Türkiye Garanti Bankası Anonim Şirketi
And Its Affiliates

Consolidated Financial Statements
30 June 2010
With Report on Review of Interim Financial Information Thereon

3 August 2010

This report contains the "Report on Review of Interim Financial Information" comprising 2 pages and; the "Consolidated Financial Statements and Their Explanatory Notes" comprising 76 pages.

Türkiye Garanti Bankası Anonim Şirketi
And Its Affiliates

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To the Board of Directors of
Türkiye Garanti Bankası A.Ş.
İstanbul

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheet of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated affiliates as of 30 June 2010 and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As of the balance sheet date, the accompanying consolidated financial statements include a general provision amounting to TL 360,000 thousand provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions, and all of this provision amount was charged to the statement of income as expense in the previous periods.

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Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects the financial position of the Bank and its consolidated affiliates as at 30 June 2010, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of the Bank and its affiliates as of and for the six-month period ended 30 June 2009 were reviewed and as of and for the year ended 31 December 2009 were audited by another auditor. The other independent auditor stated in their review report dated 5 August 2009 that nothing has come to their attention that causes them to believe that the interim financial statements do not give a true and fair view of the financial position and the results of its operations except for the effect of the general provision amounting to TL 280,000 thousand provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions, and TL 250,000 thousand of which was charged to the statement of income as an expense in that period and expressed a qualified opinion in their audit report dated 11 February 2010 for the financial statements as of 31 December 2009 stating that the financial statements included a general provision amounting to TL 360,000 thousand provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions, and TL 330,000 thousand of this provision amount was charged to the statement of income as an expense in that period.

DRT Bağımsız Denetim ve SMMM A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MUŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

İstanbul, 3 August 2010

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Financial Position
At 30 June 2010

(Currency: Thousands of Turkish Lira (TL))

	Notes	30 June 2010	31 December 2009
Assets			
Cash and balances with central banks	*4*	2.246.537	5.579.198
Financial assets at fair value through profit or loss	*5*	1.765.059	722.753
Loans and advances to banks	*6*	9.803.387	10.767.047
Loans and advances to customers	*7,22*	61.565.649	54.765.251
Other assets	*9*	5.438.651	4.826.705
Investment securities	*10,21,22*	35.103.190	37.237.584
Investments in equity participations	*11*	80.001	73.356
Tangible assets, net	*12*	1.446.784	1.448.658
Goodwill, net	*13*	33.170	33.170
Deferred tax asset	*19*	278.477	153.915
Total Assets		**117.760.905**	**115.607.637**
Liabilities			
Deposits from banks	*14*	1.541.620	2.738.333
Deposits from customers	*15*	71.196.520	66.043.031
Obligations under repurchase agreements	*16*	4.957.781	10.764.729
Loans and advances from banks	*17*	17.164.596	15.578.295
Subordinated liabilities	*18*	977.630	990.443
Current tax liability	*19*	175.559	225.228
Deferred tax liability	*19*	6.293	10.850
Other liabilities and accrued expenses	*20*	6.530.437	5.420.447
Total Liabilities		**102.550.436**	**101.771.356**
Equity attributable to owners of the bank			
Share capital	*21*	5.146.371	5.146.371
Share premium	*21*	11.880	11.880
Unrealised gains on available-for-sale assets	*10,21*	1.234.228	1.361.279
Hedging reserve	*21*	(2.103)	(2.167)
Translation reserve	*21*	17.901	34.118
Legal reserves	*21*	555.038	383.638
Retained earnings	*21*	8.162.194	6.852.064
		15.125.509	**13.787.183**
Non-controlling interests	*21*	**84.960**	**49.098**
Total Equity		**15.210.469**	**13.836.281**
Total Liabilities and Equity		**117.760.905**	**115.607.637**
Commitments and Contingencies	*23*		

The notes on pages 5 to 76 are an integral part of these consolidated financial statements.

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Comprehensive Income
For The Six-Month Period Ended 30 June 2010

(Currency: Thousands of Turkish Lira (TL))

	Notes	1 January 2010- 30 June 2010	1 April 2010- 30 June 2010	1 January 2009- 30 June 2009	1 April 2009- 30 June 2009
Statement of Income:					
Interest income:-					
Interest on loans		2.762.127	1.377.589	3.345.548	1.599.694
Interest on securities		2.078.693	984.549	2.002.516	1.014.452
Interest on deposits at banks		210.719	107.560	252.601	115.395
Interest on lease business		97.030	47.410	123.993	59.152
Others		49.694	24.823	44.282	21.347
		5.198.263	2.541.931	5.768.940	2.810.040
Interest expense:-					
Interest on saving, commercial and public deposits		(1.744.925)	(905.681)	(2.303.335)	(1.040.575)
Interest on borrowings and obligations under repurchase agreements		(587.738)	(286.978)	(818.458)	(364.593)
Interest on subordinated liabilities		(29.875)	(15.738)	(31.351)	(14.166)
Interest on bank deposits		(25.891)	(9.140)	(64.409)	(25.733)
Others		(4.826)	(975)	(1.547)	(280)
		(2.393.255)	(1.218.512)	(3.219.100)	(1.445.347)
Net interest income		**2.805.008**	**1.323.419**	**2.549.840**	**1.364.693**
Fee and commission income		1.115.432	552.566	1.098.399	557.794
Fee and commission expense		(214.955)	(115.311)	(227.841)	(113.803)
Net fee and commission income	26	**900.477**	**437.255**	**870.558**	**443.991**
Foreign exchange gains, net		138.913	(108.765)	51.736	114.426
Trading gains, net	5	123.315	192.579	665.756	205.107
Premium income from insurance business		93.334	47.729	78.610	36.045
Other operating income		123.546	95.372	65.243	29.064
Other operating income		**479.108**	**226.915**	**861.345**	**384.642**
Total operating Income		**4.184.593**	**1.987.589**	**4.281.743**	**2.193.326**
Salaries and wages		(612.320)	(274.816)	(481.498)	(242.473)
Employee benefits	20	(136.310)	(72.018)	(119.366)	(63.306)
Credit card rewards and promotion expenses		(132.796)	(62.545)	(144.852)	(79.895)
Depreciation and amortization	12	(93.844)	(46.058)	(98.210)	(49.701)
Communication expenses		(77.095)	(37.831)	(66.774)	(33.550)
Rent expenses		(71.402)	(36.990)	(64.593)	(33.227)
Taxes and duties other than on income		(59.592)	(29.108)	(81.984)	(63.211)
Provision for loan losses, net	7,20	(30.106)	(27.876)	(777.456)	(273.000)
Impairment losses, net	5,6,9,10,11,12,13,20	(4.345)	(2.200)	(253.152)	(235.740)
Other operating expenses	27	(388.296)	(195.262)	(308.455)	(166.144)
Total operating expenses		**(1.606.106)**	**(784.704)**	**(2.396.340)**	**(1.240.247)**
Income before tax		**2.578.487**	**1.202.885**	**1.885.403**	**953.079**
Taxation charge	19	(509.992)	(228.942)	(428.958)	(235.952)
Net income for the period		**2.068.495**	**973.943**	**1.456.445**	**717.127**
Other Comprehensive Income:					
Foreign currency translation differences for foreign operations	21	(16.732)	(4.625)	(3.418)	2.916
Cash flow hedges:					
Effective portion of changes in fair value	21	64	38	17.409	1.051
Net amount transferred to income	21	-	-	(80.646)	-
Fair value reserves (available-for-sale financial assets):					
Net change in fair values	21	(11.254)	(319.953)	602.291	469.390
Net amount transferred to income	21	(115.767)	(43.704)	(113.659)	(95.728)
Other comprehensive income for the period, net of tax		**(143.689)**	**(368.244)**	**421.977**	**377.629**
Total Comprehensive Income for the Period		**1.924.806**	**605.699**	**1.878.422**	**1.094.756**
Net income attributable to:					
Equity holders of the Bank		2.060.120	968.951	1.448.659	713.011
Non-controlling interests		8.375	4.992	7.786	4.116
		2.068.495	973.943	1.456.445	717.127
Total comprehensive income attributable to:					
Equity holders of the Bank		1.916.400	600.679	1.870.625	1.090.636
Non-controlling interests		8.405	5.020	7.797	4.120
		1.924.806	605.699	1.878.422	1.094.756
Weighted average number of shares with a face value of Kr 1 each	21	**420 billions**	**420 billions**	**420 billions**	**420 billions**
Basic and diluted earnings per share (full TL amount per TL 1 face value each)		**0,491**	**0,231**	**0,345**	**0,170**

The notes on pages 5 to 76 are integral part of these consolidated financial statements.

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Changes in Equity
For The Six-Month Period Ended 30 June 2010

(Currency: Thousands of Turkish Lira (TL))

	Notes	Share Capital	Share Premium	Unrealised Gains/(Losses) on Available-for-Sale Assets	Hedging Reserve	Translation Reserve	Legal Reserves	Retained Earnings	Non-Controlling Interests	Total Equity
Balances at 31 December 2008		5.146.371	11.880	177.751	60.998	35.987	289.414	4.145.903	35.201	9.903.505
Foreign exchange difference on foreign currency legal reserves	21	-	-	-	-	-	115	-	-	115
Transfer to legal reserves		-	-	-	-	-	87.609	(87.609)	-	-
Net unrealised market value gains from available-for-sale portfolio	21	-	-	602.280	-	-	-	-	11	602.291
Net gains on available-for-sale assets transferred to income statement on disposal	21	-	-	(113.659)	-	-	-	-	-	(113.659)
Foreign currency translation differences for foreign operations		-	-	-	-	(3.533)	-	-	-	(3.533)
Net fair value gains from cash flow hedges	21	-	-	-	17.409	-	-	-	-	17.409
Net fair value gains from cash flow hedges transferred to income statement on disposal	21	-	-	-	(80.646)	-	-	-	-	(80.646)
Adjustments to equity for a newly consolidated affiliate		-	-	-	-	-	-	(5.449)	(59)	(5.508)
Net income for six-month period		-	-	-	-	-	-	1.448.659	7.786	1.456.445
Balances at 30 June 2009		5.146.371	11.880	666.372	(2.239)	32.454	377.138	5.501.504	42.939	11.776.419
Dividends paid	21	-	-	-	-	-	-	(275.000)	-	(275.000)
Transfer to legal reserves	21	-	-	-	-	-	6.500	(6.500)	-	-
Net unrealised market value gains from available-for-sale portfolio	21	-	-	690.986	-	-	-	-	3	690.989
Net losses on available-for-sale assets transferred to income statement on disposal	21	-	-	3.921	-	-	-	-	-	3.921
Foreign currency translation differences for foreign operations	21	-	-	-	-	1.664	-	-	-	1.664
Net fair value gains from cash flow hedges	21	-	-	-	72	-	-	-	-	72
Net income for six-month period		-	-	-	-	-	-	1.632.060	6.156	1.638.216
Balances at 31 December 2009		5.146.371	11.880	1.361.279	(2.167)	34.118	383.638	6.852.064	49.098	13.836.281
Foreign exchange difference on foreign currency legal reserves	21	-	-	-	-	-	(515)		-	(515)
Transfer to legal reserves		-	-	-	-	-	171.915	(171.915)	-	-
Dividends paid		-	-	-	-	-	-	(350.000)	-	(350.000)
Net unrealised market value losses from available-for-sale portfolio	21	-	-	(11.284)	-	-	-	-	30	(11.254)
Net gains on available-for-sale assets transferred to income statement on disposal	21	-	-	(115.767)	-	-	-	-	-	(115.767)
Foreign currency translation differences for foreign operations		-	-	-	-	(16.217)	-	-	-	(16.217)
Net fair value gains from cash flow hedges	21	-	-	-	64	-	-	-	-	64
Adjustments to equity for newly consolidated affiliates		-	-	-	-	-	-	(228.075)	27.457	(200.618)
Net income for six-month period		-	-	-	-	-	-	2.060.120	8.375	2.068.495
Balances at 30 June 2010		5.146.371	11.880	1.234.228	(2.103)	17.901	555.038	8.162.194	84.960	15.210.469

The notes on pages 5 to 76 are an integral part of these consolidated financial statements.

Türkiye Garanti Bankası AŞ And Its Affiliates

Consolidated Statement of Cash Flows
For The Six-Month Period Ended 30 June 2010

(Currency: Thousands of Turkish Lira (TL))

	Notes	1 January 2010- 30 June 2010	1 January 2009- 30 June 2009
Cash flows from operating activities:-			
Interests and commissions received		4.044.508	4.392.103
Interest expenses paid		(2.265.583)	(3.391.065)
Other operating activities, net		941.142	584.033
Cash payments to employees and suppliers		(1.463.084)	(1.263.438)
		1.256.983	321.633
(Increase)/decrease in operating assets:-			
Loans and advances to banks		(149.204)	(2.263.327)
Balances with central banks		(651.777)	(479.176)
Financial assets at fair value through profit or loss		(1.038.575)	116.881
Loans and advances to customers		(4.681.890)	270.829
Consumer loans		(2.362.824)	(328.416)
Other assets		(176.993)	(337.075)
Increase/(decrease) in operating liabilities:-			
Deposits from banks		(1.198.310)	76.021
Deposits from customers		5.059.477	5.789.676
Obligations under repurchase agreements		(5.807.747)	(5.376.118)
Other liabilities		640.496	565.128
Net cash flows used in operating activities before income taxes paid		**(9.110.364)**	**(1.643.944)**
Income taxes paid	*19*	**(700.627)**	**(323.379)**
Net cash flows from operating activities		**(9.810.991)**	**(1.967.323)**
Cash flows from investing activities:-			
Net decrease/(increase) in security investments		1.996.963	(2.169.191)
Interest received		2.043.106	1.498.603
Increase in investments in equity participations, net		-	(562)
Dividends received		1.599	2.628
Proceeds from sale of tangible assets		39.877	30.806
Purchase of tangible assets		(169.947)	(145.024)
Net cash flows from investing activities		**3.911.598**	**(782.740)**
Cash flows from financing activities:-			
Increase in loans and advances from banks, net		1.669.189	2.131.964
(Decrease)/increase in subordinated liabilities, net		(11.005)	111.370
Dividends paid		(350.000)	-
Net cash flows from financing activities		**1.308.184**	**2.243.334**
Effect of exchange rate changes		**138.913**	**51.736**
Net decrease in cash and cash equivalents		**(4.452.296)**	**(454.993)**
Cash and cash equivalents at the beginning of the period		9.294.333	7.145.989
Cash and cash equivalents at the end of the period	*2*	4.842.037	6.690.996

The notes on pages 5 to 76 are an integral part of these consolidated financial statements.

Overview of the Bank

Türkiye Garanti Bankası AŞ (the Bank) is a bank domiciled in Turkey. The consolidated financial statements of the Bank as of and for the six-month period ended 30 June 2010 comprise the Bank and its affiliates (the Affiliates) and their interest in associates.

(a) Brief History

The foundation of the Bank was approved by the decree of the Council of Ministers numbered 3/4010 dated 11 April 1946 and "Articles of Association" was published in the official gazette dated 25 April 1946. The Bank provides retail, commercial, corporate and small and medium size enterprises (SME) banking, leasing, insurance and factoring services through a network of 690 domestic branches, five foreign branches, four representative offices abroad and 113 offices. In addition to its branches, the Bank has 100% ownership in two banks each of which is located in Amsterdam and Moscow, and 70% ownership in a bank located in Bucharest. The Bank and its affiliates in total have 20,111 employees. The Bank's head office is located at Levent Nispetiye Mahallesi Aytar Caddesi 2 Beşiktaş 34340 İstanbul.

(b) Ownership

Currently, the companies owned by Doğuş Holding AŞ ("Doğuş Group") and GE Araştırma ve Müşavirlik Limited Şti of the General Electric Group (GE) hold 30.52% and 20.85% of the issued capital, respectively.

Significant accounting policies

(a) Statement of compliance

The Bank and its Turkish affiliates maintain their books of accounts and prepare their statutory financial statements in Turkish Lira (TL) in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulatory and Supervisory Agency (BRSA); the Turkish Commercial Code; and the Turkish Tax Legislation (collectively, Turkish GAAP); the Bank's foreign affiliates maintain their books of accounts and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS"). The accompanying consolidated financial statements are authorized for issue by the directors on 3 August 2010.

(b) Basis of preparation

The accompanying consolidated financial statements are presented in thousands of TL, which is the Bank's functional currency.

The financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except that the following assets and liabilities are stated at their fair value if reliable measures are available: derivative financial instruments, instruments at fair value through profit or loss, available-for-sale financial assets and tangible assets held for sale. Recognized assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

The accounting policies set out below have been applied consistently by the Bank and its affiliates to all periods presented in these consolidated financial statements.

Significant accounting policies (continued)

(c) *Use of estimates and judgements*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are in Notes 7, 10, 17, 22, 23 and 28.

(d) *Basis of consolidation*

The accompanying consolidated financial statements include the accounts of the parent company, the Bank, its affiliates and associates on the basis set out in sections below. The financial statements of the entities included in the consolidation have been prepared as of the date of the consolidated financial statements.

Affiliates

Affiliates are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of affiliates are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the Bank and its affiliates have significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Bank and its affiliates' share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Bank and its affiliates share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank and its affiliates has incurred obligations in respect of the associate.

Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. Special purpose entities are consolidated when the substance of the relationship between the Bank and the special purpose entity indicates that the special purpose entity is controlled by the Bank.

Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized gains and losses arising from intercompany transactions, are eliminated in the accompanying consolidated financial statements.

Significant accounting policies (continued)

Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Bank and its affiliates' interest in the entity. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(e) Foreign currency

Foreign currency transactions

Transactions in the financial statements of the Bank are recorded in TL, which is the Bank's functional currency and the presentation currency for the accompanying consolidated financial statements. Transactions in foreign currencies are translated into the functional currency of the Bank at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates ruling at date of the statement of financial position with the resulting exchange differences recognized in income as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the statement of income as realized during the period.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to TL at foreign exchange rates ruling at the date of the statement of financial position. The revenues and expenses of foreign operations are translated to TL using average exchange rates. Foreign exchange differences arising on translation are recognized directly in a separate component of equity. When a foreign operation is disposed of in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the statement of income.

Hedge of net investment in a foreign operation see accounting policy *(i)*.

(f) Tangible assets and related depreciation

Owned assets

The costs of the tangible assets purchased before 31 December 2005 are restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29. The tangible assets purchased after this date are recorded at their historical costs. Accordingly, tangible assets are carried at costs, less accumulated depreciation and impairment losses (refer to accounting policy *(r)*).

Leased assets

Leases in terms of which the Bank and its affiliates assume substantially all the risks and rewards of ownership are classified as financial leases. Tangible assets acquired by way of financial lease are stated at amounts equal to the lower of their fair values and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (refer to accounting policy *(r)*). Lease liabilities are reduced through repayments of principal, while the finance charge component of the lease payment is charged directly to the statement of income.

(Currency: Thousands of Turkish Lira (TL))

Significant accounting policies (continued)

Subsequent Expenditure

Expenditures incurred to replace a component of a tangible asset that is accounted for separately, and major inspection and overhaul costs, are capitalized. Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are reflected as expense in the statement of income as incurred.

Depreciation

Tangible assets purchased before 2005 are depreciated over their estimated useful lives on a straight-line basis from the date of their acquisition. Assets acquired after this date are depreciated based on the declining balance method. For the assets acquired after 1 January 2009, the straight-line depreciation method is in use.

The estimated useful lives and depreciation rates are as follows:

Tangible assets	*Estimated useful lives (years)*	*Depreciation Rates (%) from 1 January 2009*	*Depreciation Rates (%) from 1 January 2005*	*Depreciation Rates (%) before 1 January 2005*
Buildings	50	2	4	2
Vaults	20-50	2-20	4-40	2-20
Motor vehicles	5-7	15-20	30-40	15-20
Other tangible assets	4-20	5-25	10-50	5-25

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Expenditures for major renewals and improvement of tangible assets are capitalized and depreciated over the remaining useful lives of the related assets.

