Accumulated gains/(losses)	Total equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
Balances at 1 January 2009	80,000	25,900	37,448	(5,093)	3,017	4,360	145,632	-	145,632
Total comprehensive income for the year									
- Profit for the year	-	-	-	-	-	2,634	2,634	-	2,634
- Other comprehensive income for the year, net of tax	-	-	-	5,452	-	-	5,452	-	5,452
Transfer to legal reserves	-	-	-	-	570	(570)	-	-	-
Balance at 31 December 2009	80,000	25,900	37,448	359	3,587	6,424	153,718	-	153,718
Balances at 1 January 2010	80,000	25,900	37,448	359	3,587	6,424	153,718	-	153,718
Total comprehensive income for the year									
- Profit for the year	-	-	-	-	-	3,516	3,516	-	3,516
- Other comprehensive income for the year, net of tax	-	-	-	763	-	-	763	-	763
Transfer to legal reserves	-	-	-	-	326	(326)	-	-	-
Balance at 31 December 2010	80,000	25,900	37,448	1,122	3,913	9,614	157,997	-	157,997

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

TURKISH BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

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

	Note	1 January – 31 December 2010	1 January – 31 December 2009
Cash flows from operating activities			
Net income for the year		3,516	2,634
Adjustments for:			
Depreciation and amortization	14,15	2,482	2,240
Provision for loan losses		1,760	5,944
Income tax expense	20	1,207	492
Provision for retirement pay and unused vacation pay	21	489	58
Bonus accrual		917	708
Other provisions		(6)	(14)
Interest income accrual		(537)	(3,336)
Interest expense accrual		(176)	(590)
Interest accrual on cash and cash equivalents		(62)	(1,309)
Other expense accruals		33	(278)
Derivatives		(1,945)	(69)
Reversal of impairment on buildings		-	(343)
Gain on sale of property and equipment		(429)	-
Operating profit before changes in operating assets and liabilities		7,249	6,137
Changes in operating assets and liabilities:			
Net (increase)/decrease in reserve deposits with the Central Bank		(11,801)	(2,142)
Net increase in loans and advances to customers		(181,926)	(47,499)
Net increase in lease receivable		3,799	(4,097)
Net increase in factoring receivable		6,793	(20,386)
Net (increase)/decrease in financial assets at fair value through profit or loss		15	-
Net (increase)/decrease in other assets		(9,666)	(3,933)
Net increase/(decrease) in other liabilities		10,633	2,734
Net increase in customer deposits and due to other banks		106,512	127,179
		(68,392)	57,993
Income taxes paid		(1,046)	(626)
Retirement pay paid		(309)	(141)
Bonus paid		(947)	(610)
Net cash generated by/(used in) operating activities		(70,694)	56,616
Purchase of property and equipment	14,15	(739)	(1,119)
Proceeds from sale of property and equipment		1,520	-
Net increase in investment securities		7,249	20,220
Net cash used in investing activities		8,030	19,101
Proceeds from other borrowed funds - net of repayments		(133,723)	102,208
Net cash generated by financing activities		(133,723)	102,208
Net change in cash and cash equivalents		(196,387)	177,925
Cash and cash equivalents at the beginning of the year		645,532	467,607
Cash and cash equivalents at the end of the year		449,145	645,532

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

1. GENERAL INFORMATION

Turkish Bank A.Ş. ("the Bank") was incorporated in Turkey on 14 September 1991 and commenced operations on 25 December 1991. The registered office address of the Bank is as follows: Vali Konağı Cad. 1, 34371 Nişantaşı - Istanbul, Turkey. The Bank operates 21 branches (2009: 25). Number of employees as of 31 December 2010 is 273 (31 December 2009: 276).

Pursuant to the permission of Competition Board dated 8 November 2008 and numbered 07-85/1045-405 and the permission of Banking Regulation and Supervision Agency dated 28 December 2008 and numbered 17591, National Bank of Kuwait acquired 31.43% of shares of the Bank amounting to TRY 22,000 Thousand from Özyol Holding A.Ş. The Board of Directors approved the acquisition on 10 January 2008 and the share transfer was registered on 29 January 2008.

Upon the resolution carried at the extraordinary general meeting of the shareholders held on 29 January 2008, the Bank's paid-in capital (TRY 70,000 Thousand) was raised to TRY 80,000 Thousand by a cash increase of TRY 10,000 Thousand. Increase in paid-in capital was registered in the Trade Registry Gazette No: 6995 on 8 February 2008. The entire increase amount was paid in by the new shareholder National Bank of Kuwait as of the date of the extraordinary general meeting. The share of National Bank of Kuwait in the Bank's paid in capital increased to 40% after the capital increase. The shares issued during the capital increase are premium shares. National Bank of Kuwait paid TRY 47,448 Thousand (USD 40,000,000) in respect of nominal shares of TRY 10,000 Thousand and the difference of TRY 37,448 Thousand was accounted as premium in excess of par.

Nature of Activities of the Group

For the purposes of the accompanying consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as "the Group".

The operations of the Group consist of banking, securities brokerage, leasing and factoring.

The subsidiaries included in the consolidation and the effective shareholding percentages of the Group as of 31 December 2010 and 2009 are as follows:

	Place of Incorporation	Effective Shareholding and Voting Rights %	
		31 December 2010	31 December 2009
Turkish Yatırım A.Ş.	Turkey	99.99	99.99
Turkish Finansal Kiralama A.Ş.	Turkey	99.99	99.99
Turkish Faktoring Hizmetleri A.Ş.	Turkey	99.99	99.99

1. GENERAL INFORMATION (cont'd)

Nature of Activities of the Group (cont'd)

Turkish Yatırım A.Ş.

Turkish Yatırım A.Ş. was established on 31 December 1996 to deal with capital market activities according to the related regulations and the Capital Market Law. The head office of the Company is located at the address of Abdi İpekçi Caddesi, No: 57, Reasürans Han Kat: 5 Harbiye - İstanbul - Turkey.

Turkish Finansal Kiralama A.Ş.

Turkish Finansal Kiralama A.Ş. was established on 9 May 2007 to provide financial leasing services to corporate customers, investing in industrial machinery and equipment, various equipment and transport vehicles.

Turkish Faktoring Hizmetleri A.Ş.

Turkish Faktoring Hizmetleri A.Ş. was established on 9 May 2007 to provide both domestic and export factoring services to industrial and commercial enterprises.

2. ADOPTION OF NEW AND REVISED STANDARDS

New and Revised IFRSs applied with no material effect on the financial statements

• Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the financial statements.

• Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset.

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

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

IFRS 3 (revised in 2008) Business Combinations

IFRS 3 (revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. This is not relevant to the Group, as there is no business combination.

IAS 27 (revised in 2008) Consolidated and Separate Financial Statements

In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognized, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognized in profit or loss. Under IAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires a Group to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost. The resulting difference is recognized as a gain or loss in profit or loss.

IAS 28 (revised in 2008) Investments in Associates

The principle adopted under IAS 27 (2008) that a loss of control is recognized as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognized in profit or loss.

As part of Improvements to IFRSs issued in 2010, IAS 28 (2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively.

IFRIC 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after July 1, 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after July 1, 2009. This is not relevant to the Group, as it has not received any assets from customers.

2. ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

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

"Additional exemptions for first-time adopters" (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after January 1, 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

IFRS 2, "Share-based Payments – Group Cash-settled Share Payment Arrangements" is effective for annual periods beginning on or after January 1, 2010. This is not currently applicable to the Group, as the Group does not have share-based payment plans.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008) clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/intepretations as follows: IFRS 2 Share-based Payments, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 17 Leases, IAS 18 Revenue, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 16 Hedges of Net Investment in a Foreign Operation. The effective dates vary standard by standard but most are effective January 1, 2010.

New and Revised IFRSs in issue but not yet effective

IFRS 1 (amendments) First-time Adoption of IFRS – Additional Exemptions and Two Other Amendments

Amendments to IFRS 1 which are effective for annual periods on or after July 1, 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to;

• provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.

• provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

The amendment above will be effective for annual periods beginning on or after July 1, 2011. These amendments are not relevant to the Group, as it is an existing IFRS preparer.

2. ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

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

IFRS 7 Financial Instruments: Disclosures

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

IFRS 9 Financial Instruments: Classification and Measurement

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

IAS 12 Income Taxes

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

IAS 24(Revised 2009) Related Party Disclosures

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after January 1, 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

2. ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

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

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

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after February 1, 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

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

Amendments to IFRIC 14 are effective for annual periods beginning on or after January 1, 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Group does not expect any impact of the adoption of this amendment on the financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follow: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 3 Business Combinations; IFRS 7 Financial Instruments: Disclosures; IAS 27 Consolidated and Separate Financial Statements; IAS 34 Interim Financial Reporting and IFRIC 13 Customer Loyalty Programmes. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after July 1, 2010, all other amendments are effective on or after January 1, 2011. Early adoption of these amendments is allowed. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance:

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Basis of preparation:

The consolidated financial statements have been prepared on the historical cost basis except for those assets and liabilities measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3.3 Basis of presentation of consolidated financial statements:

The Bank and its subsidiaries maintain their books of account and prepare their financial statements in accordance with the Banking Act, based on accounting principles regulated by the Banking Regulation and Supervision Agency ("BRSA"), the other relevant rules and regulations regulated by the Turkish Commercial Code and Turkish tax legislation and relevant accounting rules and regulations. The accompanying consolidated financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" until 1 January 2006, for the purpose of fair presentation in accordance with IFRS.

