GSD Yatırım Bankası Anonim Şirketi and Its Subsidiary

Consolidated Financial Statements
Together With
Independent Auditors' Report
As at 31 December 2009

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

19 February 2010

This report contains 1 page of independent auditors' report and 52 pages of consolidated financial statements together with explanatory notes.

GSD Yatırım Bankası Anonim Şirketi and Its Subsidiary

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KPMG

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Yapı Kredi Plaza C Blok Kat 17
Büyükdere Caddesi
Levent 34330 İstanbul

Telephone +90 (212) 317 74 00
Fax +90 (212) 317 73 00
Internet www.kpmg.com.tr

Independent Auditors' Report

To the Board of Directors of
GSD Yatırım Bankası Anonim Şirketi;

We have audited the accompanying consolidated financial statements of GSD Yatırım Bankası Anonim Şirketi and its subsidiary ("the Group"), which comprise the consolidated balance sheet as at 31 December 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

19 February 2010
Istanbul, Turkey

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,
a Turkish corporation and a member firm of the KPMG network of independent
member firms affiliated with KPMG International, a Swiss cooperative.

GSD Yatırım Bankası AŞ and Its Subsidiary

Consolidated Balance Sheet
As at 31 December 2009
(Currency -Thousands of Turkish Lira (TL))

	Note	2009	2008
Assets			
Cash and balances with Central Bank	*12*	1,178	1,362
Due from banks	*13*	8,122	26,231
Trading assets	*14*	4,470	1,776
Derivative financial instruments	*15*	9	1,115
Loans and advances to customers	*16*	77,966	38,306
Investment securities	*17*	7,998	3,115
Property and equipment	*18*	201	303
Intangible assets	*19*	46	53
Deferred tax assets	*20*	199	183
Other assets	*21*	2,379	3,439
Total assets		**102,568**	**75,883**
Liabilities			
Derivative financial instruments	*15*	24	1,252
Current accounts of loan customers	*22*	15,198	1,223
Other money market deposits	*23*	3,501	-
Funds borrowed	*24*	15,579	12,696
Provisions	*25*	276	512
Income taxes payable	*11*	-	39
Other liabilities	*26*	1,085	1,070
Total liabilities		**35,663**	**16,792**
Shareholders' equity			
Share capital	*27*	50,000	25,000
Adjustment to share capital	*27*	4,313	16,813
Fair value reserve		825	(4,058)
Retained earnings		11,767	21,336
Total equity		**66,905**	**59,091**
Total liabilities and equity		**102,568**	**75,883**
Commitments and contingencies	*29*		

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

GSD Yatırım Bankası AŞ and Its Subsidiary

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009
(Currency -Thousands of Turkish Lira (TL))

	Note	2009	2008
Interest income			
Interest on loans and advances to customers		12,666	25,880
Interest on securities		373	272
Interest on deposits with banks and other financial institutions		539	851
Interest on financial leases		-	83
Other interest income		-	1
Total interest income		**13,578**	**27,087**
Interest expense			
Interest on funds borrowed and other money market deposits		(968)	(4,679)
Interest on current accounts of loan customers		(298)	(4,529)
Interest on other money market placements		(106)	(129)
Total interest expense		**(1,372)**	**(9,337)**
Net interest income		**12,206**	**17,750**
Fees and commission income	*7*	879	1,334
Fees and commission expense	*7*	(97)	(161)
Net fee and commission income		**782**	**1,173**
Net trading income / (loss)	*8*	(235)	214
Foreign exchange gains, net		437	190
Other operating income		2,415	282
		2,617	**686**
Operating income		**15,605**	**19,609**
Net impairment loss on financial assets	*16, 26*	(6,756)	(551)
Personnel expenses	*9*	(2,879)	(4,758)
Depreciation and amortisation		(98)	(113)
Taxes other than on income		(320)	(432)
Other operating expenses	*10*	(2,351)	(2,717)
Profit before income tax		**3,201**	**11,038**
Income tax – current	*11*	(286)	(1,627)
Income tax – deferred	*11*	16	(144)
Net profit for the year		**2,931**	**9,267**
Other comprehensive income			
Fair value reserve (available-for-sale financial assets):			
- Net change in fair value		4,883	(8,671)
Other comprehensive income for the year		**4,883**	**(8,671)**
Total comprehensive income for the year		**7,814**	**596**