(g) Goodwill

Goodwill arose from business combinations and represents the excess of the total acquisition costs over the share of the Bank and its affiliates in the fair value of the net assets of the acquired companies at the dates of acquisitions. When the excess is negative (negative goodwill), it is recognized immediately in the statement of income. Goodwill is assessed for indication of impairment at least annually using external and internal sources such as market value, information on any adverse effect on the acquired companies, market interest rates or other market rates of return on investments and carrying value of net assets. If any such indication exists, the recoverable amount of the goodwill is estimated. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to its recoverable amount, and impairment loss is recognized as an expense in the statement of income. The losses arising from the impairment of goodwill are not reversed in a subsequent period.

Significant accounting policies (continued)

(h) Financial instruments

Classification

Financial instruments at fair value through profit or loss are those instruments that are principally held for the purpose of short-term profit taking. These include investments, certain purchased loans and derivative contracts that are not designated as effective hedging instruments, and liabilities from short-term sales of financial instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as trading liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank and its affiliates provide money, goods and services directly to a debtor with no intention of trading the receivable. Loans and receivables comprise loans and advances to banks and customers.

Available-for-sale assets are financial assets that are not held for trading purposes, provided by the Bank and its affiliates, or held to maturity. Available-for-sale instruments include certain debt and equity investments.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank and its affiliates have the positive intent and ability to hold to maturity. These include certain loans and advances to banks and customers and certain debt investments.

Recognition

Financial assets at fair value through profit or loss and available-for-sale assets are initially recognized on the transaction date at which the Bank and its affiliates become a party to the contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets are recognized in the statement of income for the financial assets at fair value through profit or loss and in the other comprehensive income for available for-sale assets.

Held-to-maturity instruments, loans and receivables, deposits and subordinated liabilities are recognized in the statement of financial position on the date they are originated.

Measurement

Financial instruments are initially measured at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and available-for-sale assets are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at amortized cost.

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortized cost less impairment losses. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Significant accounting policies (continued)

Fair value measurement principles

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

The fair values of derivatives that are not exchange-traded are estimated at the amounts that the Bank and its affiliates would receive or pay to terminate the contracts at the date of the statement of financial position taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair values of financial instruments at fair value are recognized in the statement of income. Whereas, gains and losses arising from changes in the fair value of cash flow hedges and available-for-sale assets are deferred as a separate component of equity until the hedged transaction impacts earnings or the available-for-sale assets are sold or impaired.

Specific instruments

Cash and balances with central banks: Cash and balances with central banks comprise cash balances on hand, cash deposited with the central banks and other cash items. Money market placements are classified in loans and advances to banks.

Investments: Investments held for the purpose of short-term profit taking are classified as trading instruments. Debt investments that the Bank and its affiliates have the intent and ability to hold to maturity are classified as held-to-maturity assets.

Loans and advances to banks and customers: Loans and advances provided by the Bank and its affiliates are classified as loans and receivables, and reported net of allowances to reflect the estimated recoverable amounts.

Financial lease receivables: Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee, are classified as financial leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognized. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognized over the term of the lease using the effective interest rate method. Financial lease receivables are included in loans and advances to customers.

Derecognition

A financial asset is derecognised when the control over the contractual rights that comprise that asset, is lost. This occurs when the contractual rights are realized, expire or are surrendered. A financial liability is derecognized when it is extinguished.

Available-for-sale assets and assets held for trading that are sold are derecognized and corresponding receivables from the buyer for the payment are recognized as of the date the Bank and its affiliates commit to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

Significant accounting policies (continued)

Held-to-maturity instruments and loans and receivables are derecognized on the dates they are transferred by the Bank and its affiliates.

(i) Derivatives held for risk management purposes

Derivatives held for risk management purposes are measured at fair value in the statement of financial position. The treatment for the changes in their fair value depends on their classification into the following categories:

Cash flow hedge

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the statement of income result, the effective portion of changes in the fair value of the derivative are recognised directly in the other comprehensive income and presented in the hedging reserve in equity. The amount recognised in the statement of comprehensive income is removed and included in the statement of income in the same period as the hedged cash flows affect the statement of income under the same line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of income.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognized in the other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects the statement of income. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in the other comprehensive income is recognized immediately in the statement of income.

Net investment hedge

When a derivative or a non-derivative financial liability is designated as a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognized directly in the statement of comprehensive income, in the foreign currency translation reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of income. The amount recognized in the statement of comprehensive income is removed and included in the statement of income on disposal of the foreign operation.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Bank and its affiliates account for embedded derivatives separately from the host contract when the host contract is not itself carried at fair value through profit or loss, and the characteristics of the embedded derivatives are not clearly and closely related to the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the statement of financial position together with the host contract.

Significant accounting policies (continued)

(j) Securities borrowing and lending business

Investments lent under securities lending arrangements continue to be recognized in the statement of financial position and are measured in accordance with the accounting policy for the related assets as appropriate. Cash collateral received in respect of securities lent is recognized as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognized. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognized on an accrual basis over the period of the transactions and are included in interest income or expense.

(k) Repurchase and resale agreements over investments

The Bank and its affiliates enter into purchases of investments under agreements to resell (reverse repo) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements (repo) are recognized in the statement of financial position and are measured in accordance with the accounting policy for the related assets as appropriate. The proceeds from the sale of the investments are reported as "obligations under repurchase agreements", a liability account.

Income and expenses arising from the repurchase and resale agreements over investments are recognized on an accrual basis over the period of the transactions and are included in interest income or expense.

(l) Items held in trust

Assets, other than cash deposits, held by the Bank and its affiliates in fiduciary or agency capacities for its customers and government entities are not included in the accompanying consolidated statement of financial position, since such items are not under the ownership of the Bank.

(m) Financial guarantees

Financial guarantees are contracts that require the Bank and its affiliates to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount or the present value of any expected payment (when a payment under the guarantee has become probable).

(n) Employee benefits

(i) Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Bank has a defined benefit plan ("the Plan") for its employees namely Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı ("the Fund"). The Fund is a separate legal entity and a foundation recognized by an official decree, providing pension and post-retirement medical benefits to all qualified Bank employees.

(Currency: Thousands of Turkish Lira (TL))

Significant accounting policies (continued)

This benefit plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506 and these contributions are as follows:

	30 June 2010	
	Employer	*Employee*
	%	*%*
Pension contributions	15.5	10.0
Medical benefit contributions	6.0	5.0

This benefit plan is composed of a) the contractual benefits of the employees, which are subject to transfer to Social Security Foundation ("SSF") ("pension and medical benefits transferable to SSF") (see Note 20) and b) other excess social rights and payments provided in the existing trust indenture but not transferable to SSF and medical benefits provided by the Bank for its constructive obligation ("excess benefits").

a) Pension and medical benefits transferable to SSF

As discussed in Note 20, the Bank expects to transfer a portion of the obligation of the Fund to SSF. This transfer will be a settlement of that portion of the Fund's obligation. Final legislation establishing the terms for this transfer was enacted on 8 May 2008. Although the settlement will not be recognized until the transfer is made, the Bank believes that it is more appropriate to measure the obligation as the value of the payment that would need to be made to SSF to settle the obligation at the date of the statement of financial position in accordance with the Temporary Article 20 of the Law No.5754: "Law regarding the changes in Social Insurance and General Health Insurance Law and other laws and regulations" ("New Law"). The pension disclosures set out in Note 20, therefore reflect the actuarial assumptions and mortality tables specified in the New Law, including a discount rate of 9.80%.

The pension benefits transferable to SSF are calculated annually by an independent actuary, who is registered with the Undersecretariat of the Treasury.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are directly charged to the statement of income.

b) Excess benefits not transferable to SSF

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are directly charged to the statement of income.

(ii) Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Bank and its affiliates calculated in accordance with the Turkish Labor Law. In accordance with Turkish Labor Law, the Bank and its affiliates are required to make lump-sum payments to each employee whose employment is terminated due to retirement or before the retirement date for reasons other than resignation or misconduct and has completed at least one year of service.

Significant accounting policies (continued)

Provision is made for the present value of the liability calculated using the projected unit credit method and all actuarial gains and losses are recognized immediately in the statement of income.

(iii) Short-term employee benefits

The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with IAS 19.

(o) Taxes on income

Taxes on income for the period comprise current taxes and deferred taxes. Current taxes on income comprises tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and; any adjustment in taxes payable for previous years.

Deferred income tax is provided, using the statement of financial position method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of temporary differences will flow to or from the Bank and its affiliates. Deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Currently, enacted tax rates are used to determine deferred taxes on income.

An individual consolidated affiliate offsets deferred tax asset and deferred tax liability if the deferred tax asset and deferred tax liability relate to income taxes levied by the same taxation authority or where the legal right of offset exists.

Deferred taxes related to fair value remeasurement of available-for-sale assets and cash flow hedges, are charged or credited directly to equity and subsequently recognized in the statement of income together with the deferred gains or losses that are realized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

(p) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a legally enforceable right to set off the amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses from a group of similar transactions.

Significant accounting policies (continued)

(q) Earnings per share

Earnings per share disclosed in the accompanying consolidated statement of comprehensive income are determined by dividing net income by the weighted average number of shares outstanding during the period attributable to the shareholders of the Bank. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings.

Additionally, considering the fact that the increase in the number of shares issued by way of bonus shares in fact does not require any cash injection by the shareholders; the number of issued shares outstanding before such bonus share issuances is adjusted for the proportionate change in the number of issued shares outstanding as if the event had occurred at the beginning of the earliest period reported.

(r) Impairment

Financial and non-financial assets are reviewed at each date of the statement of financial position to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

Loans and receivables and held-to-maturity instruments

The recoverable amounts of loans and receivables and held-to-maturity instruments, are calculated as the present values of the expected future cash flows discounted at the instrument's original effective interest rate. Short-term balances are not discounted.

Loans and receivables are presented net of specific and portfolio basis allowances for uncollectibility. Specific allowances are made against the carrying amount of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts. In assessing the recoverable amounts of the loans and receivables, the estimated future cash flows are discounted to their present value. Portfolio basis allowances are maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the date of financial position. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the allowance account are recognized in the statement of income. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly. If in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the statement of income.

Financial assets remeasured to fair value

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans remeasured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

Where an asset remeasured to fair value is impaired, the write-down is recognized in the statement of income.

Significant accounting policies (continued)

If in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of income.

(s) Income and expense recognition

Interest income and expense

Interest income and expense is recognized on an accrual basis by taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Fee and commission

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commissions, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

Net trading income

Net trading income includes gains and losses arising from disposals of financial assets at fair value through profit or loss and available-for-sale.

Dividend income

Dividend income is recognized in the statement of income when the right to receive payment is established.

Insurance business

Premium income: For short-term insurance contracts, premiums are recognized as income (earned premiums), net of premium ceded to reinsurer firms, proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at date of the statement of financial position is recognized as the reserve for unearned premiums that are calculated on a daily pro-rata basis. Premiums are shown before deduction of commissions and deferred acquisition cost, and are gross of any taxes and duties levied on premiums. For long-term insurance contracts, premiums are recognized as income when the premiums are due from the policyholders. Premiums received for long-term insurance contracts with discretionary participation feature ("DPF"), are recognized directly as liabilities.

Significant accounting policies (continued)

Unearned premium reserve: Unearned premiums are those proportions of the premiums written in a period that relate to the period of risk subsequent to the date of the statement of financial position for all short-term insurance policies. In accordance with the incumbent legislation on the computation of insurance contract liabilities, unearned premium reserve set aside for unexpired risks as at the dates of the statements of financial position, has been computed on a daily pro-rata basis. The change in the provision for unearned premium is recognized in the statement of income in the order that income is recognized over the period of risk.

Claims and provision for "outstanding" claims: Claims are recognized in the period in which they occur, based on reported claims or on the basis of estimates when not reported. The claims provision is the total estimated ultimate cost of settling all claims arising from events, which have occurred up to the end of the accounting period. Full provision is accounted for outstanding claims, including claim settlements reported at the period-end. Incurred but not reported claims ("IBNR") are also provided for under the provision for outstanding claims.

Liability adequacy test: At each statement of financial position date, asset-liability adequacy tests are performed to ensure the adequacy of the contract liabilities, net of related deferred acquisition costs. In performing these tests, current best estimates of future cash flows are used. Any deficiency is immediately charged to the statement of income.

Income generated from pension business: Income arising from asset management and other related services offered by the insurance affiliate of the Bank is recognized in the accounting period in which the service is rendered. Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the insurance company actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. These services comprise the activity of trading financial assets in order to reproduce the contractual services. In all cases, these services comprise an indeterminate number of acts over the life of the individual contracts.

Mathematical provisions: Mathematical provisions are the provisions recorded against the liabilities of the insurance affiliate of the Bank to the beneficiaries of long-term life, health and individual accident policies based on actuarial assumptions. Mathematical provisions consist of actuarial mathematical provisions for long term insurance contracts, saving portion of the saving life products classified as investment contracts and related profit sharing reserves.

Actuarial mathematical provisions are calculated as the difference between the net present values of premiums written in return of the risk covered by the insurance affiliate and the liabilities to policyholders for long-term insurance contracts based on the basis of actuarial mortality assumptions as approved by the Republic of Turkey Prime Ministry Undersecretariat of Treasury, which are applicable for Turkish insurance companies.

Profit sharing reserves are the reserves provided against income obtained from asset backing saving life insurance contracts. These contracts entitle the beneficiaries of those contracts to a minimum guaranteed crediting rate per annum or, when higher, a bonus rate declared by the insurance affiliate from the eligible surplus available to date.

Mathematical provisions are presented under "other liabilities and accrued expenses" in the accompanying consolidated financial statements.

Significant accounting policies (continued)

(t) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(u) Segment reporting

An operating segment is a component of the Bank and its affiliates that engage in business activities from which it may earn income and incur expenses, including income and expenses that relate to transactions with any of the Bank's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(v) New standards and interpretations

Standards and interpretations adopted with no effect on the 2010 financial statements

- IFRS 3 (as revised in 2008) Business Combinations
- IFRS 5 (Amendments related to Annual Improvements 2008 and 2009) Non-current Assets Held for Sale and Discontinued Operations
- IAS 1 (Amendments Related to Annual Improvements 2009) Presentation of Financial Statements
- IAS 7 (Amendments Related to Annual Improvements 2009) Statement of Cash Flows
- IAS 17 (Amendments Related to Annual Improvements 2009) Leases
- IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements
- IAS 36 (Amendments Related to Annual Improvements 2009) Impairment of Assets
- IAS 38 (Amendments Related to Annual Improvements 2009) Intangible Assets
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRIC 9 (Amendments Related to Annual Improvements 2009) Reassessment of Embedded Derivatives
- IFRIC 16 (Amendments Related to Annual Improvements 2009) Hedges of Net Investment in a Foreign Operation
- IFRIC 18 Transfer of Assets from Customers

Standards and interpretations not yet effective in 2010 and not early adopted

- IFRS 1 (amendments) First-time Adoption of IFRS – Additional Exemptions
- IFRS 9 Financial Instruments: Classification and Measurement
- IAS 24 (Revised 2009) Related Party Disclosures
- IAS 32 (Amendments) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements
- IFRIC 14 (Amendments) Pre-payment of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Annual Improvements May 2010: IFRS1, IFRS3, IFRS7, IAS1, IAS27, IAS34 and IFRIC 13

Index for the notes to the consolidated financial statements:

(Currency: Thousands of Turkish Lira (TL))

1 Segment reporting

The Bank has seven reportable segments from banking and other financial institutions, as described in the business segments part 1.2 below, which are the Bank's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the senior management reviews internal reports regularly. The following summary describes the operations in each of the Bank's reportable segments:

1.1 Geographical segments

The Bank and its affiliates operate principally in Turkey, but also have operations in the Netherlands, Russia, Turkish Republic of Northern Cyprus, Malta, Luxembourg, Germany and Romania. Total geographic sector risk concentrations, both on and off balance sheet, are presented in the table below:

	30 June 2010				
	Loans and Advances to Customers	*Total Assets*	*Total Liabilities*	*Non-Cash Loans*	*Capital Expenditures*
Turkey	58,371,928	103,135,264	76,977,527	13,043,235	104,681
England	115,070	5,569,155	8,506,724	210,901	-
Romania	1,196,596	2,244,149	381,693	58,628	19,038
Germany	5,290	1,685,702	2,674,124	71,306	49
Russia	319,773	1,186,078	164,318	83,306	149
Netherlands	742,131	909,505	2,589,150	61,196	509
USA	61,661	622,908	6,407,650	676,701	-
France	1,969	518,414	538,414	145,117	-
Others	751,231	1,889,730	4,310,836	1,410,432	-
	61,565,649	117,760,905	102,550,436	15,760,822	124,426

	31 December 2009				
	Loans and Advances to Customers	*Total Assets*	*Total Liabilities*	*Non-Cash Loans*	*Capital Expenditures*
Turkey	51,880,199	100,630,379	71,542,341	12,758,455	328,473
England	32,411	5,827,063	10,158,275	272,488	-
Romania	1,099,938	2,557,144	1,577,550	71,855	7,499
Germany	9,782	1,588,804	3,274,002	81,613	779
Netherlands	480,134	1,157,041	2,018,594	155,797	3,770
Russia	480,084	978,600	269,657	67,802	29,332
USA	43,721	843,864	7,445,208	441,186	-
France	3,996	11,005	440,972	167,110	-
Others	734,986	2,013,737	5,044,757	1,096,899	-
	54,765,251	115,607,637	101,771,356	15,113,205	369,853

Total geographic sector risk concentrations of the net income are presented in the table below:

	Six-month period ended 30 June 2010	*Three-month period ended 30 June 2010*	*Six-month period ended 30 June 2009*	*Three-month period ended 30 June 2009*
Turkey	2,030,396	1,025,006	1,340,437	765,196
Netherlands	44,313	25,436	16,959	4,492
Luxembourg	25,862	8,365	41,770	30,464
Malta	(18,827)	(56,326)	44,666	(87,724)
Others	(13,249)	(28,538)	12,613	4,699
	2,068,495	973,943	1,456,445	717,127

(Currency: Thousands of Turkish Lira (TL))

1 Segment reporting (continued)

1.2 *Business segments*

The main business segments are banking, leasing, insurance and factoring sectors. Banking segment information is detailed further to retail banking and commercial, corporate and SME banking as these are the major banking activities. Other operations heading under the banking segment include mainly treasury and investment banking activities as well as unallocated income and expense items. The analysis is as follows:

30 June 2010	Retail Banking	Commercial, Corporate & SME Banking	Other Operations	Eliminations	Total Banking	Leasing	Insurance	Factoring	Other Financial	Other Non-Financial	Combined	Eliminations	Total
Operating income	1,166,465	1,290,671	1,479,032	-	3,936,168	88,109	110,292	21,084	24,221	12,891	4,192,765	(8,172)	4,184,593
Operating expenses	(634,681)	(582,507)	(263,055)	-	(1,480,243)	(32,698)	(54,123)	(12,995)	(19,968)	(12,180)	(1,612,207)	6,101	(1,606,106)
Income from operations	531,784	708,164	1,215,977	-	2,455,925	55,411	56,169	8,089	4,253	711	2,580,558	(2,071)	2,578,487
Taxation charge	-	-	(485,524)	-	(485,524)	(10,759)	(11,293)	(1,549)	(659)	(208)	(509,992)	-	(509,992)
Net income for the period	531,784	708,164	730,453	-	1,970,401	44,652	44,876	6,540	3,594	503	2,070,566	(2,071)	2,068,495
Segment assets	19,538,587	40,333,830	52,057,930	(687,456)	111,242,891	1,734,396	2,021,795	1,408,274	357,676	18,356	116,783,388	(860,915)	115,922,473
Investments in equity participations	-	-	352,256	-	352,256	-	283	9,635	47	1,158	363,379	(283,378)	80,001
Unallocated assets	-	-	1,484,129	-	1,484,129	198,140	11,630	4,299	14,399	1,569	1,714,166	44,265	1,758,431
Total assets	19,538,587	40,333,830	53,894,315	(687,456)	113,079,276	1,932,536	2,033,708	1,422,208	372,122	21,083	118,860,933	(1,100,028)	117,760,905
Segment liabilities	41,569,511	30,283,306	27,262,289	(687,456)	98,427,650	1,540,971	1,759,202	1,358,867	274,391	7,051	103,368,132	(817,696)	102,550,436
Total equity	-	-	14,651,626	-	14,651,626	391,565	274,506	63,341	97,731	14,032	15,492,801	(282,332)	15,210,469
Total liabilities and equity	41,569,511	30,283,306	41,913,915	(687,456)	113,079,276	1,932,536	2,033,708	1,422,208	372,122	21,083	118,860,933	(1,100,028)	117,760,905