3.4 Inflation accounting:

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

3.5 Consolidation:

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Income and Expense Recognition:

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Interest and other income and expenses are recognized on an accrual basis, except for fees and commissions for various banking services rendered which are recognized as income when received. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income on overdue loans is recognized on a cash basis when collected. Income and expenses are recognized at fair value or amortized cost basis. For the purpose of convenience, certain income and expenses are recognized on a straight line basis wherever does not materially differ from fair value or amortized cost method.

3.7 Functional and Presentation Currency and Foreign Currency Transactions:

Functional and presentation currency

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

Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Functional and Presentation Currency and Foreign Currency Transactions (cont'd):

As at 31 December 2010 and 31 December 2009 foreign currency assets and liabilities of the Group are mainly in US Dollar and Euro. As at 31 December 2010 and 31 December 2009 exchange rates of US Dollar and Euro are as follows:

	31 December 2010	31 December 2009
1 US Dollar	1,5640	1.5057
1 Euro	2,0491	2.1603

Average rates are as follows:

	1 January – 31 December 2010	1 January – 31 December 2009
1 US Dollar	1,5115	1.5457
1 Euro	2,9977	2.1508

3.8 Financial assets:

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Financial assets (cont'd):

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis. The Group does not have held-to-maturity investments as of the balance sheet date.

Available-for-sale financial assets

Investments other than held-to-maturity debt securities and held for trading securities are classified as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The Group's investments are composed of Turkish Republic Government bonds, Treasury bills and Eurobonds which are accounted for at the fair value of the consideration given (at cost) at initial recognition determined by reference to the transaction price or market prices and subsequently measured as explained above in accordance with their classification.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Financial assets (cont'd):

Impairment of financial assets (cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.9 Financial liabilities:

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

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

The Group does not have financial liabilities at FVTPL as of 31 December 2010 and 2009.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Financial liabilities (cont'd):

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest-bearing deposits and borrowings

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

Equity instruments

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

Off balance sheet commitments and contingencies

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

3.10 Fair value considerations:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Fair value considerations (cont'd):

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

For certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would never differ significantly from market rates.

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

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

Securities investments: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

Loans: The major portion of the loans is short-term and has interest rates that are subject to fluctuation at short notice in accordance with prevailing interest rates in the market. Management believes that the risk factors embedded in the entry value of interest rates and subsequent rate changes along with the related allowances for uncollectibility and assessment of risks associated with the loan book result in a fair valuation of loans.

Deposits: Estimated fair value of demand deposits, saving deposits and interbank deposits is the amount payable on demand at the reporting date.

Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing borrowings and overdrafts are recorded at the proceeds received. Interests on borrowings are accounted for on an accrual basis and are added to the carrying amount of instruments to the extent they are not settled in the period in which they arise.

3.11 Derivative financial instruments:

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date. All unrealized gains and losses on these instruments are included in the statement of income. Unrealized gains and losses on these instruments are not deductible for tax purposes.

The Group's derivative transactions are mainly in the form of forwards and currency swaps.

The Group does not have any derivatives held for hedging purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 Investments Under Resale or Repurchase Transactions:

Purchases or sales of investments under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Sales of investments under agreements of repurchase ("Repos") are retained in the balance sheet and corresponding counterparty commitment is included separately under liabilities. The income and expenses on repo transactions are separately recognized as interest income accrued in accordance with its classification as financial assets at fair value through profit or loss, investments held to maturity or investments available for sale, and interest expense is accounted for on an accrual basis over the period of the transactions.

Purchases of securities under agreements of resale ("reverse repos") are separately disclosed under assets as "funds lent under securities resale agreements" and interest income on such transactions is accounted for on an accrual basis over the period of transactions.

3.13 Loans and Allowance for Impairment Losses:

Loans are financial instruments extended by the Bank and accounted for at amortized cost using the effective interest rate method, except for certain loans wherever straight line accrual basis does not materially differ from amortized cost method.

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

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

3.14 Leasing - the Group as lessor:

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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Provision for doubtful finance lease receivables and other receivables are recognized as an expense and written off against the profit for the year. Provision for receivables under follow-up is allocated assessing the Group's loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current finance lease receivables.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Leasing - the Group as Lessee:

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

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

3.16 Factoring Receivables:

Factoring receivables are recognized at original factored receivable amount, which represents the fair value of consideration given, and subsequently remeasured at amortized cost less reserve for impairment. Provision for impaired factoring receivables are recognized as an expense and written off against the profit for the year. Provision for impaired factoring receivables is allocated assessing the Group's loan portfolio, quality and risk and considering the economic conditions and other factors including the related legislation against the potential losses that may be resulted from the current factoring receivables.

3.17 Property and equipment:

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Intangible assets:

Intangible assets of the Group consist of computer software. 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 over their estimated useful lives.

3.19 Impairment of non-financial assets:

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.20 Borrowing costs:

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.21 Provisions:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.22 Retirement pay provision:

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

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

3.23 Taxation and deferred income taxes:

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 Taxation and deferred income taxes (cont'd):

Deferred tax (cont'd)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

3.24 Business and Geographical Segments:

Business Segments

For management purposes, the Group is currently organized into the operating divisions of banking, securities broking, leasing and factoring. These divisions are the basis on which the Group reports its primary segment information.

Geographical Segments

The Group's operations are mainly located in Turkey.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.25 Use of Estimates:

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

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.8.

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk Function.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3.8. For financial instruments that require varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group's accounting policies include:

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.8.

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets and liabilities as "trading", the Group has determined that it meets the description of held for trading investments and liabilities set out in accounting policy 3.8.

- In classifying financial assets as "available for sale", the Group has determined that it meets the description of available for sale investments set out in accounting policy 3.8.

Details of the Group's classification of financial assets and liabilities are given in note 30.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.26 Offsetting:

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

3.27 Client Assets:

Client assets, except for deposits accepted and other cash proceeds obtained, held under custody, in fiduciary, agency or intermediary capacity are not recognized in the accompanying consolidated financial statements as customers have ownership of such assets.

4. SEGMENTAL INFORMATION

Business segments

	1 January-31 December 2010					
	Banking TRY'000	Brokerage TRY'000	Leasing TRY'000	Factoring TRY'000	Eliminations and Adjustments TRY'000	Total TRY'000
Interest income	48,976	1,747	1,598	2,397	(484)	54,234
Interest expenses	(22,790)	(4)	(256)	(1,114)	484	(23,680)
Net interest income	26,186	1,743	1,342	1,283	-	30,554
Net fee and commission income	2,214	12,807	(4)	262	(544)	14,735
Net foreign currency gains / (losses)	(2,584)	-	9	6	-	(2,569)
Net securities trading gains / (losses)	2,236	24	-	-	-	2,260
Net trading income	1,866	12,831	5	268	(544)	14,426
Impairment losses	(1,634)	-	(613)	(44)	531	(1,760)
Net operating income after impairment	26,418	14,574	734	1,507	(13)	43,220
Other operating income	4,763	1,240	135	103	(1,664)	4,577
Other operating expenses	(27,802)	(12,480)	(1,534)	(1,897)	639	(43,074)
Income before tax	3,379	3,334	(665)	(287)	(1,038)	4,723
Taxation	(502)	(681)	40	42	(106)	(1,207)
Net income	2,877	2,653	(625)	(245)	(1,144)	3,516

BALANCE SHEET	31 December 2010					
	Banking TRY'000	Brokerage TRY'000	Leasing TRY'000	Factoring TRY'000	Eliminations and Adjustments TRY'000	Total TRY'000
Total assets	1,029,214	35,125	14,989	25,943	(52,936)	1,052,335
Liabilities	872,359	22,831	5,263	20,787	(26,902)	894,338

4. SEGMENTAL INFORMATION (cont'd)

Business segments (cont'd)

	1 January-31 December 2009					
	Banking TRY'000	Brokerage TRY'000	Leasing TRY'000	Factoring TRY'000	Eliminations and Adjustments TRY'000	Total TRY'000
Interest income	54,467	1,483	2,325	3,786	(1,080)	60,981
Interest expenses	(30,862)	(1)	(532)	(1,623)	1,080	(31,938)
Net interest income	23,605	1,482	1,793	2,163	-	29,043
Net fee and commission income	2,962	10,019	(5)	374	-	13,350
Net foreign currency gains	892	-	(28)	8	-	872
Net securities trading gains	1,459	93	-	-	-	1,552
Net trading income	5,313	10,112	(33)	382	-	15,774
Impairment losses	(4,807)	-	(603)	(534)	-	(5,944)
Net operating income after impairment	24,111	11,594	1,157	2,011	-	38,873
Other operating income	4,044	490	194	151	(1,177)	3,702
Other operating expenses	(26,904)	(9,393)	(1,522)	(1,732)	102	(39,449)
Income before tax	1,251	2,691	(171)	430	(1,075)	3,126
Taxation	144	(549)	16	(103)	-	(492)
Net income	1,395	2,142	(155)	326	(1,075)	2,634

BALANCE SHEET	31 December 2009					
	Banking TRY'000	Brokerage TRY'000	Leasing TRY'000	Factoring TRY'000	Eliminations and Adjustments TRY'000	Total TRY'000
Total assets	1,025,155	32,482	16,250	32,976	(42,588)	1,064,275
Liabilities	871,940	21,271	6,324	27,576	(16,554)	910,557

4. SEGMENTAL INFORMATION (cont'd)

Geographical segments

The Group's geographical segments are based on the location of the Group's customers. The Group's activities are conducted predominantly in Turkey. The areas of operation include all the primary business segments.