(Currency: Thousands of Turkish Lira (TL))

1 Segment reporting (continued)

	Retail Banking	Commercial Corporate & SME Banking	Other Operations	Eliminations	Total Banking	Leasing	Insurance	Factoring	Other Financial	Other Non-Financial	Combined	Eliminations	Total
30 June 2009													
Operating income	1,256,305	1,287,069	1,530,816	-	4,074,190	69,369	90,798	19,044	17,993	13,368	4,284,762	(3,019)	4,281,743
Operating expenses	(593,259)	(395,416)	(1,301,018)	-	(2,289,693)	(32,797)	(37,538)	(12,421)	(18,680)	(13,417)	(2,404,546)	8,206	(2,396,340)
Income from operations	**663,046**	**891,653**	**229,798**	-	**1,784,497**	**36,572**	**53,260**	**6,623**	**(687)**	**(49)**	**1,880,216**	**5,187**	**1,885,403**
Taxation credit/(charge)	-	-	(411,428)	-	(411,428)	(6,448)	(9,962)	(1,485)	349	16	(428,958)	-	(428,958)
Net income for the period	**663,046**	**891,653**	**(181,630)**	-	**1,373,069**	**30,124**	**43,298**	**5,138**	**(338)**	**(33)**	**1,451,258**	**5,187**	**1,456,445**
31 December 2009													
Segment assets	17,444,234	36,659,646	56,283,265	(627,007)	109,760,138	1,824,602	1,729,222	1,131,854	52,485	17,915	114,516,216	(617,678)	113,898,538
Investments in equity participations	-	-	386,592	-	386,592	-	275	9,641	5,765	1,158	403,431	(330,075)	73,356
Unallocated assets	-	-	1,383,826	-	1,383,826	180,396	15,266	4,261	4,967	1,511	1,590,227	45,516	1,635,743
Total assets	**17,444,234**	**36,659,646**	**58,053,683**	**(627,007)**	**111,530,556**	**2,004,998**	**1,744,763**	**1,145,756**	**63,217**	**20,584**	**116,509,874**	**(902,237)**	**115,607,637**
Segment liabilities	38,259,084	27,189,182	33,237,052	(627,007)	98,058,311	1,665,647	1,511,621	1,088,955	13,172	7,306	102,345,012	(573,656)	101,771,356
Total equity	-	-	13,472,245	-	13,472,245	339,351	233,142	56,801	50,045	13,278	14,164,862	(328,581)	13,836,281
Total liabilities and equity	**38,259,084**	**27,189,182**	**46,709,297**	**(627,007)**	**111,530,556**	**2,004,998**	**1,744,763**	**1,145,756**	**63,217**	**20,584**	**116,509,874**	**(902,237)**	**115,607,637**

(Currency: Thousands of Turkish Lira (TL))

2 Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, due from banks with original maturity periods of less than three months and other cash items. Cash and cash equivalents as of 30 June 2010 and 2009, included in the accompanying consolidated statements of cash flows are as follows:

	30 June 2010	*30 June 2009*
Cash at branches	668,501	494,739
Unrestricted balances with central banks	1,578,036	2,424,533
Placements at money markets	168,694	15,160
Loans and advances to banks with original maturity periods of less than three months	2,426,806	3,756,564
	4,842,037	6,690,996

3 Related party disclosures

For the purpose of this report, the shareholders jointly controlling the Bank namely Doğuş Holding AŞ and GE and all their subsidiaries, and their ultimate owners, directors and executive officers and the Bank's unconsolidated affiliates are referred to as related parties. During the course of the business, the Bank has made placements with and granted loans to related parties and also received deposits from them at various terms. The Bank had the following balances outstanding from and transactions with related parties:

3.1 *Outstanding balances*

	30 June 2010	*31 December 2009*
Statement of financial position		
Loans and advances to customers	434,317	312,884
Loans granted in TL	*138,910*	*157,424*
Loans granted in foreign currencies:	*US$ 48,188,631*	*US$ 53,645,220*
	EUR 114,728,475	*EUR 35,323,461*
Miscellaneous receivables	4,700	5,515
Deposits received	1,203,353	722,092
Commitments and contingencies		
Non-cash loans	475,430	375,551
Derivatives	284,575	3,326

3.2 *Transactions*

	Six-month period ended 30 June 2010	*Three-month period ended 30 June 2010*	*Six-month period ended 30 June 2009*	*Three-month period ended 30 June 2009*
Interest income	11,310	4,882	16,714	9,043
Interest expense	18,184	10,716	14,206	6,883

In the first half of 2010, interest rates applied to foreign currency receivables from and payables to related parties vary within the ranges of 2.7%-14.0% and 0.2%-11.3% (31 December 2009: 2.2%-8.0% and 0.1%-10.1%), respectively. The interest rates applied to TL receivables from and payables to related parties vary within the ranges of 0.9%-18.0% and 5.9%-10.0%, respectively (31 December 2009: 1.1%-19.0% and 5.9%-10.5%). Various commission rates are applied to transactions involving guarantees and commitments.

(Currency: Thousands of Turkish Lira (TL))

3 Related party disclosures (continued)

No impairment losses or specific allowances have been recorded against balances outstanding during the period with related parties as of 30 June 2010 (30 June 2009: nil).

On 6 March 2009, the Bank purchased a real estate from Eureko Sigorta AŞ at a price of TL 12,434 thousands and fully paid.

The Bank purchased a real estate at a total price of USD 11,000,000 plus VAT (equivalent of TL 18,121 thousands) on 3 June 2009 through payments of USD 6,000,000 on 6 April 2009 and USD 5,880,000 on 3 June 2009 as per the trading commitment agreement with Doğuş-Ge Gayrimenkul Yatırım Ortaklığı AŞ.

Key management personnel compensation for the six-month period ended 30 June 2010 amounted TL 68,126 thousands (30 June 2009: TL 55,313 thousands) on a consolidated basis. Within this total, individual key management expenses of the Bank amounted TL 50,692 thousands (30 June 2009: TL 41,906 thousands) and of its financial affiliates amounted TL 17,434 thousands (30 June 2009: TL 13,407 thousands).

4 Cash and balances with central banks

	30 June 2010	*31 December 2009*
Cash at branches	668,501	797,599
Balances with central banks excluding reserve deposits	1,578,036	4,781,599
	2,246,537	5,579,198

5 Financial assets at fair value through profit or loss

	30 June 2010				*31 December 2009*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments held at fair value:					
Discounted government bonds in TL	896,891	860,952	8-9	2012	329,040
Treasury bills in TL	376,359	374,844	7-8	2010	8,996
Government bonds in TL	150,321	151,195	3-21	2020	60,832
Government bonds-floating	134,863	140,891	8-12	2017	11,939
Gold		40,533			109,827
Investment fund		28,383			23,286
Others		65,039			23,901
		1,661,837			567,821
Equity and other non-fixed income instruments:					
Forfeiting receivables		89,899			154,910
Listed shares		13,323			22
		103,222			154,932
Total financial assets at fair value through profit or loss		1,765,059			722,753

(Currency: Thousands of Turkish Lira (TL))

5 Financial assets at fair value through profit or loss (continued)

Income from debt and other instruments held at fair value is reflected in the consolidated statement of comprehensive income as interest on securities. Gains and losses arising on derivative financial instruments and changes in fair value of other trading instruments are reflected in net trading income.

Whereas, gains and losses arising from changes in the effective portion of the fair value of cash flow hedges are reflected as a separate component of equity.

Income/(loss) from trading of financial assets is detailed in the table below:

	Six-month period ended 30 June 2010	*Three-month period ended 30 June 2010*	*Six-month period ended 30 June 2009*	*Three-month period ended 30 June 2009*
Fixed/floating securities	162,994	38,654	309,660	226,432
Derivative transactions	(39,679)	153,925	356,096	(21,325)
Trading income/(loss), net	123,315	192,579	665,756	205,107

As of 30 June 2010, financial assets at fair value through profit or loss amounting to TL 93 thousands are blocked against asset management operation (31 December 2009: TL 89 thousands).

6 Loans and advances to banks

	30 June 2010			*31 December 2009*		
	TL	*Foreign Currency*	*Total*	*TL*	*Foreign Currency*	*Total*
Loans and advances-demand						
Domestic banks	2,185	1,068	3,253	430	5,185	5,615
Foreign banks	288,014	933,468	1,221,482	255,099	593,476	848,575
	290,199	934,536	1,224,735	255,529	598,661	854,190
Loans and advances-time						
Domestic banks	528,129	1,419,178	1,947,307	660,312	1,419,680	2,079,992
Foreign banks	2,523,633	3,897,239	6,420,872	2,226,818	4,537,710	6,764,528
	3,051,762	5,316,417	8,368,179	2,887,130	5,957,390	8,844,520
Placements at money markets	36,195	132,499	168,694	1,000,000	-	1,000,000
Accrued interest on loans and advances to banks	29,061	17,367	46,428	37,648	30,689	68,337
Total loans and advances to banks	3,407,217	6,400,819	9,808,036	4,180,307	6,586,740	10,767,047
Less: allowance for uncollectibility	-	(4,649)	(4,649)	-	-	-
Net loans and advances to banks	3,407,217	6,396,170	9,803,387	4,180,307	6,586,740	10,767,047

As of 30 June 2010, majority of loans and advances-time are short-term with interest rates ranging between 0%-13% per annum for foreign currency time placements and 2%-23% per annum for TL time placements (31 December 2009: 0%-12% and 5%-26%, respectively).

As of 30 June 2010, loans and advances at domestic and foreign banks include blocked accounts of TL 5,354,121 thousands (31 December 2009: TL 4,371,753 thousands) held against securitizations, fundings and insurance business.

(Currency: Thousands of Turkish Lira (TL))

7 Loans and advances to customers

Outstanding loans and advances to customers are divided between economic sectors and loan types as follows:

	30 June 2010	*31 December 2009*
Consumer loans	19,409,331	17,046,507
Credit card receivables	*7,252,886*	*6,841,994*
Mortgage loans	*6,769,783*	*5,696,686*
General purpose loans	*4,218,224*	*2,990,758*
Auto loans	*601,862*	*598,783*
Other consumer loans	*566,576*	*918,286*
Service sector	6,341,258	5,234,700
Energy	4,200,482	4,049,434
Construction	3,140,815	2,567,201
Transportation and logistics	3,090,183	2,788,779
Metal and metal products	2,990,487	2,109,944
Food	2,459,490	2,426,405
Textile	2,275,209	1,915,975
Financial institutions	1,919,775	1,213,505
Transportation vehicles and sub-industry	1,872,276	2,137,002
Data processing	1,697,844	1,253,193
Tourism	1,369,569	1,547,999
Mining	874,034	397,421
Durable consumption	865,536	776,561
Chemistry and chemical products	858,494	707,058
Agriculture and stockbreeding	763,141	755,343
Stone, rock and related products	601,590	647,714
Machinery and equipment	600,424	688,978
Electronic, optical and medical equipment	534,345	564,172
Plastic products	308,492	291,375
Paper and paper products	261,267	264,700
Others	1,675,559	2,122,635
Total performing loans	58,109,601	51,506,601
Financial lease receivables, net of unearned income (Note 8)	1,296,608	1,369,908
Factoring receivables	1,173,327	848,028
Accrued interest income on loans and lease receivables	815,993	795,555
Non-performing loans, factoring and lease receivables	2,445,095	2,533,818
Allowance for probable losses from loans, factoring and lease receivables	(2,274,975)	(2,288,659)
Loans and advances to customers	61,565,649	54,765,251

As of 30 June 2010, interest rates on loans granted to customers range between 0%-29% (31 December 2009: 1%-24%) per annum for the foreign currency loans and 2%-29% (31 December 2009: 7%-32%) per annum for the TL loans.

(Currency: Thousands of Turkish Lira (TL))

7 Loans and advances to customers (continued)

The provision for probable losses is comprised of amounts for specifically identified as being impaired and non-performing loans and advances and a further portfolio-basis amount considered adequate to cover the residual inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers. The amount of the portfolio basis allowance is TL 304,827 thousands (31 December 2009: TL 341,038 thousands).

Movements in the allowance for probable losses on loans, factoring and lease receivables including the portfolio basis allowances, are as follows:

	30 June 2010	*31 December 2009*
Balance at the beginning of the period	2,288,659	1,180,632
Newly consolidated affiliates	94,937	-
Write-offs	(73,958)	(137,320)
Recoveries and reversals	(406,496)	(592,619)
Provision for the period	371,833	1,837,966
Balance at the end of the period	2,274,975	2,288,659

8 Financial lease receivables

The financial leases typically run for a period of one to five years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease.

The receivables are secured by way of the underlying assets. Loans and advances to customers include the following financial lease receivables:

	30 June 2010	*31 December 2009*
Financial lease receivables, net of unearned income (Note 7)	1,296,608	1,369,908
Add: non-performing lease receivables	271,794	224,619
Less: allowance for probable losses on lease receivable	(99,032)	(65,883)
	1,469,370	1,528,644
Accrued interest on lease receivables	11,686	12,605
Analysis of net financial lease receivables		
Due within 1 year	780,767	778,479
Due between 1 and 5 years	864,054	943,917
Due after 5 years	29,959	50,337
Financial lease receivables, gross	1,674,780	1,772,733
Unearned income	(205,410)	(244,089)
Financial lease receivables, net	1,469,370	1,528,644
Analysis of net financial lease receivables, net		
Due within 1 year	670,542	651,506
Due between 1 and 5 years	770,572	830,101
Due after 5 years	28,256	47,037
Financial lease receivables, net	1,469,370	1,528,644

(Currency: Thousands of Turkish Lira (TL))

9 Other assets

	30 June 2010	*31 December 2009*
Reserve deposits at central banks	2,750,779	2,099,002
Insurance premium receivables	1,614,381	1,393,340
Accrued gains on derivatives	414,199	642,462
Prepaid expenses, insurance claims and similar items	274,967	238,225
Miscellaneous receivables	167,294	120,252
Tangible assets held for sale	103,848	81,192
Prepaid taxes and taxes and funds to be refunded	43,812	52,268
Advances for tangible assets	-	128,949
Others	69,371	71,015
	5,438,651	4,826,705

Reserve deposits at central banks

At 30 June 2010, reserve deposits at the Central Bank of Turkey are kept as minimum reserve requirement. These funds are not available for the daily business of the Bank and its affiliates. As required by the Turkish Banking Law, these reserve deposits are calculated on the basis of TL and foreign currency liabilities taken at the rates determined by the Central Bank of Turkey. In accordance with the current legislation, the reserve deposit rates for TL and foreign currency liabilities are 5% and 9.50% (31 December 2009: 5% and 9%), respectively. Interest rates applied for reserve requirements are 5.20% (31 December 2009: 5.20%) for TL deposits. The foreign currency reserves do not earn any interests.

The reserve deposits at the Central Bank of the Netherlands, as required by the Dutch Banking Law, are calculated as 2% on all customer deposits with an original maturity less than 2 years and 2% on bank deposits of non-EU banks with an original maturity less than 2 years.

The banks operating in Romania are obliged to keep minimum reserve requirements in accounts held with Romanian Central Bank (NBR). The reserve requirements are to be held in RON for RON liabilities and in Euro or US$ for foreign currency liabilities. Currently, in line with stipulations of related legislation in force, the rates for reserve requirements are 15% for RON denominated liabilities with a remaining maturity less than 2 years and 25% for foreign currency denominated liabilities with an remaining maturity less than 2 years excluding Romanian banks' fundings (previously, 18% for RON and 30% for foreign currency). The interest rates paid by the NBR to banks for reserve requirements are subject of permanent update, currently there are 2.02% for RON reserves, 1.07% for Euro reserves and 0.99% for US$ reserves.

The reserve deposits at the Central Bank of Russia are not available for the daily business, as required by the Russian Banking Law, these reserve deposits are calculated on the basis of RUR and foreign currency liabilities taken at the rates determined by the Central Bank of Russia. In accordance with the current legislation, the reserve deposit rates for RUR and foreign currency liabilities legal entities-nonresidents, including banks-nonresident (RUR and foreign currency liabilities), individuals (RUR and foreign currency liabilities) and other liabilities are 2.5%.

Tangible assets held for sale

The tangible assets held for sale is comprised of foreclosed real estate acquired by the Bank against its impaired receivables. Such assets are required to be disposed of within three years following their acquisitions per the Turkish Banking Law. This three year period can be extended by a legal permission from the regulators. In case of real estates held for sale, this requirement is valid only if the legal limit on the size of the real estate portfolio that a bank can maintain is exceeded. Currently, as the Bank is within this legal limit, it is not subject to the above requirement.

(Currency: Thousands of Turkish Lira (TL))

9 Other assets (continued)

Impairment losses provided on real estates held for sale were determined based on the appraisals of independent appraisal firms. As of 30 June 2010, real estates held for sale amounting TL 89,003 thousands (31 December 2009: TL 75,889 thousands) have been impaired by TL 11,508 thousands (31 December 2009: TL 9,879 thousands).

As of 30 June 2010, the rights of repurchase on various tangible assets held for sale amounted to TL 2,942 thousands (31 December 2009: TL 3,263 thousands).

10 Investment securities

	30 June 2010				*31 December 2009*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments available-for-sale:					
Government bonds at floating rates *(a)*	9,306,858	9,765,987	8-11	2016	9,804,229
Government bonds indexed to consumer price index	6,044,899	8,208,034	4-12	2015	6,420,939
Treasury bills in TL	2,932,740	2,916,146	7-20	2011	2,649,841
Bonds issued by corporations *(b)*	2,137,521	2,142,631	3-12	2034	2,154,349
Discounted government bonds in TL	1,858,237	1,784,419	8-9	2012	4,389,575
Government bonds in TL	1,199,326	1,396,673	3-17	2020	1,859,704
Eurobonds	821,607	926,589	5-12	2040	993,710
Bonds issued by financial institutions	615,068	641,637	3-16	2019	777,601
Bonds issued by foreign governments	296,812	296,696	5-8	2020	328,904
Government bonds in foreign currency	241,538	241,944	1-2	2010	280,855
Others		101,589			110,052
Total securities available-for-sale		28,422,345			29,769,759
Debt and other instruments held-to-maturity:					
Government bonds in TL	3,085,263	2,898,959	14-17	2012	3,056,155
Government bonds at floating rates *(a)*	2,078,377	2,151,371	9-10	2014	2,682,252
Eurobonds	1,341,734	1,349,429	7-9	2036	1,417,196
Others		2,329			38,517
		6,402,088			7,194,120
Accrued interest on held-to-maturity portfolio		278,757			273,705
Total securities held-to-maturity		6,680,845			7,467,825
Total investment securities		35,103,190			37,237,584

(a) The interest rates applied on these securities are floating quarterly based on interest rates of government bond bids of the government.

(b) Bonds issued by corporations include credit linked notes with a total face value of US$ 731,666,667 (31 December 2009: US$ 882,777,778 and EUR 500,000) and a total carrying value of TL 1,159,646 thousands (31 December 2009: TL 1,335,731 thousands).