TRY'000	Assets TRY'000	Liabilities TRY'000	Non-Cash Loans TRY'000	Net Income TRY'000
Current Period				
Domestic	993,575	687,556	90,749	3,516
European Union Countries	11,741	8,680	3,970	-
OECD Countries (*)	2	-	-	-
Off-Shore Banking Regions	29,994	196,952	-	-
USA, Canada	2,454	510	-	-
Other Countries	14,569	640	-	-
Total	1,052,335	894,338	94,719	3,516
Prior Period				
Domestic	1,002,918	707,374	186,516	2,634
European Union Countries	30,726	41,267	3,208	-
OECD Countries (*)	15	-	-	-
Off-Shore Banking Regions	15,284	138,825	954	-
USA, Canada	1,984	374	-	-
Other Countries	12,786	22,717	-	-
Total	1,064,275	910,557	190,678	2,634

(*) OECD countries except USA and Canada.

5. CASH AND CASH EQUIVALENTS

	31 December 2010 TRY'000	31 December 2009 TRY'000
Cash balances –Turkish Lira ("TRY")	1,751	2,588
Cash balances – Foreign currencies ("FC")	4,012	3,260
	5,763	5,848

6. BALANCES WITH THE CENTRAL BANK

a) Balances with the Central Bank

	31 December 2010 TRY'000	31 December 2009 TRY'000
Demand deposits – Turkish Lira ("TRY")	17	295
Demand deposits – Foreign Currency ("FC")	6,178	8,210
	6,195	8,505

b) Reserve Deposits at the Central Bank

	31 December 2010 TRY'000	31 December 2009 TRY'000
Reserves – Turkish Lira ("TRY")	23,139	11,151
Reserves – Foreign Currency ("FC")	15,474	15,661
	38,613	26,812

According to the regulations of Central Bank of the Republic of Turkey ("Central Bank"), banks are required to reserve a portion of certain liability accounts as specified in the related decrees. Such mandatory reserves are not available for use in the Bank's day to day operations. As of 31 December 2010, the reserve deposit requirements applicable in Turkey for Turkish Lira and foreign currency deposits were 6% and 11%, respectively (31 December 2009 - %5 and %9).

The interest rates applied for reserve deposits are raised to 6% from 5% for TRY deposits and to 11% from 10% for FC deposits and interest payment to TRY deposits is terminated effective from 1 October 2010.

Reserve deposit rates for TRY liabilities vary from 5% to 12% depending on maturities of liabilities for the reserve deposit calculations commencing on 4 February 2011.

7. BALANCES WITH BANKS

	31 December 2010 TRY'000	31 December 2009 TRY'000
Domestic Banks		
Demand deposits – Turkish Lira	41	18
Demand deposits – Foreign Currency	43	162
Time deposits – Turkish Lira	324,514	275,351
Time deposits – Foreign Currency	72,203	302,253
	396,801	577,784
Banks Abroad		
Demand deposits – Turkish Lira	20	4,873
Demand deposits – Foreign Currency	4,467	-
Time deposits – Turkish Lira	18,882	16,754
Time deposits – Foreign Currency	6,970	-
	30,339	21,627
	427,140	599,411

The time deposits in Turkish Lira above mature within three months and earn interest at rates ranging from 6.35% to 8.75% (31 December 2009: from 6.50% to 10.60%) per annum. The time deposits in foreign currency above mature within one month and earn interest at rates ranging from 0.20% to 2.50% (31 December 2009: from 0.10% to 2.25%) per annum.

8. MONEY MARKET PLACEMENTS / INTERBANK MONEY MARKET BORROWINGS

	31 December 2010 TRY'000	31 December 2009 TRY'000
Funds lent under reverse repurchase agreements	11,003	9,002
Interbank placements	720	24,380
	11,723	33,382

9. TRADING SECURITIES

	31 December 2010 TRY'000	31 December 2009 TRY'000
Government bonds & Treasury bills	-	15

10. LOANS AND RECEIVABLES

	31 December 2010 TRY'000	31 December 2009 TRY'000
Short term loans	276,052	134,356
Medium and long term loans	117,459	82,546
Impaired loans	18,067	14,595
	411,578	231,497
Less: Specific allowance for impairment losses on loans	(8,143)	(8,237)
Less: Portfolio provision for loan losses	(913)	(1,881)
	(9,056)	(10,118)
	402,522	221,379

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

Customer Groups:	31 December 2010 TRY'000	31 December 2009 TRY'000
Corporate customers	332,974	120,861
Small business	44,861	83,866
Consumer loans	1,861	3,413
Credit cards	1,623	1,544
Other	12,192	7,218
Overdue loans	18,067	14,595
Less: Allowance for impairment losses on loans	(9,056)	(10,118)
	402,522	221,379

Interest rates charged for the above loan portfolio vary between 2.43%-37% per annum for Turkish Lira loans. For foreign currency loans the interest rates vary between 2.43%-9.5% for US Dollar loans and 5.5%-8% for Euro loans respectively (31 December 2009: 3.20%-54% for Turkish Lira loans, 2.58%-11% for US Dollar loans and 2.52%-11% for Euro loans respectively).

Currency:	31 December 2010 TRY'000	31 December 2009 TRY'000
Turkish Lira (TRY)	286,970	123,394
US Dollar	93,673	59,791
Euro	21,217	36,445
Other currencies	662	1,749
	402,522	221,379

10. LOANS AND RECEIVABLES (cont'd)

31 December 2010	Corporate	Small Business	Consumer	Other	Total
Neither past due nor impaired	332,974	44,669	1,861	13,637	393,141
Past due not impaired	-	192	-	178	370
Individually impaired	4,974	5,404	339	7,350	18,067
Total gross	337,948	50,265	2,200	21,165	411,578
Less: allowance for individually impaired loans	(4,974)	(2,321)	(339)	(509)	(8,143)
Less: allowance for collectively impaired loans (*)	-	-	-	(913)	(913)
Total allowance for impairment	(4,974)	(2,321)	(339)	(1,422)	(9,056)
Total net	332,974	47,944	1,861	19,743	402,522

31 December 2009	Corporate	Small Business	Consumer	Other	Total
Neither past due nor impaired	120.923	80,054	4,895	7,152	213,024
Past due not impaired	-	3,812	-	66	3,878
Individually impaired	7,810	4,299	451	2,035	14,595
Total gross	128,733	88,165	5,346	9,253	231,497
Less: allowance for individually impaired loans	(4,956)	(2,507)	(265)	(509)	(8,237)
Less: allowance for collectively impaired loans (*)	-	-	-	(1,881)	(1,881)
Total allowance for impairment	(4,956)	(2,507)	(265)	(2,390)	(10,118)
Total net	123,777	85,658	5,081	6,863	221,379

(*) Portfolio provision for loan losses is not distributed among the customer groups but presented in "Other" column.

10. LOANS AND RECEIVABLES (cont'd)

Movement in allowance for the impairment losses on loans are as follows:

	2010 TRY'000	2009 TRY'000
Specific Allowance for Individual Impairment Losses:		
As at 1 January	8,237	5,774
Charge for the year	1,065	4,105
Allowance released	(1,159)	(1,642)
As at 31 December	8,143	8,237
Portfolio Provisions for Loan Losses:	913	1,881
As at 31 December	9,056	10,118

A reconciliation of the allowance for individual impairment losses on loans by customer groups is as follows:

31 December 2010 (TRY'000)	Corporate	Small Business	Consumer	Other	Total
At January 1	4,956	2,507	265	509	8,237
Charge for the year	483	479	103	-	1,065
Recoveries	(465)	(665)	(29)	-	(1,159)
At December 31	4,974	2,321	339	509	8,143

31 December 2009 (TRY'000)	Corporate	Small Business	Consumer	Other	Total
At January 1	3,202	2,213	107	252	5,774
Charge for the year	3,385	294	169	257	4,105
Recoveries	(1,631)	-	(11)	-	(1,642)
At December 31	4,956	2,507	265	509	8,237

10. LOANS AND RECEIVABLES (cont'd)

The total value of collaterals that the Group held for impaired loans as at 31 December 2010 was TRY 12,055 Thousand (31 December 2009: 7,636 TRY Thousand). The total value of collaterals that the Group held for loans that are not impaired as at 31 December 2010 was TRY 95,652 Thousand (31 December 2009: 89,048 TRY Thousand).

11. FINANCE LEASE RECEIVABLES

	2010 TRY'000	2009 TRY'000
Invoiced finance lease receivables	115	84
Uninvoiced finance lease receivables	9,040	14,448
Less: Unearned interest income	(1,678)	(3,242)
Net investment in finance leases	7,477	11,290
Impaired lease receivables	4,488	4,533
Less: Reserve for impairment	(763)	(688)
Minimum lease payments receivable, net	11,202	15,135

The allocation of finance lease receivables according to their maturities, excluding net of impaired lease receivables, is as follows;

31 December 2010	Finance lease receivables (Gross) TRY'000	Unearned Interest TRY'000	Finance lease receivables (Net) TRY'000
2011	4,205	(975)	3,230
2012	3,016	(497)	2,519
2013	1,485	(187)	1,298
2014 and later	449	(19)	430
	9,155	(1,678)	7,477

31 December 2009	Finance lease receivables (Gross) TRY'000	Unearned Interest TRY'000	Finance lease receivables (Net) TRY'000
2010	5,423	(1,579)	3,844
2011	4,443	(1,054)	3,389
2012	3,245	(463)	2,782
2013	1,222	(135)	1,087
2014	199	(11)	188
	14,532	(3,242)	11,290

11. FINANCE LEASE RECEIVABLES (cont'd)

The movements of allowance for impaired finance lease receivables for the years ended 31 December 2010 and 31 December 2009 are as follows:

	2010 TRY'000	2009 TRY'000
Opening balance	688	80
Reserve for the year	83	615
Recoveries	(8)	(4)
Write off	-	(3)
Ending balance	763	688

The distribution of lease receivables according to foreign currency types is as follows:

31 December 2010

Foreign Currency Type	Principal(Net) TRY'000	Unearned Interest TRY'000
US Dollar	4,680	295
Euro	795	219
TRY	5,727	1,163
	11,202	1,677

31 December 2009

Foreign Currency Type	Principal(Net) TRY'000	Unearned Interest TRY'000
US Dollar	3,807	601
Euro	3,593	245
TRY	7,735	2,392
	15,135	3,238

The Group has collaterals obtained for the lease receivables under follow up amounting to TRY 3,737 Thousand (31 December 2009: TRY 4,376 Thousand) and for the receivables that are past due but not impaired amounting to TRY 241 Thousand (31 December 2009: TRY 820 Thousand).

The Group revises the estimated fair values of the collaterals taken against the receivables under follow-up based on the current market conditions and considers such revised collateral amounts when determining impairment.

11. FINANCE LEASE RECEIVABLES (cont'd)

As at 31 December 2010, the Group obtained guarantees (including mortgage, bank letter of guarantees, and others) from its customers amounting to TRY 3,107 Thousand (31 December 2009: TRY 5,119) against its lease receivables.

12. FACTORING RECEIVABLES

		31 December 2010	
	Effective interest rate	Turkish Lira	Foreign Currency
Factoring receivables	9%-23%	26,084	-
Impaired factoring receivables		721	-
Less: Reserve for impairment		(721)	-
Less: Deferred income		(556)	-
Net factoring receivables		25,528	-

		31 December 2009	
	Effective interest rate	Turkish Lira	Foreign Currency
Factoring receivables	10%-48%	32,774	-
Impaired factoring receivables		677	-
Less: Reserve for impairment		(677)	-
Less: Deferred income		(409)	-
Net factoring receivables		32,365	-

All factoring receivables have fixed interest rates.

Movements in the reserve for impairment:

	1 January – 31 December 2010 TRY'000	1 January – 31 December 2009 TRY'000
Reserve at beginning of year	677	143
Provision for impairment	44	534
Reserve at end of the year	721	677

12. FACTORING RECEIVABLES (cont'd)

As at 31 December 2010 and 31 December 2009, aging of factoring receivables are as follows:

	31 December 2010 TRY'000	31 December 2009 TRY'000
Up to 30 days	3,034	8,389
Between 30 – 90 days	13,274	15,169
Between 90 – 180 days	8,511	2,752
Between 180 – 360 days	523	6,055
More than 1 year	186	-
	25,528	32,365

As at 31 December 2010 and 31 December 2009, aging of factoring receivables past due but not impaired are as follows:

	31 December 2010 TRY'000	31 December 2009 TRY'000
Up to 30 days	83	51
Between 30 – 60 days	-	-
Between 60 – 90 days	-	12
	83	63

The total value of collaterals that the Group held for past due but not impaired factoring receivables as at 31 December 2010 was TRY 83 Thousand (31 December 2009: None).

13. AVAILABLE FOR SALE FINANCIAL ASSETS

	31 December 2010 TRY'000	31 December 2009 TRY'000
Turkish Government bonds & Treasury bills denominated in TRY	68,401	62,386
Turkish Treasury bills denominated in foreign currencies	2,206	12,367
Eurobonds	14,529	16,372
	85,136	91,125

13. AVAILABLE FOR SALE FINANCIAL ASSETS (cont'd)

As of 31 December 2010, the government bonds and treasury bills with fair value of TRY 58.198 thousand (2009: TRY 55.768 thousand) and nominal value of TRY 53.804 thousand (2009: TRY 53.300 thousand) were sold to the Group's customers under repurchase agreements. The funds collected from those repo transactions were TRY 54.114 thousand (2009: TRY 52.090 thousand) and they are included in obligations under repurchase agreements.

The blocked securities kept by the Central Bank and İMKB (İstanbul Stock Exchange) Takas ve Saklama Bankası A.Ş. for the purposes of trading guarantee on interbank, bond, repurchase and reverse repurchase markets and custody services as at 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010		31 December 2009	
	Nominal Value TRY'000	Carrying Value TRY'000	Nominal Value TRY'000	Carrying Value TRY'000
Government bonds & Treasury bills	8,237	9,349	18,236	19,268
	8,237	9,349	18,236	19,268

14. PROPERTY AND EQUIPMENT

	Buildings TRY'000	Motor vehicles TRY'000	Machinery and equipment TRY'000	Furniture and fixtures TRY'000	Other fixed assets TRY'000	Leasehold improvements TRY'0000	Total TRY'000
Acquisition cost							
Opening balance, 1 January 2010	14,758	413	3,239	2,204	1,368	4,436	26,418
Additions	-	36	73	181	99	92	481
Disposals	(1,221)	(120)	(17)	(606)	(69)	(206)	(2,239)
Closing balance, 31 December 2010	13,537	329	3,295	1,779	1,398	4,322	24,660
Accumulated depreciation							
Opening balance, 1 January 2010	(5,794)	(405)	(1,640)	(1,700)	(660)	(2,200)	(12,399)
Charge for the year	(293)	(9)	(607)	(200)	(188)	(739)	(2,036)
Disposals	275	121	10	579	37	126	1,148
Closing balance, 31 December 2010	(5,812)	(293)	(2,237)	(1,321)	(811)	(2,813)	(13,287)
Net book value as of 31 December 2010	7,725	36	1,058	458	587	1,509	11,373

Premises and equipment are depreciated on a straight-line basis using the following main rates which write off the assets over their expected useful lives:

Buildings	2%
Motor vehicles	20%
Machinery and equipment	20%
Furniture and fixtures	20%
Other	20%

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

14. PROPERTY AND EQUIPMENT (cont'd)

	Buildings TRY'000	Motor vehicles TRY'000	Machinery and equipment TRY'000	Furniture and fixtures TRY'000	Other fixed assets TRY'000	Leasehold improvements TRY'000	Total TRY'000
Acquisition cost							
Opening balance, 1 January 2009	14,333	413	3,166	2,137	1,273	3,758	25,080
Additions	-	-	73	82	101	724	980
Disposals	-	-	-	(15)	(6)	(46)	(67)
Reversal of impairment	425	-	-	-	-	-	425
Closing balance, 31 December 2009	14,758	413	3,239	2,204	1,368	4,436	26,418
Accumulated depreciation							
Opening balance, 1 January 2009	(5,425)	(376)	(1,340)	(1,479)	(464)	(1,493)	(10,577)
Charge for the year	(287)	(29)	(300)	(232)	(199)	(734)	(1,780)
Disposals	-	-	-	11	2	27	40
Reversal of impairment	(82)	-	-	-	-	-	(82)
Closing balance, 31 December 2009	(5,794)	(405)	(1,640)	(1,700)	(660)	(2,200)	(12,399)
Net book value as of 31 December 2009	8,964	8	1,599	504	708	2,236	14,019

15. INTANGIBLE ASSETS

	Software TRY'000	Total TRY'000
Acquisition cost		
Opening balance, 1 January 2010	3,266	3,266
Additions	258	258
Closing balance, 31 December 2010	3,524	3,524
Accumulated amortization		
Opening balance, 1 January 2010	(2,379)	(2,379)
Charge for the year	(446)	(446)
Closing balance, 31 December 2010	(2,825)	(2,825)
Net book value as of 31 December 2010	699	699

	Software TRY'000	Total TRY'000
Acquisition cost		
Opening balance, 1 January 2009	3,100	3,100
Additions	166	166
Closing balance, 31 December 2009	3,266	3,266
Accumulated amortization		
Opening balance, 1 January 2009	(1,919)	(1,919)
Charge for the year	(460)	(460)
Closing balance, 31 December 2009	(2,379)	(2,379)
Net book value as of 31 December 2009	887	887

Estimated useful lives for intangible assets vary between three to twenty years.