(Currency: Thousands of Turkish Lira (TL))

10 Investment securities (continued)

Interest income from debt and other fixed or floating instruments is reflected in interest on securities. Whereas, gains and losses arising from changes in the effective portion of the fair value of cash flow hedges and available-for-sale assets are deferred as a separate component of equity.

Impairment losses provided on investment securities as of 30 June 2010 amounted to TL 103 thousands (30 June 2009: nil).

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to TL 5,061,821 thousands (31 December 2009: TL 11,039,298 thousands).

The following table summarizes securities that were deposited as collaterals with respect to various banking, insurance and asset management transactions:

	30 June 2010		*31 December 2009*	
	Face Value	*Carrying value*	*Face Value*	*Carrying value*
Collateralized to foreign banks	3,872,593	4,033,188	9,332,350	9,707,648
Deposited at Istanbul Stock Exchange	3,320,099	3,498,253	2,390,302	2,794,851
Deposited at central banks for repurchase transactions	687,030	773,867	1,374,103	1,473,013
Deposited at CBT for interbank transactions	570,213	594,133	570,773	598,305
Deposited at CBT for foreign currency money market transactions	528,606	559,363	1,007,203	1,082,479
Deposited at Clearing Bank (Takasbank)	66,000	66,000	53,651	56,370
Others		41,645		49,441
		9,566,449		15,762,107

11 Investments in equity participations

	30 June 2010		*31 December 2009*	
	Carrying Value	*Ownership %*	*Carrying Value*	*Ownership %*
Eureko Sigorta AŞ	57,245	20.00	50,579	20.00
IMKB Takasbank AŞ	11,962	5.83	11,962	5.83
Others	10,794		10,815	
	80,001		73,356	

(Currency: Thousands of Turkish Lira (TL))

11 Investments in equity participations (continued)

80% shares of a previously consolidated affiliate, Garanti Sigorta AŞ, owned by the Bank were sold to Eureko BV on 21 June 2007. After the sale, the remaining 20% was reclassified as investments in equity participations and accounted under the equity method of accounting. Subsequent to this sale, on 1 October 2007 the legal name of the company changed as Eureko Sigorta AŞ. As of and for the six-month period ended 30 June 2010, the investment in Eureko Sigorta AŞ amounts to TL 57,245 thousands (31 December 2009: TL 50,579 thousands) and the Bank's share of net income is TL 7,256 thousands (30 June 2009: TL 6,231 thousands). A summary financial information for equity accounted investee, not adjusted for the percentage ownership held by is presented below:

	Total Assets	*Equity*	*Tangible & Intangible Assets*	*Interest Income*	*Income on Securities Portfolio*	*Current Period Net Income*
30 June 2010	614,029	286,226	13,776	13,175	4,916	35,788
31 December 2009	563,506	252,898	13,691	16,724	24,364	46,609

At the Bank's board of directors meeting held on 3 June 2009, it was decided to participate in the capital increase of Kredi Garanti Fonu AŞ by TL 4,000 thousands and to subscribe for future capital increases up to TL 4,000 thousands in restructuring of the company to build a three-shareholders structure including the Turkish Union of Chambers and Commodity Exchanges (TOBB), the Small and Medium Size Enterprises Development Organization (KOSGEB) and the banks. As per this decision, the Bank has paid TL 2,000 thousands of its capital commitment of TL 4,000 thousands on 15 October 2009 for the capital increase of Kredi Garanti Fonu AŞ decided on 11 September 2009.

Others include "Garanti Konut Finansmanı Danışmanlık Hizmetleri AŞ" which was established as per the decision made during the board of directors meeting of the Bank on 15 September 2007 to provide consultancy and outsourcing services to banks, housing finance and mortgage finance companies. Its legal registration process was completed on 3 October 2007. The Bank owns 100% of the company shares. The share capital of the company amounting TL 750 is fully paid. This company is not consolidated in the accompanying consolidated financial statements as currently it does not have material operations compared to the consolidated performance of the Bank and its affiliates, instead it is recorded under investments in equity participations in "others" above and valued at cost.

IMKB Takasbank AŞ and other equity participations do not have a quoted market price in an active market and other methods of reasonably estimating their values would be inappropriate and impracticable, accordingly they are stated at cost, restated for the effects of inflation in TL units current at 31 December 2005.

There is not any additional impairment losses for the investments in equity participations as of 30 June 2010 and 31 December 2009. The cumulative provisions for such impairment losses amounted to TL 3,455 thousands as of 30 June 2010 (31 December 2009: TL 3,489 thousands).

(Currency: Thousands of Turkish Lira (TL))

12 Tangible assets

Movement in tangible assets from 1 January to 30 June 2010 is as follows:

	1 January	*Additions*	*Effects of Movement in Exchange Rates*	*Disposals*	*30 June*
Costs					
Land and buildings	1,138,775	12,073	(7,799)	(5,663)	1,137,386
Furniture, fixture, equipments and motor vehicles	1,273,239	80,203	(5,366)	(45,395)	1,302,681
Leasehold improvements	336,407	27,741	(2,820)	(11,130)	350,198
	2,748,421	120,017	(15,985)	(62,188)	2,790,265
Less: Accumulated depreciation					
Buildings	248,230	11,677	(1,098)	(1,408)	257,401
Furniture, fixture, equipments and motor vehicles	854,058	62,558	(2,584)	(34,484)	879,548
Leasehold improvements	153,052	28,213	(1,486)	(5,290)	174,489
	1,255,340	102,448	(5,168)	(41,182)	1,311,438
Construction in progress	54,187	7,034	1,395	-	62,616
	1,547,268				1,541,443
Impairment in value of tangible assets	(98,610)				(94,659)
	1,448,658				1,446,784

Movement in tangible assets from 1 January to 31 December 2009 is as follows:

	1 January	*Additions*	*Effects of Movement in Exchange Rates*	*Disposals*	*31 December*
Costs					
Land and buildings	1,086,460	70,687	-	(18,372)	1,138,775
Furniture, fixture, equipments and motor vehicles	1,037,027	276,424	(2,463)	(37,749)	1,273,239
Leasehold improvements	297,495	58,897	347	(20,332)	336,407
	2,420,982	406,008	(2,116)	(76,453)	2,748,421
Less: Accumulated depreciation					
Buildings	228,852	23,465	-	(4,087)	248,230
Furniture, fixture, equipments and motor vehicles	725,990	142,046	(2,463)	(11,515)	854,058
Leasehold improvements	122,493	48,184	347	(17,972)	153,052
	1,077,335	213,695	(2,116)	(33,574)	1,255,340
Construction in progress	1,919	52,256	12	-	54,187
	1,345,566				1,547,268
Impairment in value of tangible assets	(106,939)				(98,610)
	1,238,627				1,448,658

Depreciation expense for the six-month period ended and the three-month period ended 30 June 2010 amounts to TL 93,844 thousands and TL 46,058 thousands (the six-month period ended 30 June 2009: TL 98,210 thousands and the three-month period ended 30 June 2009: TL 49,701 thousands).

(Currency: Thousands of Turkish Lira (TL))

12 Tangible assets (continued)

A portion of the additions amounting TL 7,424 thousands during the first half of 2010 represented the tangible assets of newly consolidated affiliates.

Assessment of the independent appraiser firms have been taken into consideration in the determination of the impairment losses provided for land and buildings. As of 30 June 2010, land and buildings at a total net book value before impairment of TL 416,066 thousands (31 December 2009: TL 416,724 thousands) have been impaired by TL 94,659 thousands (31 December 2009: TL 98,610 thousands).

13 Goodwill

As of 30 June 2010, goodwill arises from the direct acquisitions of Garanti Yatırım Menkul Kıymetler AŞ, Garanti Finansal Kiralama AŞ, Garanti Emeklilik ve Hayat AŞ, Garanti Faktoring Hizmetleri AŞ and Eureko Sigorta AŞ consisting of the excesses of the total acquisition costs over net assets of these consolidated entities at the dates of their acquisition as follows:

	30 June 2010	*31 December 2009*
Garanti Yatırım Menkul Kıymetler AŞ	20,984	20,984
Garanti Faktoring Hizmetleri AŞ	6,697	6,697
Garanti Finansal Kiralama AŞ	5,233	5,233
Eureko Sigorta AŞ	222	222
Garanti Emeklilik ve Hayat AŞ	34	34
	33,170	33,170
Impairment of goodwill	-	-
	33,170	33,170

Impairment losses when necessary are provided for decrease in the net asset value of the consolidated entities by assessing their internal and external resources.

14 Deposits from banks

Deposits from banks comprise the following:

	30 June 2010	*31 December 2009*
Payable on demand	715,668	1,589,110
Term deposits	821,205	1,146,073
	1,536,873	2,735,183
Accrued interest on deposits from banks	4,747	3,150
	1,541,620	2,738,333

Deposits from banks include both TL accounts amounting TL 506,864 thousands (31 December 2009: TL 853,093 thousands) and foreign currency accounts amounting TL 1,030,009 thousands (31 December 2009: TL 1,882,090 thousands) in total. As of 30 June 2010, interest rates applicable to TL bank deposits and foreign currency bank deposits vary within ranges of 3%-14% and 0%-14% (31 December 2009: 3%-16% and 0%-8%), respectively.

(Currency: Thousands of Turkish Lira (TL))

15 Deposits from customers

Deposits from customers comprise the following:

	30 June 2010			*31 December 2009*
	Demand	*Time*	*Total*	*Total*
Foreign currency	7,667,808	24,015,479	31,683,287	30,197,163
Saving	2,121,011	22,260,922	24,381,933	20,844,687
Commercial	2,379,697	9,351,176	11,730,873	13,674,743
Public and other	1,906,925	1,153,509	3,060,434	1,080,457
	14,075,441	56,781,086	70,856,527	65,797,050
Accrued interest expense on deposits from customers	17,511	322,482	339,993	245,981
	14,092,952	57,103,568	71,196,520	66,043,031

As of 30 June 2010, interest rates applicable to TL deposits and foreign currency deposits vary within ranges of 3%-17% and 0%-14% (31 December 2009: 3%-18% and 0%-11%), respectively.

16 Obligations under repurchase agreements

The Bank and its affiliates raise funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. Assets sold under repurchase agreements comprise the following:

	Carrying value	*Fair value of underlying assets*	*Carrying amount of corresponding liabilities*	*Range of repurchase dates*	*Repurchase price*
30 June 2010					
Investment securities	5,061,821	5,321,643	4,957,781	Jun'10-Feb'11	4,980,534
31 December 2009					
Investment securities	11,039,298	11,248,892	10,764,729	Jan'10-Feb'11	10,898,956

Accrued interest on obligations under repurchase agreements amounting to TL 59,967 thousands (31 December 2009: TL 59,168 thousands) is included in the carrying amount of corresponding liabilities.

In general the carrying values of such assets are more than the corresponding liabilities due to the margins set between the parties, since such funding is raised against assets collateralized.

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As of 30 June 2010, the maturities of the obligations varied from one day to eight months and interest rates varied between 1%-11% (31 December 2009: 2%-11%).

(Currency: Thousands of Turkish Lira (TL))

17 Loans and advances from banks

Loans and advances from banks comprise the following:

	30 June 2010	*31 December 2009*
Short-term borrowings		
Domestic banks	1,054,187	1,166,712
Foreign banks	4,281,984	2,926,344
	5,336,171	4,093,056
Long-term debts		
Short-term portion	1,586,965	1,688,654
Medium and long-term portion	10,081,136	9,553,373
	11,668,101	11,242,027
Accrued interest on loans and advances from banks	160,324	243,212
	17,164,596	15,578,295

As of 30 June 2010, loans and advances from banks included various promissory notes amounting to TL 210,234 thousands in total with latest maturity by 2011 (31 December 2009: TL 185,273 thousands with latest maturity by 2010).

As of 30 June 2010, short-term borrowings included two one-year-syndicated-loan facilities to be utilized for general trade finance purposes including export and import contracts in two tranches of (i) US$ 151,600,000 and EUR 365,600,000 with the rates of Libor + 2.0% and Euribor + 2.0% per annum with the participation of 35 banks from 15 different countries (equivalent of TL 938,292 thousands) and (ii) US$ 116,936,000 and EUR 617,075,000, with the rates of Libor + 1.5% and Euribor + 1.5% per annum with the participation of 41 banks from 17 different countries, (equivalent of TL 1,366,246 thousands).

Long-term debts comprise the following:

	30 June 2010					*31 December 2009*
	Interest rate%	*Latest Maturity*	*Amount in original currency*	*Short term portion*	*Medium and long term portion*	*Medium and long term debts*
Deutsche Bank AG	11-13	2017	TL701 millions	-	701,210	701,210
DPR Securitisation-IV	0.5-1	2013	US$383 millions	200,035	398,683	474,448
DPR Securitisation-VII	1	2016	US$364 millions	37,540	532,033	524,172
DPR Securitisation-VIII	0.5	2017	US$350 millions	-	547,431	521,155
DPR Securitisation-V(*)	0.5-1	2013	US$341 millions	169,198	364,465	427,761
DPR Securitisation-IX	2	2018	EUR196 millions	30,680	345,150	401,982
DPR Securitisation-VI	0.5	2016	US$218 millions	21,840	318,923	312,416
DPR Securitisation-VI	1	2013	US$210 millions	-	328,492	115,545
DPR Securitisation-III	0.5	2013	US$165 millions	85,808	171,676	204,441
DPR Securitisation-VIII	0.5	2017	US$100 millions	-	156,178	148,901
DPR Securitisation-VIII	0.5	2017	US$100 millions	-	156,408	148,901
DPR Securitisation-VII	1	2014	US$75 millions	26,007	90,925	99,251
DPR Securitisation-VIII	1	2015	US$42 millions	13,011	51,980	55,832
DPR Securitisation-VI	1	2011	EUR108 millions	207,147	-	313,982
Others				795,699	5,917,582	5,103,376
				1,586,965	10,081,136	9,553,373

(*) On 9 May 2009, the Bank completed a securitization (the "DPR Securitisation-X") transaction by issuance of certificates; a tranche of US$ 225 millions with a maturity of 4 years to refinance the debt of US$ 250 millions obtained in November 2005, as explained in subsequent paragraphs below, on an unwrapped basis with no cash effect on the consolidated financial statements.

17 Loans and advances from banks (continued)

On 22 August 2008, the Bank completed a securitization (the "DPR Securitization-IX") transaction by issuance of certificates; a tranche of EUR 200 millions with 10 years maturity from European Investment Bank.

On 28 June 2007, the Bank completed a securitization (the "DPR Securitization-VIII") transaction by issuance of certificates; three tranches of US$ 550 millions with 10 years maturity wrapped by Ambac Assurance Corp., Financial Guaranty Insurance Corp. and XL Capital Assurance and a tranche of US$ 50 millions with 8 years maturity and no financial guarantee.

On 24 January 2007, the Bank borrowed TL 435 millions from Deutsche Bank AG, London with a maturity of 10 years at 12.93% annual fixed interest rate through a secured financing transaction. Accordingly, the Bank pledged US$ 300 millions of cash collateral to Deutsche Bank AG, London. Subsequently, the Bank has entered into two more secured financing transactions with the same counterparty under the same collateral conditions and borrowed in total TL 266 millions in two separate transactions on 28 June and 3 July 2007 with maturity of 10 years for each and pledged US$ 100 millions of cash collateral for each. The funding costs are 11.30% and 11.35%, respectively. The cash collaterals earn annually US$ libor floating interest rate.

In December 2006, the Bank completed a securitization (the "DPR Securitization-VII") transaction by issuance of certificates: US$ 400 millions tranche with a maturity of 10 years and US$ 100 millions tranche with a maturity of 8 years. Both of the series were issued on an unwrapped basis.

In May 2006, the Bank completed a securitization (the "DPR Securitization-VI") transaction by issuance of certificates: Euro 300 millions with a guarantee issued by MBIA Insurance Corp. with maturity of 5 years, US$ 300 millions with no financial guarantee and a maturity of 7 years and US$ 225 millions with a guarantee issued by Ambac Assurance Corp. with maturity of 10 years.

In November 2005, the Bank completed a securitization (the "DPR Securitization-V") transaction by issuance of certificate: US$ 150 millions with a guarantee issued by CIFG Inc. with a maturity of 7 years, US$ 250 millions with a guarantee issued by XL Capital Assurance with a maturity of 8 years and US$ 125 millions with no financial guarantee and a maturity of 8 years. The XL Capital Assurance wrapped tranche was refinanced by the issuance of unwrapped notes in April 2009, with the maturity profile of the new series being kept identical to the refinanced series.

In September 2005, the Bank completed a securitization (the "DPR Securitisation-IV") transaction by issuance of certificate: US$ 150 millions with a guarantee issued by Financial Guaranty Insurance Corp. with a final maturity of 7 years, US$ 150 millions with a guarantee issued by Financial Security Assurance with a final maturity of 8 years, US$ 165 millions with a financial guarantee issued by Assured Guaranty Corp. with a final maturity of 8 years, US$ 110 millions with a financial guarantee issued by Radian Asset Assurance Inc. with a final maturity of 7 years, US$ 25 millions with no financial guarantee and a final maturity of 7 years.

In May 2005, the Bank completed a securitization (the "DPR Securitisation-III") transaction by issuance of certificate: US$ 300 millions with a guarantee issued by MBIA Insurance Corp., a final maturity of 8 years.

The DPR securitization is a way of securitizing the Bank's payment orders created via SWIFT MT 103 or similar payment orders in terms of US Dollar, Euro and GBP accepted as derived primarily from the Bank's trade finance and other corporate businesses and paid through foreign depository banks.

(Currency: Thousands of Turkish Lira (TL))

18 Subordinated liabilities

Subordinated liabilities comprise of the following:

	30 June 2010			*31 December 2009*
	Latest Maturity	*Interest rates %*	*Carrying value*	*Carrying value*
Subordinated debt of US$ 500 millions	2017	6.95	782,156	743,986
Subordinated debt of EUR 50 millions	2021	Euribor + 3.5	95,875	106,910
Subordinated bonds payable of EUR 30 millions	2016	Euribor + 1.5	57,525	64,146
Subordinated deposit of EUR 10 millions	2016	4.42 – 6.06	19,261	50,780
			954,817	965,822
Accrued interest on subordinated liabilities			22,813	24,621
			977,630	990,443

On 23 February 2009, the Bank has obtained a 12-year subordinated loan of EUR 50 millions due March 2021 from Proparco (Societe de Promotion et de Participation pour la Cooperation Economique SA) a company of the French Development Agency Group, with an interest of Euribor+3.5% and a repayment option for the Bank at the end of the seventh year.

On 5 February 2007, the Bank obtained a 10-year subordinated fixed-rate notes of US$ 500 millions due February 2017 with a repayment option for the Bank at the end of the fifth year. The fixed rate notes with Political Risk Insurance provided by Steadfast (a subsidiary of Zurich American Insurance Company) received a rating of Baa1 by Moody's Investors Service and priced at par to yield 6.95% to investors.

On 29 September 2006, one of the Bank's affiliates issued its first floating rate note for EUR 30 millions, Euro-denominated lower tier-2 capital, priced at 99.30, arranged by Deutsche Bank and traded on the alternative market in Frankfurt.

As of 30 June 2010, subordinated deposits obtained by the consolidated banking affiliate in the Netherlands amounted to EUR 10 millions (equivalent of TL 19,261 thousands) (31 December 2009: EUR 24 millions, equivalent of TL 50,780 thousands).

19 Taxation

In Turkey, corporate income tax is levied at the rate of 20% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax. As per the decisions no.2009/14593 and 2009/14594 of the Council of Ministers published in the Official Gazette no.27130 dated 3 February 2009, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

19 Taxation (continued)

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from prior years. There is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns within four months following the end of the accounting year to which they relate. Tax returns and accounting records are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit the tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In Turkey, the tax legislation does not permit a parent company and its affiliates to file a consolidated tax return. Therefore, the taxation charge, as reflected in the accompanying consolidated financial statements, represents the total amount of the taxation charge of each affiliate.