16. OTHER ASSETS

	31 December 2010 TRY'000	31 December 2009 TRY'000
Cash guarantees given to Turkish Derivative Exchange Market	10,174	10,237
Other cash guarantees given	476	1,226
Prepaid taxes	563	933
Prepaid expenses	223	223
Foreclosed assets	476	74
Clearance account	9,901	-
Other	2,188	1,283
	24,001	13,976

17. DEPOSITS

31 December 2010	Time TRY'000	Demand TRY'000	Total TRY'000
TRY Deposit			
Savings deposits	139,930	8,733	148,663
Public, commercial and other enterprises	21,053	7,542	28,595
Banks	207,217	45	207,262
	368,200	16,320	384,520
FC deposits			
Savings deposits	153,064	16,168	169,232
Public, commercial and other enterprises	-	-	-
Banks	1,939	76,108	78,047
	155,003	92,276	247,279
	523,203	108,596	631,799

Average interest rate for the deposits is 7.44% per annum for Turkish Lira deposits. For foreign currency deposits the average interest rate is 2.58% for US Dollar deposits and 2.93% for Euro deposits (31 December 2009: 8.25% for Turkish Lira deposits, 3.05% for US Dollar deposits and 2.71% for Euro deposits).

17. DEPOSITS (cont'd)

31 December 2009	Time TRY'000	Demand TRY'000	Total TRY'000
TRY Deposit			
Savings deposits	134,565	10,162	144,727
Public, commercial and other enterprises	17,702	31,430	49,132
Banks	22,585	226	22,811
	174,852	41,818	216,670
FC deposits			
Savings deposits	224,609	9,782	234,391
Public, commercial and other enterprises	-	3,273	3,273
Banks	70,453	408	70,861
	295,062	13,463	308,525
	469,914	55,281	525,195

18. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

	31 December 2010		
	Carrying Value of Underlying Securities TRY'000	Carrying Value of Corresponding Liability TRY'000	31 December 2010 Repurchase Value TRY'000
Funds lent under reverse repurchase agreements	9,955	10,217	10,219
Available for sale investments	58,198	54,114	54,153
	68,153	64,331	64,372

	31 December 2009		
	Carrying Value of Underlying Securities TRY'000	Carrying Value of Corresponding Liability TRY'000	31 December 2009 Repurchase Value TRY'000
Financial assets at fair value through profit or loss	8,853	8,843	8,850
Available for sale investments	55,768	52,090	52,123
	64,621	60,933	60,973

19. BORROWINGS

	31 December 2010 TRY'000	31 December 2009 TRY'000
Borrowings from abroad:		
Foreign banks – TRY - short-term	90,901	8,809
Foreign banks – FC – short-term	73,986	52,117
	164,887	60,926
Local bank borrowings:		
Borrowings from local banks – TRY –short term	5,521	147,601
Borrowings from local banks – FC – short term	-	99,250
	5,521	246,851
	170,408	307,777

The interest rates for TRY borrowings are between 1.5% and 9.6% (31 December 2009: 6.25% to 14%) while interest rates for foreign currency borrowings are between 0.05% and 5.5% (31 December 2009: 0.05% to 1,50%).

As of 31 December 2010 TRY 1,488 Thousand borrowings of the Group are payable in long term and the rest of the borrowings are repayable within one year (31 December 2009: All the borrowings of the Group are repayable within one year).

20. TAXATION

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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

The effective rate of tax in 2010 is 20% (2009: 20%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2010 is 20% (2009: 20%).

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate.

20. TAXATION (cont'd)

Corporate Tax (cont'd)

Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

According to the regulation, published in the Official Gazette on August 1, 2010 based on Law No. 6009, the investment allowance amounts can be used without a year limitation. Investment allowance amount, which will be used in the determination of the tax assessment, will not exceed 25% profit of the concerned period. In addition to this, 20% corporate tax rate will be applied on the income after the deduction of the allowance.

The Group does not have any investment incentive as of 31 December 2010 and 2009.

In the accompanying consolidated financial statements corporate tax and deferred tax asset/liability are comprised of the following:

a) Balance Sheet: Corporate tax

	31 December 2010 TRY'000	31 December 2009 TRY'000
Corporate tax provision	642	863
Prepaid taxes	(563)	(1,676)
Net (*)	79	(813)

(*) As of 31 December 2009 net corporate tax payable amounting to TRY 120 thousand is presented as corporate tax payable in the balance sheet. Net prepaid corporate tax amounting to TRY 933 thousand is presented in other assets in the balance sheet.

b) Income Statement

	1 January-31 December 2010 TRY'000	1 January-31 December 2009 TRY'000
Current income tax	642	863
Deferred income tax	565	(371)
	1,207	492

20. TAXATION (cont'd)

c) Total charge for the year can be reconciled to the accounting profit as follows:

	1 January- 31 December 2010 TRY'000	1 January- 31 December 2009 TRY'000
Profit before income tax	4,723	3,126
Tax at the domestic tax rate of 20% (2009:20%)	945	625
Other, net (including tax effects of expenses that are not deductible in determining taxable profit)	262	(133)
	1,207	492

Deferred Income Tax

Temporary differences and corresponding deferred taxes are as follows:

Deferred tax assets	31 December 2010		31 December 2009	
	Timing Differences	Deferred Tax Asset / (Liability)	Timing Differences	Deferred Tax Asset / (Liability)
Useful life difference on fixed assets	470	94	672	134
Employee termination benefits and unused vacation pay liability	759	152	620	124
Portfolio provisions for loan losses	913	183	1,881	376
Available for sale financial assets valuation difference	165	33	585	117
Loan loss provision	-	-	531	106
Building impairment	-	-	240	48
Accumulated tax losses(*)	95	19	-	-
Finance lease income accrual	-	-	(161)	(32)
Deferred factoring interest income	556	111	409	82
Derivative financial instruments	(1,792)	(358)	155	31
	1,166	234	4,932	986

(*) Tax losses can be carried forward for offset against future taxable income for up to 5 years. Accumulated tax losses of the Group will expire in the year 2015.

20. TAXATION (cont'd)

Deferred Income Tax (cont'd)

Movement of net deferred tax assets can be presented as follows:

	31 December 2010 TRY'000	31 December 2009 TRY'000
Deferred tax assets, net at 1 January	986	741
Deferred tax recognised in the profit or loss	(565)	371
Deferred income tax recognised in other comprehensive income	(187)	(126)
	234	986

21. PROVISIONS

	31 December 2010 TRY'000	31 December 2009 TRY'000
Employee benefits		
Provision for retirement pay	500	361
Provision for unused vacation	300	259
Provision for personnel bonus	125	155
	925	775
Other provisions		
Provisions for the non-cash loans uncompensated	644	163
Other provisions	13	20
	657	183
Total Provisions	1,582	958

The movement of unused vacation accrual is as follows:

	2010 TRY'000	2009 TRY'000
Opening balance	259	246
Reserve for the year	41	13
Ending balance	300	259

21. PROVISIONS (cont'd)

The movement of provision for personnel bonus is as follows:

	2010 TRY'000	2009 TRY'000
Opening balance	155	57
Reserve for the year	917	708
Bonus payments	(947)	(610)
Ending balance	125	155

Provision for retirement pay

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

The amount payable consists of one month's salary limited to a maximum of TRY 2,517.01 (2009: TRY 2,365.16) for each period of service at 31 December 2010.

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

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2010, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5.10% and a discount rate of 10%, resulting in a real discount rate of approximately 4.66% (31 December 2009: 5.92%). The anticipated rate of forfeitures is considered.

Provision for retirement pay	31 December 2010 TRY'000	31 December 2009 TRY'000
At 1 January	361	457
Current service cost	428	41
Interest cost	20	27
Retirement payments made	(309)	(141)
Reversal of provision	-	(23)
At 31 December	500	361

22. OTHER LIABILITIES

	31 December 2010 TRY'000	31 December 2009 TRY'000
Cash guarantees received from Turkish Derivative Exchange Market customers	10,174	10,237
Taxes and withholdings payable	1,526	1,643
Clearance account	10,685	1,160
Other	3,336	1,946
	25,721	14,986

23. EQUITY

Share capital:

Shareholders	%	31 December 2010 TRY'000	%	31 December 2009 TRY'000
Özyol Holding A.Ş.	53.77	43,018	53.77	43,018
National Bank of Kuwait	40.00	32,000	40.00	32,000
Mehmet Tanju Özyol	5.17	4,135	5.17	4,135
Others	1.06	847	1.06	847
Nominal capital	100.00	80,000	100.00	80,000
Effect of inflation		25,900		25,900
		105,900		105,900

Upon the resolution carried at the extraordinary general meeting of the shareholders held on 29 January 2008, the Bank's paid-in capital (TRY 70,000 Thousand) was raised to TRY 80,000 Thousand by a cash increase of TRY 10,000 Thousand. Increase in paid-in capital was registered in the Trade Registry Gazette No: 6995 on 8 February 2008.

The shares issued during the capital increase are premium shares. The new shareholder National Bank of Kuwait paid TRY 47,448 Thousand (USD 40,000,000) in respect of nominal shares of TRY 10,000 Thousand and the difference of TRY 37,448 Thousand was accounted as premium in excess of par following the necessary permissions obtained.

According to the Transfer/ Abelienate and Acceptance Declaration on 12 May 2008, shares amounting to TRY 4,076 Thousand owned by Türk Bankası Ltd. which correspond to 5.10% shares of the Bank's total capital amounting to TRY 80,000 were transferred to Mehmet Tanju Özyol.

The share capital is divided into 8,000,000,000 (eight billion) registered shares of a nominal value of 0.01 Turkish Lira each.

23. EQUITY (cont'd)

Movement in available for sale investments valuation reserve is as follows:

	2010 (TRY'000)	2009 (TRY'000)
At 1 January	359	(5,093)
Net unrealised gains on AFS	1,099	7,022
Realised (gains)/ losses on AFS recycled to income statement on disposal	(145)	(207)
Tax effect of net gains on AFS	(191)	(1,363)
At 31 December	1,122	359

Legal reserves:

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

24. OTHER OPERATING INCOME

	1 January-31 December 2010 TRY'000	1 January-31 December 2009 TRY'000
Reversal of prior years accruals and provisions	2,112	2,555
Commissions on public offerings	790	20
Other	1,675	1,127
	4,577	3,702

25. OTHER OPERATING EXPENSES

	1 January-31 December 2010 TRY'000	1 January-31 December 2009 TRY'000
Personnel expenses	22,044	22,039
Depreciation and amortization	2,482	2,240
Rent expenses	3,348	3,586
Repair and maintenance expenses	218	251
Marketing and sales expenses	413	633
Premiums paid for deposit insurance	427	563
Administrative expenses and other	14,142	10,137
	43,074	39,449

26. COMMITMENTS AND CONTINGENCIES

In the normal course of banking activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these consolidated financial statements, including letters of guarantee. 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:

	31 December 2010 TRY'000	31 December 2009 TRY'000
Letters of guarantee		
Foreign currency	31,729	34,425
TRY	33,452	38,338
Letters of credit	2,803	1,098
Acceptance of credits	-	218
Other guarantees	26,735	116,599
Derivative financial instruments (Note : 27)	473,892	293,390
Other commitments	36,981	32,919
	605,592	516,987

The Bank has extended TRY 1,071 Thousand of non-cash loans to related parties.

The Group provides custody service on behalf and account of its customers. The value of the assets held by the Group in agency or custodian capacities and financial assets under portfolio management amounted to TRY 607,622 Thousand at 31 December 2010 (31 December 2009: TRY 541,145 Thousand).

27. DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized 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 (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. 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 are set out in the following table.

27. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

	31 December 2010		31 December 2009	
	Assets TRY'000	Liabilities TRY'000	Assets TRY'000	Liabilities TRY'000
Currency swap contracts	2,135	408	413	567
Forward contracts	71	6	17	16
	2,206	414	430	583

	31 December 2010		31 December 2009	
	Notional amount in foreign currency	Notional amount in TRY'000	Notional amount in foreign currency	Notional amount in TRY'000
Currency swap contracts:				
Currency purchases				
US Dollar	88,579,151	136,943	27,757,592	41,795
GBP	29,828,785	71,249	19,525,850	46,651
EUR	11,600,000	23,770	9,592,697	20,723
TRY	1,629,610	1,630	10,814,500	10,815
JPY	-	-	3,800,000	62
		233,592		120,046

	31 December 2010		31 December 2009	
	Notional amount in foreign currency	Notional amount in TRY'000	Notional amount in foreign currency	Notional amount in TRY'000
Currency swap contracts:				
Currency sales				
US Dollar	55,542,185	85,868	35,123,120	52,885
GBP	27,828,695	66,472	18,025,850	43,067
EUR	1,800,000	3,688	11,189,029	24,172
TRY	75,960,590	75,961	-	-
JPY	-	-	3,800,000	62
		231,989		120,186

27. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Forward contracts:	31 December 2010 Notional amount in foreign currency	31 December 2010 Notional amount in TRY'000	31 December 2009 Notional amount in foreign currency	31 December 2009 Notional amount in TRY'000
Currency purchases				
US Dollar	1,373,489	2,124	9,456,975	14,239
GBP	955,440	955	2,500,000	6,373
EUR	200,000	409	2,950,000	5,973
TRY	669,764	670		
		4,158		26,585
Currency sales				
US Dollar	1,185,205	1,832	8,205,170	12,355
GBP	500,000	1,194	2,500,000	5,973
EUR	550,000	1,127	2,950,000	6,373
TRY	-	-	1,871,500	1,872
		4,153		26,573

28. DIVIDENDS

The Group did not pay any dividends during the current and the previous year.

29. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Group is controlled by the Özyol Holding and National Bank of Kuwait. For the purpose of these consolidated financial statements, unconsolidated subsidiaries, associates, shareholders, Özyol Group companies, and National Bank of Kuwait Group entities are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

In the course of conducting its business, the Group conducted various business transactions with related parties. These transactions primarily include loans, deposits and borrowing transactions. The significant outstanding balances and transactions with related parties at year-ends and related expense and income for the years are as follows:

Balances with related parties:	31 December 2010 TRY'000	31 December 2009 TRY'000
Loans and receivables	4	7
Deposits	8,906	5,378
Due from banks	771	1,802
Due to other banks	278	93,940
Other funds borrowed	158,181	28,450

29. RELATED PARTY TRANSACTIONS (cont'd)

Transactions with related parties:	1 January-31 December 2010 TRY'000	1 January-31 December 2009 TRY'000
Interest income on placements	74	569
Interest expense on funds borrowed and deposits	583	1,289
Derivative financial instruments (notional amounts)	137,065	119,910

The remuneration of members of Board of Directors and other members of key management; comprising mainly of salaries and other short-term benefits for the current period is TRY 2,688 Thousand (2009: TRY 2,423 Thousand).

30. FINANCIAL RISK MANAGEMENT

The Group has a Risk Management Group and is functionally independent of risk creating divisions. The Risk Management Group is responsible for identifying and analyzing the exposed risks, carrying risk policies and strategies, setting limits in activities to control these risks and finally measuring these risks. The Executive Committee is the party that submits risk strategies and policies to the Board of Directors.

The Value-at-Risk measurement is used in line with local requirements of the capital adequacy calculation.

Risks emerging in the Group's business and activities are defined as credit risk, market risk, currency risk, interest rate risk, liquidity risk and operational risk, but all are considered as a whole for management purposes.

Capital management

When managing the capital the Group aims to comply with the capital requirements set by the regulators of the banking market where the Parent Bank operates; to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders and to maintain a strong capital base to support the development of its business.

To monitor the adequacy of its capital, the Group uses ratios established by Banking Regulation and Supervision Agency (BRSA). The minimum ratio is 8% (12% if banks operate in offshore markets). These ratios measure capital adequacy by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. As of 31 December 2010 capital adequacy ratio calculated based on the unconsolidated statutory financial statements is 24.74% (31 December 2009: 28.87%). The Group's consolidated capital adequacy ratio based on consolidated statutory financial statements as of 31 December 2010 is 23.55% (31 December 2009: 26.65%).

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Group by failing to discharge an obligation. Credit exposure arise principally in lending activities that lead to loans and advances and investment activities that bring debt securities into the Group's asset portfolio. There is also credit risk in off balance sheet financial instruments, such as loan commitments.

The Group determines the credit limits and restricts extension of loans and advances exceeding predetermined credit limits. The credit limits are determined for individual customers, companies, group of companies and risk groups separately for each type of product by taking into account the borrowers' financial structure, some qualitative criteria and the quality of the guarantees.

Counterparty limits are monitored on a consolidated basis. In accordance with the Group's credit policy, the ratings of the borrowers, credit limits and collateralization process are collectively considered and credit risks are monitored. The credit risks and limits relate to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the accepted risk level in relation to equity are monitored daily.

Group policy requires a review of the level of impairment allowance at least on a quarterly basis. Impairment allowances on individually assessed accounts are determined by evaluation of the exposure on a case by case basis. This will normally include a review of the collateral held and the assessment of actual and anticipated receipts. In addition a portfolio based assessment is also made for homogeneous groups of credit.

The Group uses its own internal rating system, which takes into account various financial and non-financial indicators for the evaluation of corporate and also guarantees. This system helps make decisions of allocating credit limits and accepted guarantees. The cash loans rated according to the possibility of being in default are classified from the highest grade to the lowest as below:

Basic Loan Quality Categories	31 December 2010 TRY'000	31 December 2009 TRY'000
High grade	291,267	107,829
Standard grade	100,083	103,665
Sub-standard grade	370	3,915
Impaired	9,924	6,358
Interest accruals	1,791	1,493
Total (*)	403,435	223,260

(*) Before portfolio provision for loan losses.