Investment allowance

The Temporary Article 69 added to the Income Tax Law no.193 with the Law no.5479, which became effective starting from 1 January 2006, upon being promulgated in the Official Gazette no.26133 dated 8 April 2006, stating that taxpayers can deduct the amount of the investment allowance exemption which they are entitled to according to legislative provisions effective at 31 December 2005 (including rulings on the tax rate) only from the taxable income of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as of 1 January 2006. At this perspective, an investment allowance which cannot be deducted partially or fully in three years time was not allowed to be carried forward to the following years and became unavailable as of 31 December 2008. On the other side, the Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as of 1 January 2006 with effectiveness of the Article 2 and the Article 15 of the Law no.5479 and the investment allowance rights on the investment expenditures incurred during the period of 1 January 2006 and 8 April 2006 became unavailable.

However, at 15 October 2009, the Turkish Constitutional Court decided to cancel the clause no.2 of the Article 15 of the Law no.5479 and the expressions of "2006, 2007, 2008" in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as of 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, the time limitations for the carried forward investment allowances that were entitled to in the previous period of mentioned date and the limitations related with the investments expenditures incurred between the issuance date of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation related with the investment allowance became effective with promulgation of the decision on the Official Gazette and the decision of the Turkish Constitutional Court was promulgated in the Official Gazette no.27456 dated 8 January 2010.

According to the decision mentioned above, the investment allowances carried forward to the year 2006 due to the lack of taxable income and the investment allowances earned through the investments started before 1 January 2006 and continued after that date constituting economic and technical integrity will be used not only in 2006, 2007 and 2008, but also in the following years. In addition, 40% of investment expenditures that are realized between 1 January 2006 and 8 April 2006, within the context of the Article 19 of the Income Tax Law will have the right for investment allowance exemption.

Tax applications for foreign branches

NORTHERN CYPRUS

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an

19 Taxation (continued)

accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their statements of financial position, statements of comprehensive income and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next 12 years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October.

MALTA

The corporate earnings are subjected to a 35% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The earnings of the foreign corporations' branches in Malta are also subject to the same tax rate that the resident corporations in Malta are subject to. The earnings of such branches that are transferred to their head offices are not subject to an additional tax. The prepaid taxes are paid in April, August and December in the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings. The excess part of the corporate tax that is not covered by such prepayments is paid to the tax office in September.

LUXEMBOURG

The corporate earnings are subjected to a 21% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. An additional 4% of the calculated corporate tax is paid as a contribution for unemployment insurance fund. The rate of the municipality commerce tax is 6.75% in the municipality where the Bank's Luxembourg branch operates. The tax returns are examined by the authorized bodies and in case of any detected mistake, the amount of the taxes to be paid is revised. The amounts and the payment dates of prepaid taxes are determined and declared by the tax office at the beginning of the taxation period. The corporations whose head offices are outside Luxembourg, are allowed to transfer the rest of their net income after tax following the allocation of 5% of it for legal reserves, to their head offices.

Tax applications for foreign affiliates

THE NETHERLANDS

In the Netherlands, corporate income tax is levied at the rate of 20% for tax profits up to EUR 200,000 and 25.5% for the excess part over this amount on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. There is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments. Under the Dutch taxation system, tax losses can be carried forward for nine years to offset against future taxable income. Tax losses can be carried back to one prior year. Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax has been calculated using the nominal tax rate of 25.5% over the Dutch taxable income and 30% over the local taxable income of Germany branch.

(Currency: Thousands of Turkish Lira (TL))

19 Taxation (continued)

ROMANIA

The applicable tax rate for current and deferred tax in Romania is 16%. The taxation system in Romania is continuously developing and is subject to varying interpretations and constant changes, which may become retroactive. In Romania, tax periods remain open for tax audits for five years. Tax losses can be carried forward to offset against future taxable income for seven years.

RUSSIA

The applicable tax rate for current and deferred tax for the Bank's consolidated affiliate in Russia is 20% (2% federal and 18% regional). The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open for a longer period.

The total provision for taxes on income is different than the amount computed by applying the Turkish statutory tax rate to income before provision for taxes as shown in the following reconciliation:

	30 June 2010	*%*	*30 June 2009*	*%*
Taxes on income per statutory tax rate	515,697	20.00	377,081	20.00
Disallowable expenses	5,868	0.23	6,319	0.33
Income items exempt from tax or subject to different tax rates	(23,743)	(0.92)	(3,889)	(0.21)
Provision for general banking risks	-	-	50,000	2.65
Others	12,170	0.47	(553)	(0.02)
Taxation charge	509,992	19.78	428,958	22.75

The taxation charge is comprised of the following:

	For the six-month period ended	
	30 June 2010	*30 June 2009*
Current taxes	613,393	418,976
Deferred taxes	(103,401)	9,982
Taxation charge	509,992	428,958

The movement of current tax liability is as follows:

	30 June 2010	*31 December 2009*
Balance at the beginning of the period	225,228	127,684
Current period taxation charge	613,393	884,220
Current taxes recognised under equity	(31,658)	208,022
Less: Corporate taxes paid during the period	(631,404)	(994,698)
Current tax liability	175,559	225,228

(Currency: Thousands of Turkish Lira (TL))

19 Taxation (continued)

In accordance with the related regulation for prepaid taxes on income, such advance payments during the year are being deducted from the final tax liability for the period. Accordingly, the taxation charge on income is not equal to the final tax liability appearing on the statement of financial position.

Income tax assets/(liabilities) recognised directly in equity is as follows:

	30 June 2010	*31 December 2009*
Unrealised gains on available-for-sale assets	(284,830)	(307,427)
Hedging reserve	526	542
	(284,304)	(306,885)

Deferred tax asset and liabilities are attributable to the items detailed in the table below:

	30 June 2010	*31 December 2009*
Deferred tax asset		
Impairment losses on loans	96,184	71,008
Valuation difference on financial assets and liabilities	90,150	28,288
Short-term employee benefits	37,252	25,728
Tax exemption for leasing business	21,529	32,383
Discount on miscellaneous receivables	18,383	11,017
Impairment of equity participations and tangible assets	17,909	18,863
Accruals on credit card rewards	9,106	7,242
Reserve for employee severance indemnity	8,827	8,546
Other expense accruals	5,503	-
Pro-rata basis depreciation expenses	(16,247)	(17,795)
Prepaid expenses and promotions	(20,903)	(20,626)
Others, net	10,784	(10,739)
Total deferred tax asset	278,477	153,915
Deferred tax liability		
Total deferred tax liability	6,293	10,850

As of 30 June 2010 and 31 December 2009 there are not any deferred tax assets and liabilities that have not been recognized in the accompanying consolidated financial statements.

Movements in deferred tax assets and liabilities are detailed in the table below:

	Opening Balance	*Recognized in Income statement*	*Recognized in equity*	*Closing balance*
30 June 2010				
Impairment losses on loans	71,008	25,176	-	96,184
Valuation difference on financial assets and liabilities	28,288	36,128	25,734	90,150
Short-term employee benefits	25,728	11,524	-	37,252
Tax exemption for leasing business	32,383	(10,854)	-	21,529
Discount on miscellaneous receivables	11,017	7,366	-	18,383
Impairment of equity participations and tangible assets	18,863	(954)	-	17,909
Accruals on credit card rewards	7,242	1,864	-	9,106
Reserve for employee severance indemnity	8,546	281	-	8,827
Other expense accruals	-	5,503	-	5,503
Pro-rata basis depreciation expenses	(17,795)	1,548	-	(16,247)
Prepaid expenses and promotions	(20,626)	(277)	-	(20,903)
Others, net	(21,589)	26,096	(16)	4,491
Net deferred tax asset	143,065	103,401	25,718	272,184

(Currency: Thousands of Turkish Lira (TL))

19 Taxation (continued)

	Opening Balance	*Recognized in Income statement*	*Recognized in equity*	*Closing balance*
31 December 2009				
Impairment losses on loans	68,266	2,742	-	71,008
Tax exemption for leasing business	-	32,383	-	32,383
Valuation difference on financial assets and liabilities	27,190	26,696	(25,598)	28,288
Short-term employee benefits	31,684	(5,956)	-	25,728
Impairment of equity participations and tangible assets	21,974	(3,111)	-	18,863
Discount on miscellaneous receivables	6,932	4,085	-	11,017
Reserve for employee severance indemnity	8,893	(347)	-	8,546
Accruals on credit card rewards	7,241	1	-	7,242
Prepaid expenses and promotions	(33,860)	13,234	-	(20,626)
Pro-rata basis depreciation expenses	(16,710)	(1,085)	-	(17,795)
Defined benefit obligations	20,520	(20,520)	-	-
Others, net	(22,385)	1,066	(270)	(21,589)
	119,745	49,188	(25,868)	143,065

Transfer pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at 18 November 2007, explains the application related issues on this topic.

According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As stated in the "7.1 Annual Documentation" section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

(Currency: Thousands of Turkish Lira (TL))

20 Other liabilities and accrued expenses

The principal components of other liabilities and accrued expenses are as follows:

	30 June 2010	*31 December 2009*
Blocked accounts against expenditures of card holders	2,587,801	2,219,902
Payables to insurance and reinsurance companies relating to insurance business	1,570,845	1,350,281
Accrued losses on derivatives	716,771	344,899
Provision for general banking risks	360,000	360,000
Short-term employee benefits	177,647	125,691
Cheques at clearing house	162,323	95,833
Withholding taxes	158,022	163,072
Insurance business related provisions	142,685	128,614
Transfer orders	120,729	64,478
Provision for non-cash loans	96,584	96,822
Expense accruals	93,916	71,253
Unearned income	84,918	90,856
Miscellaneous payables	64,618	80,715
Reserve for employee severance indemnity	46,578	44,044
Payables to suppliers relating to financial lease activities	27,979	32,462
Blocked accounts	22,878	39,814
Others	96,143	111,711
	6,530,437	5,420,447

As of 30 June 2010, the other liabilities and accrued expenses include a general provision amounting to TL 360,000 thousands (31 December 2009: TL 360,000 thousands) provided by the Bank in line with conservatism principle considering the circumstances which may arise from any changes in economy or market conditions under the name of provision for general banking risks in prior years.

Recognized liability for defined benefit obligations

(i) Defined benefit plan

As a result of the changes in legislation described below, the Bank will transfer a substantial portion of its pension liability under the Plan to SSF. This transfer, which will be a settlement of the Bank's obligation in respect of the pension and medical benefits transferable to SSF, will occur within three years from the enactment of the New Law in May 2008. The actual date of the transfer has not been specified yet. However, in the financial statements for the year ended 31 December 2007, the Bank has modified the accounting required by IAS 19 *Employee Benefits* as the Bank believes that it is more appropriate to measure the obligation, in respect of the benefits that will be transferred to SSF, at the expected transfer amount prior to the date on which the transfer and settlement will occur. The expected transfer amount is calculated based on the methodology and actuarial assumptions (discount rate and mortality tables) prescribed in the New Law. As such, this calculation measures the liability to be transferred at the expected settlement amount i.e., the expected value of the payment to be made to SSF to assume that obligation.

20 Other liabilities and accrued expenses (continued)

The obligation with respect to excess benefits is accounted as a defined benefit plan under IAS 19.

a) Pension and medical benefits transferable to SSF

As per the provisional Article no.23 of the Turkish Banking Law no.5411 as approved by the Turkish Parliament on 19 October 2005, pension funds which are in essence similar to foundations are required to be transferred directly to SSF within a period of three years. In accordance with the Banking Law, the actuarial calculation of the liability (if any) on the transfer should be performed regarding the methodology and parameters determined by the commission established by Ministry of Labor and Social Security. Accordingly, the Bank calculated the pension benefits transferable to SSF in accordance with the Decree published by the Council of Ministers in the Official Gazette no. 26377 dated 15 December 2006 ("Decree") for the purpose of determining the principles and procedures to be applied during the transfer of funds. However the said Article was vetoed by the President and at 2 November 2005 the President initiated a lawsuit before the Turkish Constitutional Court in order to rescind certain paragraphs of the provisional article no.23.

The Bank obtained an actuarial report regarding its obligations at 31 December 2006. This report, which was dated 12 February 2007, is from an actuary, who is registered with the Undersecretariat of the Treasury regarding this Fund in accordance with the Decree. Based on this Decree, the actuarial statement of financial position of the Fund has been prepared using a discount rate of 10.24% and the CSO 1980 mortality table. Based on the actuarial report, the assets of the plan exceed the amount that will be required to be paid to transfer the obligation at 31 December 2006. In accordance with the existing legislation at 31 December 2006, the pension and medical benefits within the social security limits were subject to transfer and the banks were not required to provide any excess social rights and payments.

On 22 March 2007, the Turkish Constitutional Court reached a verdict with regards to the suspension of the execution of the first paragraph of provisional article no.23 of the Turkish Banking Law, which requires the transfer of pension funds to SSF, until the decision regarding the cancellation thereof is published in the Official Gazette. The Constitutional Court stated in its reasoned ruling published in the Official Gazette numbered 26731, dated 15 December 2007 that the reason behind this cancellation was the possible loss of antecedent rights of the members of pension funds. Following the publication of the verdict, the Grand National Assembly of Republic of Turkey ("Turkish Parliament") worked on the new legal arrangements by taking the cancellation reasoning into account. At 17 April 2008, the New Law has been accepted by the Turkish Parliament and the New Law has been enacted at 8 May 2008 following its publishment in the Official Gazette no 26870. In accordance with the New Law, members of the funds established in accordance with the Social Security Law should be transferred to SSF within three years following its enactment date.

On 19 June 2008, Cumhuriyet Halk Partisi ("CHP") is applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. As of the issuing date of the accompanying consolidated financial statements, there is not any published ruling of the Constitutional Court regarding this application.

The Bank obtained an actuarial report dated 15 January 2010 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the New Law. The actuarial statement of financial position of the Fund has been prepared using a discount rate of 9.80% and the CSO 1980 mortality table, and the assets of the plan exceed the amount that would be required to be paid to transfer the obligation at 31 December 2009.

The Bank's obligation in respect of the pension and medical benefits transferable to SSF has been determined as the value of the payment that would need to be made to SSF to settle the obligation at the date of the statement of financial position in accordance with the related article of the New Law.

(Currency: Thousands of Turkish Lira (TL))

20 Other liabilities and accrued expenses (continued)

The pension disclosures set out below therefore reflect the methodology and actuarial assumptions specified in the New Law. This calculation measures the benefit obligation at the expected transfer amount i.e., the estimated amount the Bank will pay to SSF to assume this portion of the obligation.

The pension benefits are calculated annually, as per the calculation as of 31 December 2009 the present value of funded obligations amounted to TL 113,417 thousands and the fair value of the planned assets amounted to TL 836,163 thousands.

	31 December 2009
Present value of funded obligations	
- Pension benefits transferable to SSF (obligation measured at the expected transfer amount)	(287,981)
- Medical benefits transferable to SSF (obligation measured at the expected transfer amount)	191,521
- General administrative expenses	(16,957)
	(113,417)
Fair value of plan assets	836,163
Asset surplus in the plan (*)	722,746

(*) *Asset surplus in this plan will be used as plan assets of the excess benefit plan.*

Plan assets consisted of the following:

	31 December 2009
Securities	665,590
Land and buildings	97,750
Cash and due from banks	72,823
	836,163

b) Excess benefits not transferable to SSF

The other social rights and payments representing benefits in excess of social security limits are not subject to transfer to SSF. Therefore these excess benefits are accounted as an ongoing defined benefit plan.

Asset surplus/(shortage) on present value of defined benefit obligation was as follows:

	31 December 2009
Present value of defined benefit obligations	
- Pension	(188,494)
- Health	(209,445)
Fair value of plan assets (*)	722,746
Asset surplus over present value of defined benefit obligation	324,807

(*) *Plan assets are composed of asset surplus in the plan explained in paragraph* a).

As per the actuarial calculation performed as of 31 December 2009 as detailed above, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covered the benefits not transferable and still a surplus of TL 324,807 thousands remained. However, the Bank's management, acting prudently, did not consider the health premium surplus amounting TL 191,521 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF. However, despite this treatment there were no excess obligation that needed to be provided against as of 31 December 2009. Accordingly, the provision amounting

(Currency: Thousands of Turkish Lira (TL))

20 Other liabilities and accrued expenses (continued)

TL 102,601 thousands that was charged fully as expense in prior years, was reversed in the accompanying consolidated financial statements as of 31 December 2009.

	31 December 2009
Asset surplus over present value of defined benefit obligation	324,807
Net present value of medical benefits and health premiums transferable to SSF	(191,521)
Present value of asset surplus/(defined benefit obligation)	133,286

Expenses recognized in the statement of income regarding this benefit plan in the accompanying consolidated statements of comprehensive income for the six-month period ended 30 June 2010 and 2009 are as follows:

	30 June 2010	*30 June 2009*
Total contribution payment	62,408	54,943
Provision for unfunded liability	-	-
	62,408	54,943

Principal actuarial assumptions used were as follows:

	31 December 2009 %
Discount rates	10.86-8.42
Inflation rates	6.90-4.80
Future real salary increase rates	1.5
Medical cost trend rates	20.50-6.80
Future pension increase rates	6.90-4.80

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 60 is 17 for males, and at age 58 for females is 23.

The sensitivity analysis of defined benefit obligation of excess liabilities were as follows as of 31 December 2009:

	% change in defined benefit obligation		
Assumption change	*Pension Benefits %*	*Medical Benefits %*	*Overall %*
Discount rate +1%	(11.1)	(12.5)	(11.3)
Discount rate -1%	13.8	15.8	14.1
Medical inflation +10% of CPI		7.7	4.1
Medical inflation -10% of CPI		(6.7)	(3.5)

(Currency: Thousands of Turkish Lira (TL))

20 Other liabilities and accrued expenses (continued)

Short-term employee benefits

Movement in the provision for short-term employee benefits are as follows:

	30 June 2010	*31 December 2009*
Balance, beginning of the period	125,691	154,992
Payments during the period	(109,278)	(225,258)
Reversals during the period	-	(10,624)
Provision for the period	161,234	206,581
Balance, end of the period	177,647	125,691

Insurance business related provisions

Insurance business related provisions are detailed in the table below:

	30 June 2010	*31 December 2009*
Reserve for unearned premiums, net	56,983	48,005
Gross	*107,209*	*80,942*
Reinsurers' share	*(50,226)*	*(32,937)*
Provision for claims, net	11,681	10,505
Gross	*21,584*	*20,352*
Reinsurers' share	*(9,903)*	*(9,847)*
Earthquake claims provision	1,856	-
Life mathematical reserves	72,165	70,104
	142,685	128,614

Reserve for employee severance indemnity

Movement in the reserve for employee severance indemnity is as follows:

	30 June 2010	*31 December 2009*
Balance, beginning of the period	44,044	45,513
Reversals during the period	(84)	(3,466)
Provision for the period	2,618	1,997
Balance, end of the period	46,578	44,044

The computation of the liabilities is based upon the retirement pay ceiling announced by the government. The ceiling amounts applicable for each year of employment are TL 2,427.04 and TL 2,365.16 as of 30 June 2010 and 31 December 2009, respectively.

The principal actuarial assumptions are as follows:

	30 June 2010 %	*31 December 2009 %*
Discount rate	5.92	5.92
Interest rate	11.00	11.00
Expected rate of salary/limit increase (*)	4.80	4.80
Turnover rate to estimate the probability of retirement	6.70	6.70

(*) Determined based on the government's future targets for annual inflation.

(Currency: Thousands of Turkish Lira (TL))

20 Other liabilities and accrued expenses (continued)

Provision for non-cash loans

Movement in the provision for non-cash loans are as follows:

	30 June 2010	*31 December 2009*
Balance, beginning of the period	96,822	39,959
Provision for the period, net	(238)	56,863
Balance, end of the period	96,584	96,822

21 Equity

Share capital and share premium

The authorized nominal share capital of the Bank amounted to TL 4,200,000 thousands as of 30 June 2010 and 31 December 2009.