Category "high" shows that the debtor has a strong financial structure, "standard" shows the debtor's financial structure is good enough while "sub-standard" category shows that debtor's financial structure is under risk in the short and medium term.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

An industry sector analysis of the Group's cash loans are as follows:

	31 December 2010		31 December 2009	
Sector	TRY'000	(%)	TRY'000	(%)
Agriculture	207	0.05	196	0.09
Mining and quarrying	335	0.09	156	0.07
Manufacturing industry	41,744	10.61	34,122	15.73
Construction	7,102	1.80	14,728	6.79
Wholesale and Retail Trade	2,543	0.65	7,195	3.32
Hotel, Tourism, Food and Beverage Services	21,391	5.44	28,142	12.97
Transportation	16,723	4.25	20,188	9.31
Financial institutions	240,034	61.00	97,857	45.12
Real Estate and Renting Services	47,643	12.11	2,407	1.11
Other	15,789	4.00	11,911	5.49
Performing loans	393,511	100.00	216,902	100.00
Non-performing loans	18,067		14,595	
Total loans and advances to customer	411,578		231,497	
Allowance for loan losses	(9,056)		(10,118)	
Net loans and advances to customers	402,522		221,379	

An industry sector analysis of the Group's non-cash loans and commitments are as follows:

	31 December 2010		31 December 2009	
Sector	TRY'000	(%)	TRY'000	(%)
Agriculture	599	0.63	246	0.13
Mining and quarrying	-	-	-	-
Manufacturing industry	28,860	30.47	36,576	19.18
Construction	6,034	6.37	20,388	10.69
Wholesale and Retail Trade	1,921	2.03	7,021	3.68
Hotel, Tourism, Food and Beverage Services	12,916	13.64	20,891	10.96
Transportation	4,222	4.46	3,454	1.81
Financial institutions	31,970	33.75	45,323	23.77
Real Estate and Renting Services	-	-	0	0.00
Other	8,197	8.65	56,779	29.78
Total	94,719	100.00	190,678	100.00

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

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

	31 December 2010 TRY'000	31 December 2009 TRY'000
Balances with the Central Bank	44,808	35,317
Balances with banks	427,140	599,411
Money market placements	11,723	33,382
Financial assets at fair value through profit and loss	2,206	445
Loans and receivables	402,522	221,379
Leasing receivables	11,202	15,135
Factoring receivables	25,528	32,365
Financial assets available for sale	85,136	91,125
Other	22,739	12,746
Total	1,033,004	1,041,305
Non cash loans and commitments	131,700	223,597
Total	131,700	223,597

Credit quality per class of financial assets as of 31 December 2010 and 2009 are as follows:

31 December 2010	Neither past due nor impaired TRY'000	Past due or individually impaired TRY'000	Total TRY'000
Loans (*)			
Corporate loans	332,974	-	332,974
Small business lending	77,518	7,156	84,674
Consumer loans	1,861	-	1,861
Other	13,637	7,019	20,656
Total	425,990	14,175	440,165

(*) Includes Loans and Receivables, Leasing Receivables and Factoring Receivables and excludes portfolio provision for loan losses.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

31 December 2009	Neither past due nor impaired TRY'000	Past due or individually impaired TRY'000	Total TRY'000
Loans (*)			
Corporate loans	146,730	6,745	153,475
Small business lending	97,763	5,635	103,398
Consumer loans	4,895	186	5,081
Other	7,152	1,654	8,806
Total	256,540	14,220	270,760

(*) Includes Loans and Receivables, Leasing Receivables and Factoring Receivables and excludes portfolio provision for loan losses.

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements when due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable. Liquidity risk occurs when there is insufficient amount of cash inflows to fulfill the cash outflows completely on time.

The Group places its excess funds with other banks on an overnight basis to keep the liquidity risk at a minimum. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Parent Bank. Within the monitoring and assessing the liquidity balance in the Parent Bank's assets and liabilities, the liquidity rate is calculated weekly from June 2007 onwards. The ratio during the year per statutory financial statements of the Parent Bank was as follows:

	31 December 2010 %		31 December 2009 %	
	FC	FC + TRY	FC	FC + TRY
Average During the Period	125.21	149.80	150.53	170.83
Highest	173.98	187.79	235.61	213.40
Lowest	107.40	120.45	110.30	139.09

30. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

As at 31 December 2010	Demand TRY'000	Up to 1 Month TRY'000	1 to 3 Month TRY'000	3 to 12 Month TRY'000	1 to 5 Year TRY'000	Over 5 Year TRY'000	Unallocated TRY'000	Total TRY'000
ASSETS								
Cash, cash equivalents and the balances with the Central Bank	11,958	38,613	-	-	-	-	-	50,571
Balances with banks	4,572	404,536	18,032	-	-	-	-	427,140
Interbank money market placements	-	11,723	-	-	-	-	-	11,723
Financial assets at fair value through profit or loss (net)	-	-	-	-	-	-	-	-
Derivative financial assets	-	2,206	-	-	-	-	-	2,206
Loans (net)	72	162,221	89,962	43,727	79,005	18,524	9,011	402,522
Leasing receivables(net)	-	397	519	2,313	4,248	-	3,725	11,202
Factoring Receivables (net)	-	24,386	83	1,059	-	-	-	25,528
Investment securities (net)	-	4,534	2,046	1,884	32,891	43,781	-	85,136
Premises and equipment (net)	-	-	-	-	-	-	11,373	11,373
Intangible assets (net)	-	-	-	-	-	-	699	699
Other assets	527	20,063	147	7	31	-	3,226	24,001
Deferred tax asset (net)	-	-	-	-	-	-	234	234
Total assets	17,129	668,679	110,789	48,990	116,175	62,305	28,268	1,052,335
LIABILITIES								
Deposits	108,592	458,015	55,064	10,128	-	-	-	631,799
Obligations under repurchase agreements	-	64,331	-	-	-	-	-	64,331
Borrowings	-	164,734	-	4,186	1,488	-	-	170,408
Derivative financial liabilities	-	414	-	-	-	-	-	414
Factoring payables	-	-	4	-	-	-	-	4
Corporate tax payable	-	-	-	-	-	-	79	79
Employee benefits	-	125	-	-	-	-	800	925
Other provisions	-	-	-	-	-	-	657	657
Other liabilities	1,586	22,404	-	34	-	-	1,697	25,721
Share capital	-	-	-	-	-	-	105,900	105,900
Other reserves	-	-	-	-	-	-	1,122	1,122
Share premium	-	-	-	-	-	-	37,448	37,448
Retained earnings	-	-	-	-	-	-	13,527	13,527
Total liabilities	110,178	710,023	55,068	14,348	1,488	-	161,230	1,052,335
Net liquidity gap	(93,049)	(41,344)	55,721	34,642	114,687	62,305	(132,962)	-
As at 31 December 2009								
Total assets	28,995	686,443	116,037	63,105	105,863	37,003	26,829	1,064,275
Total liabilities	49,450	801,740	48,576	9,694	-	-	154,815	1,064,275
Net liquidity gap	(20,455)	(115,297)	67,461	53,411	105,863	37,003	(127,986)	-

30. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

Analysis of financial liabilities by remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Adjustments	Total
As at 31 December 2010 (TRY'000)							
Obligations under repurchase agreements	-	64,370	-	-	-	(39)	64,331
Deposits	108,592	458,760	55,332	10,433	-	(1,318)	631,799
Borrowings	-	164,788	-	4,229	1,574	(183)	170,408
Total	108,592	687,918	55,332	14,662	1,574	(1,540)	866,538
As at 31 December 2009 (TRY'000)							
Obligations under repurchase agreements	-	60,970	-	-	-	(37)	60,933
Deposits	55,281	419,262	41,964	9,741	55,281	(1,053)	525,195
Borrowings	-	307,703	531	-	-	(457)	307,777
Total	55,281	787,935	42,495	9,741	55,281	(1,547)	893,905

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

	Up to 1 Month	1-3 Months	Total
31 December 2010 (TRY'000)			
Inflows	237,750	-	237,750
Outflows	236,142	-	236,142
	1,608	-	1,608
31 December 2009 (TRY'000)			
Inflows	146,631	-	146,631
Outflows	146,759	-	146,759
	(128)	-	(128)

30. FINANCIAL RISK MANAGEMENT (cont'd)

Market risk

Market risks arise from changes in interest rates, foreign exchange rates and prices of equities, all of which are exposed to general and specific market movements. The Group considers currency risk and interest rate risk as the most important constituents of market risk. These are different levels of cut-loss and cut-profit policies to control the risks that may come from the fluctuations in the market.

Other than treasury bill positions, the Group places and borrows funds on a very short term basis, mostly on overnight, keeping the market risk of these transactions at minimum level. Thus, the Group acts quickly to any unexpected fluctuation in the market.

Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest-sensitive assets and liabilities. In Turkey, the interest rates are highly volatile and this may result in significant changes in the prices of financial instruments such as government bonds and treasury bills. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

In case of any transactions that are exposed to interest rate risk, cut-loss policies are in place to control this risk. Interest rate risk is controlled and analyzed by duration analysis. Furthermore, various simulation techniques are employed in order to analyze the effects of market volatilities on the Group's balance sheet.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Interest rate risk (cont'd)

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the repricing date.

As at 31 December 2010	Up to 1 Month TRY'000	1 to 3 Month TRY'000	3 to 12 Month TRY'000	Over 1 Year TRY'000	Non-interest bearing TRY'000	Total TRY'000
ASSETS						
Cash, cash equivalents and the balances with the Central Bank	-	-	-	-	50,571	50,571
Balances with banks	404,535	18,032	-	-	4,573	427,140
Interbank money market placements	11,723	-	-	-	-	11,723
Financial assets at fair value through profit or loss (net)	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	2,206	2,206
Loans (net)	189,343	174,310	22,619	7,167	9,083	402,522
Leasing receivables(net)	397	519	2,313	4,247	3,726	11,202
Factoring Receivables(net)	24,386	83	1,059	-	-	25,528
Investment securities (net)	34,891	20,809	26,421	3,015	-	85,136
Premises and equipment (net)	-	-	-	-	11,373	11,373
Intangible assets (net)	-	-	-	-	699	699
Other assets	-	-	-	-	24,001	24,001
Deferred tax asset (net)	-	-	-	-	234	234
Total assets	665,275	213,753	52,412	14,429	106,466	1,052,335
LIABILITIES						
Deposits	458,015	55,064	10,128	-	108,592	631,799
Obligations under repurchase agreements	64,331	-	-	-	-	64,331
Interbank money market borrowings	-	-	-	-	-	-
Borrowings	164,734	-	4,186	1,488	-	170,408
Derivative financial liabilities	-	-	-	-	414	414
Factoring payables	-	4	-	-	-	4
Corporate tax payable	-	-	-	-	79	79
Employee benefits	-	-	-	-	925	925
Other provisions	-	-	-	-	657	657
Other liabilities	-	-	-	-	25,721	25,721
Deferred tax liability (net)	-	-	-	-	-	-
Share capital	-	-	-	-	105,900	105,900
Other reserves	-	-	-	-	1,122	1,122
Share premium	-	-	-	-	37,448	37,448
Retained earnings	-	-	-	-	13,527	13,527
Total liabilities	687,080	55,068	14,314	1,488	294,385	1,052,335
Net interest sensitivity gap	(21,805)	158,689	38,098	12,941	(187,923)	-
As at 31 December 2009						
Total assets	758,569	150,960	87,623	8,317	58,806	1,064,275
Total liabilities	780,649	48,437	9,542	-	225,647	1,064,275
Net interest sensitivity gap	(22.080)	102.523	78.081	8.317	(166.841)	-

30. FINANCIAL RISK MANAGEMENT (cont'd)

Interest rate risk (cont'd)

As at 31 December 2010 and 31 December 2009, summary of average interest rates for different assets and liabilities are as follows:

	31 December 2010			31 December 2009		
	EURO %	USD %	TRY %	EURO %	USD %	TRY %
Assets						
Cash and balances with the Central Bank	-	-	-	-	-	7.35
Due from banks and other financial institutions	0.30	0.75	8.03	0.92	0.93	9.08
Money market placements	-	-	4.36	-	-	6.50
Investments available for sale	7.58	8.48	7.05	6.08	7.29	10.57
Loans	5.94	7.40	9.39	4.56	7.80	12.53
Leasing receivables	5.68	7.67	18.65	8.36	8.64	20.53
Factoring receivables	-	-	13.70	-	-	18.30
Liabilities						
Bank deposits	-	2.12	7.31	0.15	-	8.92
Other deposits	2.93	2.58	7.44	2.71	3.05	8.25
Money market borrowings	-	-	6.33	-	-	7.49
Borrowings	0.15	0.12	5.52	1.31	1.00	7.62

Interest Rate Sensitivity:

If interest rates had been changed by 1% in TRY and by 0.5% in FC and all other variables were held constant, the Group's profit for the year would change by TRY 1,727 Thousand (2009 - TRY 908 Thousand).

Currency risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give rise to foreign exchange exposure. Long and short exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. Currency risk is also controlled through keeping a short position within local requirements.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The tables below summarize the Group's exposures to foreign currency exchange rate risk at 31 December 2010 and 2009. Included in the table are the Group's assets and liabilities and equity at carrying amounts, categorized by currency.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Currency risk (cont'd)

Foreign currency position of the Group is as follows:

As at 31 December 2010	EURO	USD	Other Foreign Currencies	TRY	Total
ASSETS					
Cash, cash equivalents and the balances with the Central Bank	2,365	22,706	593	24,907	50,571
Balances with banks	24,107	56,193	3,383	343,457	427,140
Interbank money market placements	-	-	-	11,723	11,723
Financial assets at fair value through profit or loss (net)	-	-	-	-	-
Derivative financial assets	-	-	-	2,206	2,206
Loans (net)	21,317	93,885	664	286,656	402,522
Leasing receivables	759	4,625	-	5,818	11,202
Factoring Receivables (net)	-	-	-	25,528	25,528
Investment securities (net)	10,707	6,028	-	68,401	85,136
Premises and equipment (net)	-	-	-	11,373	11,373
Intangible assets (net)	-	-	-	699	699
Other assets	109	270	1	23,621	24,001
Deferred tax asset (net)	-	-	-	234	234
Total	59,364	183,707	4,641	804,623	1,052,335
LIABILITIES					
Deposits	76,386	159,293	9,308	386,812	631,799
Interbank money market borrowings	-	-	-	64,331	64,331
Borrowings	1,449	71,940	597	96,422	170,408
Factoring payables	-	-	-	4	4
Corporate tax payable	-	-	-	79	79
Employee benefits	-	-	-	800	800
Other provisions	-	-	-	782	782
Other liabilities	388	79	21	25,233	25,721
Deferred tax liability (net)	-	-	-	414	414
Share capital	-	-	-	105,900	105,900
Other reserves	62	(119)	-	1,179	1,122
Share premium	-	-	-	37,448	37,448
Retained earnings	-	-	-	13,527	13,527
Total	78,285	231,193	9,926	732,931	1,052,335
Net balance sheet position	(18,921)	(47,486)	(5,285)	71,692	-
Off-balance sheet position					
Net notional amount of derivatives	19,365	51,366	4,538	-	75,269
As at 31 December 2009					
Total assets	217,555	232,924	19,921	593,875	1,064,275
Total liabilities	213,795	222,069	24,340	603,981	1,064,275
Net balance sheet position	3,760	10,855	(4,509)	(10,106)	-
Off-balance sheet position					
Net notional amount of derivatives	(3,449)	(9,206)	3,584	-	(9,071)

30. FINANCIAL RISK MANAGEMENT (cont'd)

Currency risk (cont'd)

Foreign Currency Sensitivity:

The Group is mainly exposed to EUR, GBP and USD currencies.

The following table details the Group's sensitivity to a 10% increase and decrease in the TRY against USD, EUR and GBP. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. A positive number indicates an increase in profit or loss and other equity where the TRY strengthens against USD, EUR and GBP.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		Current Period TRY'000	Prior Period TRY'000	Current Period TRY'000	Prior Period TRY'000
USD	10	(401)	(232)	13	19
EUR	10	(38)	(46)	(6)	9
GBP	10	511	131	-	-

The Group's sensitivity to foreign currency rates has not changed much during the current period. The positions taken in line with market expectations can increase the foreign currency sensitivity from period to period.

Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving job technology and job definitions, establishing the necessary internal controls and various insurances are employed as the main methods. The internal control and audit mechanism contributes greatly to the management of operational risk.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Fair Values of Financial Instruments

As at 31 December 2010 and 31 December 2009, fair values of financial assets and liabilities are as follows:

	31 December 2010		31 December 2009	
Financial assets	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at fair value through profit or loss				
- Trading Securities	-	-	15	15
- Derivative financial instruments	2,206	2,206	430	430
Available-for-sale financial assets	85,136	85,136	91,125	91,125
Loans	439,252	440,900	269,488	271,053
Financial liabilities				
Derivative financial instruments	414	414	583	583
Borrowings	170,408	170,408	307,777	307,777
Factoring payables	4	4	5	5

The fair value of available for sale securities is based on market prices. Where market prices are not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

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

The fair value of deposits with no stated maturity, floating rate placements and overnight deposits is their carrying amount. The estimated fair value of bank deposits and customer deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

Fair values of remaining financial assets and liabilities carried at amortized cost are considered to approximate their respective carrying values due to their short-term nature.

30. FINANCIAL RISK MANAGEMENT (cont'd)

Fair Values of Financial Instruments (cont'd)

Fair value hierarchy
The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or ,
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Trading Securities	-	-	-	-
- Derivative financial instruments	-	2,206	-	2,206
Available-for-sale financial assets	85,136	-	-	85,136
Financial liabilities				
Derivative financial instruments	-	414	-	414

31 December 2009	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Trading Securities	15	-	-	15
- Derivative financial instruments	-	430	-	430
Available-for-sale financial assets	91,125	-	-	91,125
Financial liabilities				
Derivative financial instruments	-	583	-	583

31. SUBSEQUENT EVENTS

None.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved in the General Assembly meeting on 30 March 2011.