At the "General Assembly of Founder Shares Owners" and the "Extraordinary General Shareholders" meetings held on 13 June 2008, the Bank decided to repurchase all the 370 founder share-certificates issued in order to redeem and exterminate them, subsequent to the permissions obtained from the related legal authorities, at a value of TL 3,876 thousands each in accordance with the report prepared by the court expert and approved by the Istanbul 5th Commercial Court of First Instance. A total payment of TL 1,434,233 thousands has been made to the owners of 368 founder share-certificates from "retained earnings", and the value of remaining two founder share-certificates has been blocked in the bank accounts. Subsequent to these purchases, the clauses 15, 16 and 45 of the Articles of Association of the Bank have been revised accordingly.

It has been resolved in the Bank's board of directors meeting held on 22 April 2008 that the paid share capital of the Bank is to be increased by TL 2,100,000 thousands from TL 2,100,000 thousands to TL 4,200,000 thousands. Accordingly, the pre-emptive rights on 210,000,000,000 shares with a total nominal value of TL 2,100,000 thousands have been used during the period between 9 and 23 June 2008. The remaining shares with a total nominal value of TL 5,525 thousands have been sold for the amount of TL 17,405 thousands during the public offering on the ISE primary market. The capital increase is approved by the Istanbul Commercial Registry on 31 July 2008, and accordingly TL 2,100,000 thousands of the cash collected is transferred to "share capital" and the excess balance amounting TL 11,880 thousands over the nominal values of new shares issued to "share premium".

Unrealised gains from changes in fair value of available-for-sale assets are detailed as follows:

	30 June 2010	*31 December 2009*
Balance at the beginning of the period	1,361,279	177,751
Net unrealised gains from changes in fair value	(14,107)	1,577,549
Related deferred and current income taxes	2,823	(284,283)
Net gains transferred to the statement of comprehensive income on disposal	(144,602)	(137,055)
Related deferred and current income taxes	28,835	27,317
Balance at the end of the period	1,234,228	1,361,279

(Currency: Thousands of Turkish Lira (TL))

21 Equity (continued)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (see Note 24 for the details).

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into the functional currency of the Bank which is TL.

The Bank, as the parent bank, had applied in its separate financial statements a net investment hedge accounting for the exchange rate differences on the net investment risks on its foreign affiliates and its related financial liabilities in foreign currencies in the previous periods. The Bank prospectively discontinued this application as of 1 January 2009 within the framework of IFRIC 16 *Comment on Hedges of a Net Investment in a Foreign Operation*, effective for annual periods beginning on or after 1 October 2008.

Legal reserves

As per the decisions made at the annual general assemblies of the Bank and its affiliates, 5% of the prior year's net income is allocated to legal reserves. The reserves include legal reserves amounting to TL 555,038 thousands in total which are generated by annual appropriations amounting to 5% of the statutory income of the Bank and its affiliates until such reserves reach 20% of paid-in share capital (first legal reserves). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in share capital appropriated to generate the legal reserves (second legal reserves). The legal reserves are restricted and are not available for distribution as dividends unless they exceed 50% of the share capital.

At the general assembly of the Bank held on 1 April 2010, it was decided to distribute a dividend of TL 350,000 thousands to shareholders and to allocate TL 148,112 thousands and TL 14,000 thousands to first and second legal reserves, respectively, from retained earnings.

Non-controlling interests

As of 30 June 2010, net non-controlling interests amount to TL 84,960 thousands (31 December 2009: TL 49,098 thousands). Non-controlling interests are detailed as follows:

	30 June 2010	*31 December 2009*
Capital	14,562	14,250
Retained earnings and other reserves	34,566	20,906
Non-controlling interests on a newly consolidated affiliate	27,457	-
Net income for the period	8,375	13,942
	84,960	49,098

22 Fair value information

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

The estimated fair values of financial instruments have been determined using available market information by the Bank, and where it exists, appropriate valuation methodologies. However, judgment

(Currency: Thousands of Turkish Lira (TL))

22 Fair value information (continued)

is necessary required to interpret market data to determine the estimated fair value. Turkey has shown signs of an emerging market and has experienced a significant decline in the volume of activity in its financial market. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

Management has estimated that the fair value of certain financial assets and liabilities are not materially different than their recorded values except for those of loans and advances to customers and investment securities. These financial assets and liabilities include loans and advances to banks, obligations under repurchase agreements, loans and advances from banks, and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Fair value of loans and advances to customers is TL 61,632,668 thousands (31 December 2009: TL 55,049,638 thousands), whereas the carrying amount is TL 61,565,649 thousands (31 December 2009: TL 54,765,251 thousands) in the accompanying consolidated statement of financial position as of 30 June 2010.

Fair value of investment securities is TL 35,619,813 thousands (31 December 2009: TL 37,827,525 thousands), whereas the carrying amount is TL 35,103,190 thousands (31 December 2009: TL 37,237,584 thousands) in the accompanying consolidated statement of financial position as of 30 June 2010.

The table below analyses financial instruments carried at fair value, by valuation method:

30 June 2010	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets at fair value through profit or loss	1,648,964	22,008	94,087	1,765,059
Accrued gains on derivatives	257,979	156,180	40	414,199
Debt and other instruments available-for-sale	26,146,476	452,874	1,822,995	28,422,345
Investments in equity participations	-	-	57,592	57,592
Financial Assets at Fair Value	28,053,419	631,062	1,974,714	30,659,195
Accrued losses on derivatives	243,723	472,420	628	716,771
Financial Liabilities at Fair Value	243,723	472,420	628	716,771

31 December 2009	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets at fair value through profit or loss	554,267	9,955	158,531	722,753
Accrued gains on derivatives	150,192	491,908	362	642,462
Debt and other instruments available-for-sale	27,779,077	383,061	1,607,621	29,769,759
Investments in equity participations	15	-	50,926	50,941
Financial Assets at Fair Value	28,483,551	884,924	1,817,440	31,185,915
Accrued losses on derivatives	136,426	207,804	669	344,899
Financial Liabilities at Fair Value	136,426	207,804	669	344,899

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 (as prices) or indirectly (derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

(Currency: Thousands of Turkish Lira (TL))

23 Commitments and contingencies

In the ordinary course of business, the Bank and its affiliates undertake various commitments and incur certain contingent liabilities that are not presented in the accompanying consolidated financial statements, including letters of guarantee, acceptance credits and letters of credit. Commitments and contingent liabilities comprise the following:

	30 June 2010	*31 December 2009*
Letters of guarantee	12,169,356	12,160,346
Letters of credit	3,438,953	2,827,018
Acceptance credits	140,458	125,841
Confirmed prefinancing credits	12,055	-
	15,760,822	15,113,205

As of 30 June 2010, commitment for unpaid capital of affiliated companies amounts to TL 11,340 thousands (31 December 2009: TL 12,386 thousands).

As of 30 June 2010, commitments for unused credit limits for credit cards, overdrafts, cheques and loans to customers, and commitments for "credit linked notes" amount approximately to TL 19,434,932 thousands (31 December 2009: TL 18,373,576 thousands) in total.

As of 30 June 2010, commitments for the derivative transactions carried out on behalf of customers in the Turkish Derivatives Exchange amount to TL 496,118 thousands (31 December 2009: TL 487,046 thousands) in total.

As of 30 June 2010, commitment for purchase and sale of foreign currencies under spot, forwards, swaps, future rate agreements, options and forward agreements for gold trading amounts to TL 32,198,599 thousands (31 December 2009: TL 23,663,196 thousands), approximately 97% of which are due within a year.

The breakdown of outstanding commitments arising from derivatives is presented as follows:

	30 June 2010		*31 December 2009*	
	Purchases	*Sales*	*Purchases*	*Sales*
Forward agreements for customer dealing activities	1,641,360	519,385	418,894	794,089
Currency swap agreements for customer dealing activities	235,949	19,494	263,736	7,904
Options for customer dealing activities	2,397,322	436,869	2,142,552	213,907
Forward agreements for hedging purposes	1,086,030	798,323	930,718	133,869
Currency swap agreements for hedging purposes	7,572,694	5,840,124	7,007,320	3,143,517
Interest rate and credit default swap agreements	56,371	200,970	25,595	103,231
Interest rate, foreign currency and securities options	4,229,555	5,598,209	2,993,491	4,035,197
Forward rate agreements, foreign currency and interest rate futures	9,709	2,845	7,703	32,184
Forward agreements for gold trading	110,288	481,552	193,490	228,311
Spot foreign currency transactions	594,388	367,162	583,399	404,089
	17,933,666	14,264,933	14,566,898	9,096,298

The following tables summarize the contractual amounts of the forward, swap, futures and options contracts, with details of remaining periods to maturity. Foreign currency amounts are translated at rates ruling at the date of the statement of financial position. Monetary items denominated in foreign currencies are economically hedged using foreign currency derivative contracts. All gains and losses on foreign currency contracts are recognized in the statement of comprehensive income, except for contracts of cash flow hedges as stated above.

(Currency: Thousands of Turkish Lira (TL))

23 Commitments and contingencies (continued)

30 June 2010	*Notional amount with remaining life of* *Up to 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*
Interest Rate Derivatives						
Interest rate options	-	2,344	105,803	3,072,262	15,626	3,196,035
Purchases	-	*1,172*	*103,459*	*1,536,131*	*7,813*	*1,648,575*
Sales	-	*1,172*	*2,344*	*1,536,131*	*7,813*	*1,547,460*
Interest rate swaps	17,415	129,737	35,047	66,464	8,678	257,341
Purchases	*8,512*	*13,570*	*17,942*	*9,780*	*6,567*	*56,371*
Sales	*8,903*	*116,167*	*17,105*	*56,684*	*2,111*	*200,970*
Interest rate futures	-	-	1,173	-	-	1,173
Purchases	-	-	*1,173*	-	-	*1,173*
Sales	-	-	-	-	-	-
Other Derivatives						
Securities, shares and index options	18,577	28,242	9,298	90,441	-	146,558
Purchases	*16,497*	*13,605*	-	*63,040*	-	*93,142*
Sales	*2,080*	*14,637*	*9,298*	*27,401*	-	*53,416*
Other forward contracts	398,755	193,085	-	-	-	591,840
Purchases	*23,463*	*86,825*	-	-	-	*110,288*
Sales	*375,292*	*106,260*	-	-	-	*481,552*
Currency Derivatives						
Spot exchange contracts	961,550	-	-	-	-	961,550
Purchases	*594,388*	-	-	-	-	*594,388*
Sales	*367,162*	-	-	-	-	*367,162*
Forward exchange contracts	2,096,396	929,643	344,639	455,942	218,478	4,045,098
Purchases	*1,318,973*	*609,576*	*294,301*	*380,723*	*123,817*	*2,727,390*
Sales	*777,423*	*320,067*	*50,338*	*75,219*	*94,661*	*1,317,708*
Currency/cross currency swaps	6,243,759	2,352,896	1,922,004	2,441,454	708,148	13,668,261
Purchases	*3,204,704*	*960,795*	*1,416,495*	*1,518,501*	*708,148*	*7,808,643*
Sales	*3,039,055*	*1,392,101*	*505,509*	*922,953*	-	*5,859,618*
Options	2,973,184	3,157,014	1,809,543	1,350,010	32,043	9,321,794
Purchases	*1,930,599*	*1,441,320*	*875,226*	*619,414*	*18,601*	*4,885,160*
Sales	*1,042,585*	*1,715,694*	*934,317*	*730,596*	*13,442*	*4,436,634*
Foreign currency futures	-	7,953	192	804	-	8,949
Purchases	-	*7,953*	*192*	*391*	-	*8,536*
Sales	-	-	-	*413*	-	*413*
Subtotal Purchases	7,097,136	3,134,816	2,708,788	4,127,980	864,946	17,933,666
Subtotal Sales	5,612,500	3,666,098	1,518,911	3,349,397	118,027	14,264,933
Total of Transactions	12,709,636	6,800,914	4,227,699	7,477,377	982,973	32,198,599

(Currency: Thousands of Turkish Lira (TL))

23 Commitments and contingencies (continued)

31 December 2009	*Notional amount with remaining life of* Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	*Total*
Interest Rate Derivative						
Interest rate options	-	-	100,283	-	3,421,120	3,521,403
Purchases	-	-	*100,283*	-	*1,710,560*	*1,810,843*
Sales	-	-	-	-	*1,710,560*	*1,710,560*
Interest rate swaps	5,862	12,406	4,577	105,300	681	128,826
Purchases	*4,247*	*11,507*	*2,025*	*7,135*	*681*	*25,595*
Sales	*1,615*	*899*	*2,552*	*98,165*	-	*103,231*
Interest rate futures	-	35,184	-	-	-	35,184
Purchases	-	*3,000*	-	-	-	*3,000*
Sales	-	*32,184*	-	-	-	*32,184*
Other Derivatives						
Securities, shares and index options	1,727	-	15,868	5,996	-	23,591
Purchases	*1,727*	-	*8,434*	-	-	*10,161*
Sales	-	-	*7,434*	*5,996*	-	*13,430*
Other forward contracts	308,082	99,648	14,071	-	-	421,801
Purchases	*123,529*	*55,890*	*14,071*	-	-	*193,490*
Sales	*184,553*	*43,758*	-	-	-	*228,311*
Currency Derivatives						
Spot exchange contracts	987,488	-	-	-	-	987,488
Purchases	*583,399*	-	-	-	-	*583,399*
Sales	*404,089*	-	-	-	-	*404,089*
Forward exchange contracts	1,383,752	287,371	338,168	151,451	116,828	2,277,570
Purchases	*913,923*	*155,915*	*133,290*	*106,478*	*40,006*	*1,349,612*
Sales	*469,829*	*131,456*	*204,878*	*44,973*	*76,822*	*927,958*
Currency/cross currency swaps	6,300,930	1,809,091	1,295,272	533,592	483,592	10,422,477
Purchases	*4,676,713*	*624,434*	*970,536*	*515,781*	*483,592*	*7,271,056*
Sales	*1,624,217*	*1,184,657*	*324,736*	*17,811*	-	*3,151,421*
Options	2,798,193	1,238,261	968,563	835,136	-	5,840,153
Purchases	*2,126,051*	*503,288*	*340,066*	*345,634*	-	*3,315,039*
Sales	*672,142*	*734,973*	*628,497*	*489,502*	-	*2,525,114*
Foreign currency futures	-	4,181	522	-	-	4,703
Purchases	-	*4,181*	*522*	-	-	*4,703*
Sales	-	-	-	-	-	-
Subtotal Purchases	8,429,589	1,358,215	1,569,227	975,028	2,234,839	14,566,898
Subtotal Sales	3,356,445	2,127,927	1,168,097	656,447	1,787,382	9,096,298
Total of Transactions	11,786,034	3,486,142	2,737,324	1,631,475	4,022,221	23,663,196

24 Financial risk management disclosures

This section provides details of the Bank and its affiliates' exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Bank and its affiliates are exposed, are credit risk, liquidity risk, market risk and operational risk. Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) that affect the Bank's income or the value of its holdings of financial instruments.

The nature of the risks and the approach to managing risk differs fundamentally between the trading and non-trading portfolios; section 24.2 contains risk management information related to the trading portfolio and section 24.3 deals with the non-trading portfolio.

Risk management framework

Developing risk management policies and strategies, and controlling these functions are among the responsibilities of the Board of Directors. Consequently, the Risk Management Department, which carries out the risk management activities and works independently from executive activities, report directly to the Board of Directors.

The Board of Directors monitors the effectiveness of the risk management system through the audit committee, other related committees and senior management.

The Bank's risk management policy is established on its maintainable long term, value adding growth strategy. This policy is measuring risks with the methods in compliance with its activities and international standards, and optimal allocation of economic capital to business lines considering the risk-return balance.

The Risk Management System consists of all the mechanisms related to establishment of standards, information flow, determination of the compliance with standards, decision making and applications processes; which were put into practice by the Board of Directors in order to monitor, control and change when deemed necessary the risk-return structure and the future cash flows of the Bank and the quality and the level of related activities.

The risks are measured with the internationally accepted methodologies in compliance with local and international regulations, the Bank's structure, policy and procedures. The risks are assessed in a continuously developing manner. The Bank, through its training and management standards and procedures, aims to manage those risks effectively. At the same time, studies for compliance with the international banking applications, such as Basel II, are carried out.

In order to ensure the compliance with the rules altered pursuant to the Articles 23, 29 and 31 of the Turkish Banking Law No. 5411 and the Articles 36 and 43 of Regulation on Internal Systems within the Banks, dated 1 November 2006, the Bank revised the current written policies and implementation procedures regarding management of each risk encountered in its activities in February 2007.

The Bank has purchased an integrated software system to place better risk management and Basel II applications in order to support and improve risk management activities. The Bank aims to establish the Basel II applications in line with BRSA's roadmap.

24 Financial risk management disclosures (continued)

Audit Committee

The Audit Committee consists of two members of the Board of Directors who do not have any executive functions. The Audit Committee, which was established to assist the Board of Directors in its auditing and supervising activities, is responsible for:

- The supervision of the efficiency and effectiveness of the internal control, risk management and internal audit systems of the Bank, functioning of these systems as well as accounting and reporting systems within the framework of related procedures, and the integrity of information generated;
- The preliminary assessment on the selection process of independent audit firms and the systematic monitoring of the activities of these companies;
- The maintenance and coordination of the internal audit functions of corporations subject to consolidated internal audits.

Other Committees

Market, credit and operational sub-risk committees have been established in order to support the implementation of risk management systems within the Bank by sharing information with the involved units.

24.1 Derivative financial instruments

The Bank and its affiliates enter into a variety of derivative financial instruments for hedging and risk management purposes. This note describes the derivatives used. Further details of the objectives and strategies in the use of derivatives are set out in the sections of this note on non-trading activities. Details of the nature and terms of derivative instruments outstanding at the dates of the statements of financial position are set out in Note 23. Derivative financial instruments used include swaps, futures, forwards, options and other similar types of contracts whose value changes in response to changes in interest rates, foreign exchange rates and gold prices. Derivatives are individually negotiated over-the-counter contracts. A description of the main types of derivative instruments used is set out below:

Swaps

Swaps are over-the-counter agreements to exchange future cash flows based upon agreed notional amounts. Most commonly used swaps are currency swaps. The Bank and its affiliates are subject to credit risk arising from the respective counterparties' failure to perform. Market risk arises from the possibility of unfavorable movements in market rates relative to the contractual rates of the contract.

Futures and forwards

Futures and forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardized exchange-traded contracts whereas forwards are individually traded over-the-counter contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in the future contract values are settled daily. Therefore credit risk is limited to the net positive change in the market value for a single day. Futures contracts have little credit risk because the counterparties are clearing houses. Forward contracts result in credit exposure to the counterparty. Futures and forward contracts both result in exposure to market risk based on changes in market prices relative to contracted amounts.

24 Financial risk management disclosures (continued)

Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell (put option) to the writer a specified underlying at a specified price on or before a specified date. The Bank enters into foreign exchange, bond, equity index, interest rate options, not only vanilla options but also exotic options. Foreign currency options provide protection against rising or falling currency rates. The Bank as a buyer of over-the-counter options is subject to market risk and credit risk since the counterparty is obliged to make payments under the terms of the contract if the Bank exercises the option. As the writer of over-the-counter options, the Bank is subject to market risk only since it is obliged to make payments if the option is exercised.

24.2 Trading activities

The Bank and its affiliates maintain active trading positions in non-derivative financial instruments. Most of the trading activities are customer driven. In anticipation of customer demand, an inventory of capital market instruments is carried and access to market liquidity is maintained by quoting bid and offer prices to and trading with other market makers. Positions are also taken in the interest rate, foreign exchange, debt and equity markets based on expectations of future market conditions. These activities constitute the proprietary trading business and enable the Bank and its affiliates to provide customers with capital market products at competitive prices. As trading strategies depend on both market-making and proprietary positions, given the relationships between instruments and markets, those are managed in concert to maximize net trading income. Trading activities are managed by type of risk involved and on the basis of the categories of trading instruments held.

Counterparty credit risk

The Bank and its affiliates' counterparty credit exposure at the date of the statement of financial position from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the statement of financial position. Notional amounts disclosed in the notes to the financial statements do not represent the amounts to be exchanged by the parties to derivatives and do not measure the exposure to credit or market risks. The amounts to be exchanged are based on the terms of the derivatives.

The risk that counterparties to trading instruments might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments. To manage the level of credit risk, the Bank and its affiliates deal with counterparties of good credit standing, enter into master netting agreements whenever possible, and when appropriate, obtain collateral. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

Market risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognized at fair value, and all changes in market conditions directly affect net trading income.

The Bank and its affiliates manage its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits set by board of directors by buying or selling instruments or entering into offsetting positions.

(Currency: Thousands of Turkish Lira (TL))

24 Financial risk management disclosures (continued)

24.3 Non-trading activities

Below is a discussion of the various risks the Bank and its affiliates are exposed to as a result of its non-trading activities and the approach taken to manage those risks.

Liquidity risk

Liquidity risk arises in the general funding of the Bank and its affiliates' activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank's approach to managing liquidity is to ensure, as for as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking the Bank's reputation. Funds are raised using a broad range of instruments including deposits, syndications, securitizations, bonds issuance, other funding sources and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Liquidity risk is continuously assessed through identifying and monitoring changes in funding required for meeting business goals and targets set in terms of the overall strategy. In addition, a portfolio of liquid assets is held as a part of the Bank's liquidity risk management strategy.

Exposure to liquidity risk

The calculation method used to measure the banks compliance with the liquidity limit is set by BRSA. Currently, this calculation is performed on a bank only basis. In November 2006, BRSA issued a new communiqué on the measurement of liquidity adequacy of banks. The legislation requires the banks to meet minimum 80% liquidity ratio of foreign currency assets/liabilities and minimum 100% liquidity ratio of total assets/liabilities on a weekly and monthly basis effective from 1 June 2007. The Bank's liquidity ratios for the first half of 2010 and the year of 2009 are as follows:

	30 June 2010			
	First Maturity Bracket (Weekly)		*Second Maturity Bracket (Monthly)*	
	FC	*FC + TL*	*FC*	*FC + TL*
Average (%)	126.82	205.67	90.90	131.07

	31 December 2009			
	First Maturity Bracket (Weekly)		*Second Maturity Bracket (Monthly)*	
	FC	*FC + TL*	*FC*	*FC + TL*
Average (%)	140.51	175.51	99.52	117.84

The Bank's banking affiliate in the Netherlands is subject to a similar liquidity measurement, however the Dutch Central Bank does not impose limits, rather monitors the banks' overall liquidity position to ensure there is no significant deterioration in the liquidity of the banks.

The Bank's banking affiliate in Russia is subject to three levels of liquidity requirement since 2004; instant liquidity of minimum 15%, current liquidity of minimum 50% and long-term liquidity of maximum 120%.

The Bank's banking affiliate in Romania calculates the liquidity ratio as a ratio of effective liquidity to necessary liquidity which should be >1 for each defined maturity band.

(Currency: Thousands of Turkish Lira (TL))

The following table provides an analysis of monetary assets and monetary liabilities of the consolidated entities into relevant maturity groupings based on the remaining periods to repayment:

	30 June 2010						
	Up to 1 month	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 year*	*Undistributed*	*Total*
MONETARY ASSETS							
Turkish Lira							
Cash and balances with central banks	1.014.166	-	-	-	-	-	1.014.166
Financial assets at fair value through profit or loss	403.010	75.006	932.123	183.199	20.050	-	1.613.388
Loans and advances to banks	1.262.336	51.651	32.610	2.060.620	-	-	3.407.217
Loans and advances to customers	11.205.880	3.669.396	3.612.486	10.768.600	2.825.253	65.084	32.146.699
Accrued gains on derivatives	40.890	47.419	106.011	30.840	19.592	-	244.752
Other assets	186.194	1.599.079	454	-	2.888	407.250	2.195.865
Security investments	2.771.876	1.406.775	3.960.750	18.937.365	2.597.687	-	29.674.453
Deferred tax asset	-	-	-	-	-	265.369	265.369
Total Turkish Lira monetary assets	16.884.352	6.849.326	8.644.434	31.980.624	5.465.470	737.703	70.561.909
Foreign currency							
Cash and balances with central banks	1.232.371	-	-	-	-	-	1.232.371
Financial assets at fair value through profit or loss	58.055	84.724	2.144	200	6.548	-	151.671
Loans and advances to banks	1.992.894	573.111	674.614	702.301	2.453.250	-	6.396.170
Loans and advances to customers	1.814.890	2.751.381	5.378.638	10.426.507	8.942.504	105.030	29.418.950
Accrued gains on derivatives	17.103	21.934	29.834	70.471	30.105	-	169.447
Other assets	2.796.455	3.825	6.649	883	3.818	16.957	2.828.587
Security investments	132.132	240.004	373.975	1.618.617	3.064.009	-	5.428.737
Deferred tax asset	-	-	-	-	-	13.108	13.108
Total foreign currency monetary assets	8.043.900	3.674.979	6.465.854	12.818.979	14.500.234	135.095	45.639.041
Total Monetary Assets	24.928.252	10.524.305	15.110.288	44.799.603	19.965.704	872.798	116.200.950
MONETARY LIABILITIES							
Turkish Lira							
Deposits	35.379.419	3.914.600	299.474	7.946	-	-	39.601.439
Obligations under repurchase agreements	3.837.045	439.160	155.771	-	-	-	4.431.976
Loans and advances from banks	857.425	528.353	135.538	2.829.285	737.752	-	5.088.353
Subordinated liabilities	-	-	-	-	-	-	-
Accrued losses on derivatives	96.685	106.280	203.637	37.083	74.927	-	518.612
Other liabilities and accrued expenses	2.923.542	7.829	1.835.472	261.895	6.722	666.673	5.702.133
Total Turkish Lira monetary liabilities	43.094.116	4.996.222	2.629.892	3.136.209	819.401	666.673	55.342.513
Foreign currency							
Deposits	27.089.591	2.302.904	2.855.362	704.548	184.296	-	33.136.701
Obligations under repurchase agreements	98.832	136.612	290.361	-	-	-	525.805
Loans and advances from banks	517.264	590.798	4.329.911	3.702.228	2.936.042	-	12.076.243
Subordinated liabilities	-	-	576	7.626	969.428	-	977.630
Accrued losses on derivatives	6.547	7.385	75.417	78.619	30.191	-	198.159
Other liabilities and accrued expenses	133.143	105.548	39.678	9.478	1.007	4.531	293.385
Total foreign currency monetary liabilities	27.845.377	3.143.247	7.591.305	4.502.499	4.120.964	4.531	47.207.923
Total Monetary Liabilities	70.939.493	8.139.469	10.221.197	7.638.708	4.940.365	671.204	102.550.436

(Currency: Thousands of Turkish Lira (TL))

	31 December 2009						
	Up to 1 month	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 year*	*Undistributed*	*Total*
MONETARY ASSETS							
Turkish Lira							
Cash and balances with central banks	3.843.873	-	-	-	-	-	3.843.873
Financial assets at fair value through profit or loss	49.826	8.427	291.207	93.871	99	-	443.430
Loans and advances to banks	1.851.747	190.096	228.464	1.910.000	-	-	4.180.307
Loans and advances to customers	9.926.592	2.979.534	3.173.092	8.830.287	2.392.225	182.872	27.484.602
Accrued gains on derivatives	217.911	259.098	36.024	27.099	-	-	540.132
Other assets	153.689	1.377.319	459	913	2.884	362.606	1.897.870
Security investments	38.049	1.555.317	7.433.171	20.638.536	1.749.187	-	31.414.260
Deferred tax asset	-	-	-	-	-	153.915	153.915
Total Turkish Lira monetary assets	16.081.687	6.369.791	11.162.417	31.654.621	4.144.395	699.394	69.958.390
Foreign currency							
Cash and balances with central banks	1.735.325	-	-	-	-	-	1.735.325
Financial assets at fair value through profit or loss	112.005	44.888	113.551	4.144	4.735	-	279.323
Loans and advances to banks	1.933.636	1.152.365	811.806	237.566	2.451.367	-	6.586.740
Loans and advances to customers	1.544.165	2.695.080	5.750.221	7.807.238	9.421.658	62.287	27.280.649
Accrued gains on derivatives	57.125	17.478	17.406	10.321	-	-	102.330
Other assets	2.130.987	1.985	4.902	6.255	4.209	138.035	2.286.373
Security investments	268.799	151.742	659.963	2.087.407	2.655.413	-	5.823.324
Deferred tax asset	-	-	-	-	-	-	-
Total foreign currency monetary assets	7.782.042	4.063.538	7.357.849	10.152.931	14.537.382	200.322	44.094.064
Total Monetary Assets	23.863.729	10.433.329	18.520.266	41.807.552	18.681.777	899.715	114.052.453
MONETARY LIABILITIES							
Turkish Lira							
Deposits	32.118.933	3.782.795	324.057	44.667	-	-	36.270.452
Obligations under repurchase agreements	9.804.642	368	416.428	155.813	-	-	10.377.251
Loans and advances from banks	962.021	29.627	91.362	2.284.461	766.690	-	4.134.161
Subordinated liabilities	-	-	-	-	-	-	-
Accrued losses on derivatives	60.393	44.361	49.821	11.558	52.327	-	218.460
Other liabilities and accrued expenses	2.496.402	6.422	1.697.315	164.296	88.730	642.012	5.095.177
Total Turkish Lira monetary liabilities	45.442.391	3.863.573	2.578.983	2.660.795	907.747	642.012	56.095.501
Foreign currency							
Deposits	26.649.859	2.702.368	2.122.059	928.193	108.433	-	32.510.912
Obligations under repurchase agreements	387.478	-	-	-	-	-	387.478
Loans and advances from banks	204.548	301.499	4.228.298	3.687.774	3.022.015	-	11.444.134
Subordinated liabilities	14.493	15.019	1.810	8.721	950.400	-	990.443
Accrued losses on derivatives	49.871	18.437	28.850	29.281	-	-	126.439
Other liabilities and accrued expenses	111.851	51.391	37.450	-	1.721	14.036	216.449
Total foreign currency monetary liabilities	27.418.100	3.088.714	6.418.467	4.653.969	4.082.569	14.036	45.675.855
Total Monetary Liabilities	72.860.491	6.952.287	8.997.450	7.314.764	4.990.316	656.048	101.771.356

(Currency: Thousands of Turkish Lira (TL))

24 Financial risk management disclosures (continued)

Contractual maturity analysis of liabilities according to remaining maturities

The remaining maturities table of the contractual liabilities includes the undiscounted future cash outflows for the principal amounts of the Bank and its financial affliates' financial liabilities as per their earliest likely contractual maturities.

	30 June 2010							
	Carrying Value	*Nominal Principal Outflows*	*Demand*	*Up to 1 Month*	*1 to 3 Months*	*3 to 12 Months*	*1 to 5 Years*	*Over 5 Years*
Deposits	72,738,140	72,393,400	14,791,109	47,431,753	6,167,036	3,151,715	668,166	183,621
Obligations under repurchase agreements	4,957,781	4,897,814	-	3,920,808	537,140	439,866	-	-
Loans and advances from banks	17,164,596	17,004,272	-	1,366,605	1,106,071	4,421,083	6,486,507	3,624,006
Subordinated liabilities	977,630	954,817	-	-	-	576	7,626	946,615
Total Monetary Liabilities	95,838,147	95,250,303	14,791,109	52,719,166	7,810,247	8,013,240	7,162,299	4,754,242

	31 December 2009							
	Carrying Value	*Nominal Principal Outflows*	*Demand*	*Up to 1 Month*	*1 to 3 Months*	*3 to 12 Months*	*1 to 5 Years*	*Over 5 Years*
Deposits	68,781,364	68,532,233	14,165,598	44,437,944	6,450,125	2,409,420	961,106	108,040
Obligations under repurchase agreements	10,764,729	10,705,561	-	10,155,193	368	400,000	150,000	-
Loans and advances from banks	15,578,295	15,335,083	-	1,163,866	318,726	4,299,299	5,843,529	3,709,663
Subordinated liabilities	990,443	965,822	-	14,492	15,019	1,811	8,721	925,779
Total Monetary Liabilities	96,114,831	95,538,699	14,165,598	55,771,495	6,784,238	7,110,530	6,963,356	4,743,482

Market risk

Interest rate risk: The Bank and its affiliates' operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank and its affiliates are also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the deposit rate and libor and different types of interest. Treasury activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. In general, as common in current economic environment, the consolidated financial statements are liability sensitive because its interest-earning assets have a longer duration and reprice slightly less frequently than interest-bearing liabilities. This means that in rising interest rate environments, margins earned will narrow as liabilities reprice. However, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

Interest rate derivatives are primarily used to bridge the mismatch in the repricing of assets and liabilities. This is done in accordance with the guidelines established by the Bank's asset-liability management committee.

24 Financial risk management disclosures (continued)

Some assets have no defined maturities or interest rate sensitivities and are not readily matched with specific liabilities. Those assets are funded through liability pools based on the assets' estimated maturities and repricing characteristics.

Part of the Bank's return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature.

(Currency: Thousands of Turkish Lira (TL))

The following table provides an analysis of interest rate sensivity of monetary assets and liabilities of the consolidated entities into relevant maturity groupings:

30 June 2010	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 year	Non-Interest Bearing	Total
MONETARY ASSETS							
Cash and balances with central banks	583.415	-	-	-	-	1.663.122	2.246.537
Financial assets at fair value through profit or loss	483.174	178.463	864.249	140.217	18.654	80.302	1.765.059
Loans and advances to banks	3.511.632	2.788.760	1.549.288	599.481	-	1.354.226	9.803.387
Loans and advances to customers	15.897.187	9.663.287	11.712.993	15.734.333	7.523.431	1.034.418	61.565.649
Other assets	270.020	459	7.025	-	6.701	5.154.446	5.438.651
Security investments	15.959.256	5.061.592	4.188.552	4.337.930	2.307.639	3.248.221	35.103.190
Deferred tax asset	-	-	-	-	-	278.477	278.477
Total Monetary Assets	36.704.684	17.692.561	18.322.107	20.811.961	9.856.425	12.813.212	116.200.950
MONETARY LIABILITIES							
Deposits	49.157.124	6.225.434	3.837.469	713.005	152.703	12.652.405	72.738.140
Obligations under repurchase agreements	3.920.823	537.019	439.972	-	-	59.967	4.957.781
Loans and advances from banks	7.908.481	1.636.911	665.369	3.487.937	3.305.568	160.330	17.164.596
Subordinated liabilities	-	57.525	878.606	7.557	11.129	22.813	977.630
Other liabilities and accrued expenses	-	-	-	-	-	6.712.289	6.712.289
Total Monetary Liabilities	60.986.428	8.456.889	5.821.416	4.208.499	3.469.400	19.607.804	102.550.436

31 December 2009	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 year	Non-Interest Bearing	Total
MONETARY ASSETS							
Cash and balances with central banks	3.351.365	-	-	-	-	2.227.833	5.579.198
Financial assets at fair value through profit or loss	34.081	56.454	398.212	88.691	4.393	140.922	722.753
Loans and advances to banks	4.137.538	3.758.610	1.892.926	20.173	-	957.800	10.767.047
Loans and advances to customers	16.357.657	9.017.763	12.956.187	10.795.744	4.594.967	1.042.933	54.765.251
Other assets	15.921	459	5.364	7.168	7.093	4.790.700	4.826.705
Security investments	9.552.720	7.121.971	8.608.275	6.833.422	1.869.226	3.251.970	37.237.584
Deferred tax asset	-	-	-	-	-	153.915	153.915
Total Monetary Assets	33.449.282	19.955.257	23.860.964	17.745.198	6.475.679	12.566.073	114.052.453
MONETARY LIABILITIES							
Deposits	46.284.665	6.497.116	3.468.519	704.054	403	11.826.607	68.781.364
Obligations under repurchase agreements	10.155.173	368	400.000	149.999	-	59.189	10.764.729
Loans and advances from banks	7.692.537	4.584.984	2.545.438	512.125	-	243.211	15.578.295
Subordinated liabilities	13.919	78.421	852.646	8.427	12.410	24.620	990.443
Other liabilities and accrued expenses	-	-	-	-	-	5.656.525	5.656.525
Total Monetary Liabilities	64.146.294	11.160.889	7.266.603	1.374.605	12.813	17.810.152	101.771.356

(Currency: Thousands of Turkish Lira (TL))

24 Financial risk management disclosures (continued)

The following table indicates the effective interest rates by major currencies for the major components of the consolidated statement of financial position for the first half of 2010 and the year of 2009:

	30 June 2010			
	US$ %	*EUR* %	*TL* %	*Other Currencies* %
Assets				
Loans and advances to banks	0-7	0-6	2-11	0-9
Debt and other fixed or floating income instruments	6	5	13	-
Loans and advances to customers	0-12	1-29	7-25	2-28
Liabilities				
Deposits:				
- Foreign currency deposits	1-7	1-8	-	0-11
- Bank deposits	0-7	0-5	7	2-3
- Saving deposits	-	-	3-8	-
- Commercial deposits	-	-	5-14	-
- Public and other deposits	-	-	10	-
Obligations under repurchase agreements	1	1	8	-
Loans and advances from banks	1-6	1-5	8-11	3

	31 December 2009			
	US$ %	*EUR* %	*TL* %	*Other Currencies* %
Assets				
Loans and advances to banks	0-8	1-7	7-11	3-12
Debt and other fixed or floating income instruments	6	4	14	-
Loans and advances to customers	3-17	1-17	7-27	1-23
Liabilities				
Deposits:				
- Foreign currency deposits	1-8	2-8	-	2-11
- Bank deposits	0-8	1-7	7	3-6
- Saving deposits	-	-	3-14	-
- Commercial deposits	-	-	3-16	-
- Public and other deposits	-	-	9	-
Obligations under repurchase agreements	5	-	7	5-8
Loans and advances from banks	2-6	1-6	7-12	3

(Currency: Thousands of Turkish Lira (TL))

24 Financial risk management disclosures (continued)

The market risk arising from trading transactions is calculated via Value at Risk (VaR). In addition to this, the stress tests and scenario analysis are performed. The interest rate risk of the statement of financial position is monitored with methods such as static duration, gap and sensitivity analysis.

Internal limits are set as well as legal limits in order to restrict market risk; value at risk limits for trading portfolio, position limits set for trading desks, single transaction limits set for traders and stop-loss limits. Approval, update, monitoring, override and warning procedures of these limits are put into practice and changed with the approval of the Board of Directors.

As a part of the duration-gap analysis, the bank-only sensitivity analysis for a +/-1 point change in the present values of interest sensitive balance sheet items excluding trading and available-for-sale portfolios and for a +/-5% point change in the foreign currency exchange rates used for foreign currency position and derivative transactions is provided in the table below:

	30 June 2010	*31 December 2009*
Sensitivity analysis for TL interest rates:		
Stress applied	*Change in portfolio value*	*Change in portfolio value*
(+) %1	(61,814)	(74,663)
(-) %1	62,395	75,211
Sensitivity analysis for FC interest rates:		
Stress applied	*Change in portfolio value*	*Change in portfolio value*
(+) %1	(171,771)	(143,505)
(-) %1	190,878	161,347
Sensitivity analysis for FX rates:		
Stress applied	*Change in foreign exchange result*	*Change in foreign exchange result*
(+) %5	16,223	10,637
(-) %5	13,605	22,195

The consolidated value at market risks as of 30 June 2010 and 31 December 2009 calculated as per the statutory consolidated financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006, are as follows:

	30 June 2010			*31 December 2009*		
	Average	*Highest*	*Lowest*	*Average*	*Highest*	*Lowest*
Interest rates risk	3,481,958	3,656,775	3,232,925	4,154,963	4,918,525	3,672,500
Common share risk	210,733	220,363	194,213	134,243	194,213	99,300
Currency risk	617,592	782,388	470,113	321,835	470,113	215,850
Option risk	379,033	494,375	227,063	359,468	587,950	122,325
Total value at risk	4,689,316	5,153,901	4,124,314	4,970,509	6,170,801	4,109,975

Exposure to interest rate risk – non-trading portfolios

The Bank that had already started working on risk management area before the regulations on Bank's Internal Control and Risk Management Systems and Measurement and Assessment of Capital Adequacy Ratios of Banks issued by the BRSA in February 2001, restructured its internal systems in accordance with the related regulations under the responsibility of the board of directors and currently works accordingly.

24 Financial risk management disclosures (continued)

In order to comply with the regulations, the Bank revisited its activities related with market risk management in accordance with "Regulation on Bank's Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006.

The risk policies defined for the Bank's market risk exposure and the applications are approved and reviewed regularly by the board of directors.

The top management is responsible for applying risk policies, principles and application procedures approved by the board of directors, ensuring timely and reliable reporting to the board of directors about the important risks identified, assessing internal control, internal audit and risk reports prepared for departments and either eliminating risks, deficiencies or defects identified in these departments or taking the necessary precautions to prevent those and participating in determination of risk limits.

The board of directors follows up the effectiveness of risk management systems through audit committee, related other committees and top management, and take decisions in the light of various risk reports and the assessments made by audit committee. The board of directors is responsible of healthy performance of internal systems.

Market risks arising from trading transactions are measured by internal risk measurement model using value at risk (VaR) methodology. In the VaR calculations, trading and available-for-sale portfolios are taken into account. VaR is calculated by three different methods, namely historical simulation, monte carlo simulation and parametric method. The Bank takes the historical VaR results as the basis for the internal management of market risk and determination of limits. The calculations made according to other two methods are used for comparison and monitoring purposes. In the VaR calculation, one year historical market data set is used, and 99% confidence interval and one-day retention period are taken into account. In order to test the reliability of the VaR model, back tests are performed. Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe market fluctuations in the VaR calculations.

In the quantification of market risk arising from maturity mismatches of assets and liabilities, duration and gap analysis are also used. In duration analysis, the present values of interest sensitive asset and liability items are calculated based on their cash flows and yield curves developed from market interest rates. The results are supported by the sensitivity and scenario analysis performed periodically due to the prospective fluctuations in markets.

The capital requirement for general market risk and specific risks is calculated using the standard method defined by the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" and reported monthly.

Currency risk

The Bank and its affiliates are exposed to currency risk through transactions in foreign currencies and through its investment in foreign operations.

The Bank and its affiliates' main foreign operations are in the Netherlands and Russia. The measurement currencies of its operations are Euro and US Dollars. As the currency in which the Bank presents its consolidated financial statements is TL, the consolidated financial statements are affected by currency exchange rate fluctuations against TL.

The Bank finances a significant proportion of its net investment in foreign operations with borrowings in the same currencies as the relevant measurement currencies to mitigate its currency risk. Currency swaps are also used to match the currency of some of its other borrowings to the measurement currencies involved.

(Currency: Thousands of Turkish Lira (TL))

24 Financial risk management disclosures (continued)

The Bank and its affiliates' transactional exposures give rise to foreign currency gains and losses that are recognized in the statement of comprehensive income. These exposures comprise the monetary assets and monetary liabilities that are not denominated in the measurement currency of the Bank involved. These exposures are as follows:

	30 June 2010			
	US$	*EUR*	*Other Currencies*	*Total*
Assets				
Cash and balances with central banks	109,451	1,083,337	39,583	1,232,371
Financial assets at fair value through profit or loss	82,159	28,983	40,529	151,671
Loans and advances to banks	4,204,038	2,126,625	65,507	6,396,170
Loans and advances to customers	19,459,469	8,966,353	993,128	29,418,950
Other assets	98,029	2,783,329	117,417	2,998,775
Investment securities	4,617,551	659,887	151,299	5,428,737
Investments in equity participations	-	613	8	621
Tangible assets	196	51,104	65,870	117,170
Deferred tax asset	-	-	12,367	12,367
Total Assets	28,570,893	15,700,231	1,485,708	45,756,832
Liabilities				
Deposits	17,725,143	14,118,832	1,292,726	33,136,701
Obligations under repurchase agreements	383,351	142,454	-	525,805
Loans and advances from banks	7,510,713	4,471,236	94,294	12,076,243
Current and deferred tax liability	-	31,995	-	31,995
Subordinated liabilities	804,765	172,865	-	977,630
Other liabilities and accrued expenses	216,485	213,588	29,476	459,549
Total Liabilities	26,640,457	19,150,970	1,416,496	47,207,923
Net Statement of Financial Position	1,930,436	(3,450,739)	69,212	(1,451,091)
Net Off Balance Sheet Position	(1,399,037)	3,792,007	114,109	2,507,079
Net Long/(Short) Position	531,399	341,268	183,321	1,055,988

	31 December 2009			
	US$	*EUR*	*Other Currencies*	*Total*
Total Assets	26,943,994	15,624,610	1,654,783	44,223,387
Total Liabilities	24,904,410	19,125,323	1,646,122	45,675,855
Net Statement of Financial Position	2,039,584	(3,500,713)	8,661	(1,452,468)
Net Off Balance Sheet Position	(2,403,384)	3,731,707	117,015	1,445,338
Net Long/(Short) Position	(363,800)	230,994	125,676	(7,130)

24 Financial risk management disclosures (continued)

For the purposes of the evaluation of the table above, the figures represent the TL equivalent of the related hard currencies.

The short positions in the statement of financial position shown in the table above are hedged by currency swaps, forward contracts and other derivatives entered into to manage these currency exposures. In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank and its affiliates ensure that their net exposures are kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

Credit risk

The Bank and its affiliates are subject to credit risk through its trading, lending, hedging and investing activities and in cases where they act as intermediaries on behalf of customers or other third parties or issues guarantees.

Credit risk associated with trading and investing activities is managed through the Bank's market risk management process.

The Bank and its affiliates' primary exposures to credit risk arise through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of these assets on the statement of financial position. The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

The Bank and its affiliates are exposed to credit risk on various other financial assets, including derivative instruments used for hedging and debt investments. The current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the statement of financial position. In addition, the Bank and its affiliates are exposed to off balance sheet credit risk through guarantees issued (Note 23).

The risk that counterparties to both derivative and other instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank and its affiliates deal with counterparties of good credit standing, enter into master netting agreements whenever possible, and when appropriate, obtain collateral.

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(Currency: Thousands of Turkish Lira (TL))

24 Financial risk management disclosures (continued)

Exposure to credit risk

	Loans and advances to customers	
	30 June 2010	*31 December 2009*
Individually impaired	2,445,095	2,533,818
Allowance for impairment	(1,970,148)	(1,947,621)
Carrying amount	474,947	586,197
Collectively impaired	-	-
Allowance for impairment	(304,827)	(341,038)
Carrying amount	(304,827)	(341,038)
Past due but not impaired	943,126	590,128
Carrying amount	943,126	590,128
Neither past due nor impaired	59,314,418	53,730,219
Loans with renegotiated terms	1,137,985	199,745
Carrying amount	60,452,403	53,929,964
Total carrying amount	61,565,649	54,765,251

As of 30 June 2010, the Bank has also an allowance for loans and advances to banks amounting TL 4,649 thousands (31 December 2009: nil).

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

The concentration table of the cash and non-cash loans for the Bank according to the risk rating system for its customers defined as corporate, commercial and medium-size enterprises is presented below. The small and micro-size enterprises, consumer loans and credit card portfolios are not included in this table as they are subject to different rating scorings on a product basis.

	30 June 2010 %	**31 December 2009** %
Above Average	47	40
Average	46	50
Below Average	7	10
	100	100

Impaired loans

Impaired loans are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement due to lack of assets, high debtness ratio, insufficient working capital and/or equity of the customer.

(Currency: Thousands of Turkish Lira (TL))

24 Financial risk management disclosures (continued)

Sectoral and geographical concentration of impaired loans

The Bank and its affiliates monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of non-performing loans and lease receivables is shown below:

	30 June 2010	*31 December 2009*
Consumer loans	1,296,188	1,426,770
Textile	210,151	232,445
Construction	143,632	126,242
Service sector	117,431	56,634
Metal and metal products	104,466	49,992
Agriculture and stockbreeding	88,535	76,896
Chemistry and chemical products	70,034	76,141
Transportation and logistics	58,119	33,650
Food	42,805	84,456
Paper and paper products	35,498	19,751
Tourism	34,151	28,772
Durable consumption	28,201	32,358
Transportation vehicles and sub-industries	22,729	22,677
Energy	10,987	16,521
Others	182,168	250,513
Total non-performing loans, factoring and lease receivables	2,445,095	2,533,818

	30 June 2010	*31 December 2009*
Turkey	2,243,668	2,486,830
Romania	119,024	15,835
Ukraine	51,032	-
Russia	15,898	15,301
Brasil	10,223	10,084
Netherlands	3,070	3,932
Others	2,180	1,836
Total non-performing loans, factoring and lease receivables	2,445,095	2,533,818

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available and the customer's current activities, assets and financial position.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a portfolio-basis loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Bank writes off a receivable balance (and any related allowances for impairment losses) when it is determined that the receivable is uncollectible based on the evidence of insolvency issued by

(Currency: Thousands of Turkish Lira (TL))

24 Financial risk management disclosures (continued)

the Court. In cases where any possible collections are negligible comparing to the prospective expenses and costs, such receivables are written off by the decision of the board of directors.

Collateral policy

The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. The Bank and its affiliates currently hold collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 30 June 2010 and 31 December 2009.

Approximately 70% of the outstanding performing loans is collateralized. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank and its affiliates' obligations. The extent of collateral held for performing guarantees and letters of credit is approximately 81%.

The breakdown of performing cash and non-cash loans and advances to customers by type of collateral is as follows:

	30 June 2010	*31 December 2009*
Cash loans		
Secured loans:	42,290,154	38,630,197
Secured by cash collateral	1,112,213	1,008,408
Secured by mortgages	14,917,338	13,601,268
Secured by government institutions or government securities	2,359,297	2,153,757
Guarantees issued by financial institutions	252,050	275,959
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	23,649,256	21,590,805
Unsecured loans	18,289,382	15,094,340
Total performing loans, financial lease receivables and factoring receivables	60,579,536	53,724,537
Non-cash loans		
Secured loans:	12,679,293	11,836,363
Secured by cash collateral	1,051,218	582,994
Secured by mortgages	1,637,045	1,638,132
Guarantees issued by financial institutions	27,680	73,604
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	9,963,350	9,541,633
Unsecured loans	3,081,529	3,276,842
Total non-cash loans	15,760,822	15,113,205

(Currency: Thousands of Turkish Lira (TL))

24 Financial risk management disclosures (continued)

An estimate of the fair value of collateral held against outstanding balances of non-performing loans and receivables is as follows:

	30 June 2010	*31 December 2009*
Mortgages	614,356	679,306
Promissory notes and sureties	578,816	597,107
Pledge assets	235,902	253,481
Cash collateral	998	3,055
Unsecured	1,015,023	1,000,869
	2,445,095	2,533,818

The amounts reflected in the tables above represent the maximum accounting loss that would be recognized at the date of the statement of financial position if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for uncollectibility.

Operational risks

Operational risk expresses the probability of loss that may arise from the overlook of faults and inconsistency with the established rules due to the deficiencies in the Bank and its affiliates' internal controls, manner of the management and the personnel that are not in coherence with time and conditions, deficiencies in the bank management, faults and problems in information technology systems and disasters such as earthquake, fire, flood or terror attacks.

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering the whole processes, products and departments. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this context, appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined.

Currently, the value at operational risk is calculated according to the basic indicator approach as per the Article 14 of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The annual gross income is defined as net interest income plus net non-interest income reduced by realised gains/losses from the sale of securities available-for-sale and held-to-maturity, non-recurring gains and income derived from insurance claims. The result is added to risk weighted assets in the capital adequacy calculation.

Capital management – regulatory capital

BRSA sets and monitors capital requirements for the Bank as a whole. The parent company and individual banking operations are directly supervised by their local regulators. In implementing current capital requirements BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total value at credit, market and operational risks. The Bank and its affiliates' consolidated regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and certain cost items.

(Currency: Thousands of Turkish Lira (TL))

24 Financial risk management disclosures (continued)

- Tier 2 capital, which includes qualifying subordinated liabilities, general impairment allowances and the element of the fair value reserve relating to unrealised gain/(loss) on assets classified as available-for-sale.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in the Bank's management of capital during the period.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

The Bank's and its affiliates' regulatory capital position on a consolidated basis as of 30 June 2010 and 31 December 2009 was as follows:

	30 June 2010	*31 December 2009*
Tier 1 capital	13,671,735	12,202,610
Tier 2 capital	2,065,920	2,023,609
Deductions from capital	(120,248)	(100,665)
Total regulatory capital	15,617,407	14,125,554
Value at credit, market and operational risks	84,586,842	73,721,822
Capital ratios (%)		
Total regulatory capital expressed as a percentage of total value at credit, market and operational risks	18.46	19.16
Total tier 1 capital expressed as a percentage of total value at credit, market and operational risks	16.16	16.55

24.4 *Hedging*

Due to the Bank and its affiliates' overall interest rate risk position and funding structure, its risk management policies require that it should minimize its exposure to changes in foreign currency rates and manage interest rate, credit risk and market price risk exposure within certain guidelines. Derivative financial instruments are used to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instrument are used for this purpose, including interest rate swaps and currency swaps, options, financial futures, forward contracts and other derivatives. The purpose of the hedging activities is to protect the Bank and its affiliates from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Bank and its affiliates enter into transactions to ensure that it is economically hedged in accordance with risk management policies. In the accompanying consolidated financial statements, hedge accounting is applied for the cases where hedge accounting relationship is evidenced.

In prior periods, the Bank entered into various interest rate swap transactions in order to hedge its certain cash flow exposures primarily on floating rate assets and liabilities, through converting its

(Currency: Thousands of Turkish Lira (TL))

24 Financial risk management disclosures (continued)

floating rate income/payments into fixed rate income/payments. The following table includes certain characteristics of such swap transaction outstanding as of 30 June 2010:

Notional amount	*Fixed payer rate (%)*	*Floating payer rate(%)*	*Fixed payment frequency*	*Maturity*
US$ 68.8 millions	3.35	3 month Libor + 0.40	Quarterly	2012

In January 2009, the Bank has exercised eleven interest rate swap transactions held for cash flow risk management of the prior periods before their maturities. The Bank has recognized a total income amounting EUR 36,321,000 and US$ 16,000,000 (equivalent of TL 100,808 thousands in total) collected on the same transaction dates as per the related agreements under trading income in the accompanying consolidated financial statements.

25 Affiliates, associates and special purpose entities

The table below sets out the consolidated affiliates, associates and special purpose entities of the Bank and its shareholding interests in these entities:

Consolidated entities	*30 June 2010*	*31 December 2009*
Garanti Bank International NV	100.00	100.00
D Netherlands Holding BV	100.00	-
Garanti Bank Moscow	100.00	100.00
Garanti Portföy Yönetimi AŞ	100.00	100.00
Garanti Yatırım Menkul Kıymetler AŞ	100.00	100.00
Garanti Bilişim Teknolojisi ve Tic. AŞ	100.00	100.00
Garanti Filo Yönetimi Hizmetleri AŞ	100.00	100.00
Garanti Finansal Kiralama AŞ	98.94	98.94
Garanti Emeklilik ve Hayat AŞ	84.91	84.91
Garanti Faktoring Hizmetleri AŞ	81.84	81.84
Doğuş GE BV	70.00	-
Motoractive IFN SA	70.00	-
Ralfi IFN SA	70.00	-
Domenic Credit IFN SA	70.00	-
GE Garanti Bank SA	69.99	-
Eureko Sigorta AŞ	20.00	20.00
Garanti Yatırım Ortaklığı AŞ	0.21	-
Garanti Financial Services Plc	-	100.00
Garanti Fund Management Co Ltd	-	100.00
Garanti Diversified Payment Rights Finance Company *(a)*	-	-
T2 Capital Finance Company *(a)*	-	-

(a) Garanti Diversified Payment Rights Finance Company and T2 Capital Finance Company are the special purpose entities established for the Bank's securitization and subordinated debt transactions, respectively, that are explained in Note 17. The Bank or any of its affiliates does not have any shareholding interests in these companies.

The liquidation processes of Garanti Fund Management Co Ltd (100.00%) and Garanti Financial Services Plc (100.00%) have been finalized by 31 May 2010.

(Currency: Thousands of Turkish Lira (TL))

26 Net fee and commission income

	Six-month period ended 30 June 2010	*Three-month period ended 30 June 2010*	*Six-month period ended 30 June 2009*	*Three-month period ended 30 June 2009*
Fee and commission income:				
Credit cards fees	485,118	248,295	551,725	276,309
Retail banking	290,732	138,262	204,426	101,993
SME banking	151,089	71,895	125,680	61,829
Commercial banking	100,139	51,251	100,043	51,334
Corporate banking	20,831	7,466	23,500	13,787
Others	67,523	35,397	93,025	52,542
Total fee and commission income	1,115,432	552,566	1,098,399	557,794
Fee and commission expense:				
Credit cards fees	179,791	94,175	144,136	70,431
Retail banking	7,346	3,745	4,866	3,057
SME banking	3,521	1,846	2,398	1,535
Commercial banking	1,173	603	792	493
Corporate banking	105	58	-	-
Others	23,019	14,884	75,649	38,287
Total fee and commission expense	214,955	115,311	227,841	113,803
Net fee and commission income	900,477	437,255	870,558	443,991

As of 30 June 2009, interest income from factoring receivables amounting TL 35,514 thousands is classified to interest income on loans from fee and commission income.

27 Other operating expenses

	Six-month period ended 30 June 2010	*Three-month period ended 30 June 2010*	*Six-month period ended 30 June 2009*	*Three-month period ended 30 June 2009*
Advertising expenses	60,675	29,411	40,119	19,565
Computer usage expenses	38,190	16,510	40,897	24,009
Utility expenses	34,766	18,055	28,199	11,058
Saving deposits insurance fund premiums	34,052	17,613	35,694	17,905
Claim losses from insurance business	16,737	8,227	10,456	3,382
Research and development expenses	14,522	8,093	9,736	6,246
Repair and maintenance expenses	13,590	8,299	13,269	7,709
Others	175,764	89,054	130,085	76,270
	388,296	195,262	308,455	166,144

28 Use of estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates. These disclosures supplement the commentary on financial risk management (see Note 24).

Key sources of estimation uncertainty

Allowances for credit losses
Assets accounted for at amortized cost are evaluated for impairment on a basis described in Note 7.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present

28 Use of estimates and judgements (continued)

value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgement about a 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.

Portfolio-basis assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of portfolio-basis assessed allowances relates to country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the specific allowances depends on the estimated future cash flows for specific counterparties and the assumptions and inputs to the impairment used in determining collective allowances.

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 significant accounting policies section and Note 22. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements in applying the Bank's accounting policies

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

Financial asset and liability classification

The Bank and its affiliates' accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy *(h) Financial instruments*.
- In designating financial assets or liabilities at fair value through profit or loss, the Bank has determined that it has met one of the criteria for this designation set out in accounting policy *(h) Financial instruments*.
- In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy *(h) Financial instruments*.

28 Use of estimates and judgements (continued)

Securitizations

In applying its policies on securitised financial assets, the Bank has considered both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Bank over the other entity:

- When the Bank, in substance, controls the entity to which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognised in the Bank's consolidated statement of financial position.
- When the Bank has transferred financial assets to another entity, but has not transferred substantially all of the risk and rewards relating to the transferred assets, the assets are recognised in the Bank's consolidated statement of financial position.
- When the Bank transfers substantially all the risks and rewards relating to the transferred assets to an entity that it does not control, the assets have been derecognised from the Bank's consolidated statement of financial position.

Details of the Bank's securitization activities are given in Note 17.

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