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

GSD Yatırım Bankası AŞ and Its Subsidiary

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

(Currency -Thousands of Turkish Lira (TL))

	Note	Share capital	Adjustment to share capital	Fair value reserve	Retained earnings	Total
At 1 January 2008		25,000	16,813	4,613	12,069	58,495
Net change in fair value of available-for-sale financial assets		-	-	(8,671)	-	(8,671)
Net profit for the year		-	-	-	9,267	9,267
At 31 December 2008		**25,000**	**16,813**	**(4,058)**	**21,336**	**59,091**
Capital increase	*27*	25,000	(12,500)	-	(12,500)	-
Net change in fair value of available-for-sale financial assets		-	-	4,883	-	4,883
Net profit for the year		-	-	-	2,931	2,931
At 31 December 2009		**50,000**	**4,313**	**825**	**11,767**	**66,905**

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

GSD Yatırım Bankası AŞ and Its Subsidiary

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

(Currency -Thousands of Turkish Lira (TL))

	Note	**2009**	**2008**
Cash flows from operating activities			
Interest received		13,961	26,820
Interest paid		(1,422)	(9,337)
Fees and commissions received		879	1,334
Trading income		80	287
Recoveries of loans		204	190
Fees and commissions paid		(97)	(161)
Cash payments to employees		(2,792)	(4,545)
Vacation pay liability paid		(36)	(21)
Employee termination benefits paid		(66)	(91)
Cash received from other operating activities		2,194	282
Cash paid for other operations		(2,684)	(2,909)
Income taxes paid		(599)	(2,225)
Cash flows from operating activities before changes in operating assets and liabilities		**9,622**	**9,624**
Changes in operating assets and liabilities			
Trading assets		(2,777)	(1,130)
Reserve deposits at Central Bank of Turkish Republic		591	1,902
Loans and advances to customers		(46,441)	88,180
Other assets		1,311	(3,340)
Current account of loan customers		13,975	(40,397)
Other money market deposits		3,501	-
Funds borrowed		2,933	(44,595)
Other liabilities and provisions		15	26
Net cash (used in) / provided by operating activities		**(17,270)**	**10,270**
Cash flows from investing activities			
Purchases of available-for-sale securities		-	(1,684)
Purchases of property and equipment	*18*	(1)	(234)
Proceeds from sale of property and equipment and intangible assets		-	3
Purchases of intangible assets	*19*	-	(30)
Net cash used in investing activities		**(1)**	**(1,945)**
Net (decrease) / increase in cash and cash equivalents		(17,271)	8,325
Cash and cash equivalents at 1 January	*28*	26,363	18,038
Cash and cash equivalents at 31 December	*28*	**9,092**	**26,363**

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

(Currency -Thousands of Turkish Lira (TL))

1. Reporting entity

GSD Yatırım Bankası Anonim Şirketi (the "Bank'') was registered on 22 December 1998 at Turkish Trade Registry Gazette, in accordance with the decision number 98/10962 taken by the Board of Ministers on 20 April 1998. The Bank was registered as an investment bank and commenced its operations on 7 April 1999, after obtaining the necessary banking permissions from the Turkish Undersecretariat of Treasury (the "Treasury") and the Central Bank of Turkey (the "Central Bank") on 24 February 1999.

The registered office address of the Bank is Aydınevler Mahallesi, Inönü Caddesi, GSD Binası No: 14, Küçükyalı 81570, Maltepe - Istanbul, Turkey.

The parent and ultimate parent of the Bank is GSD Holding AŞ ("GSD Holding") whose majority shares are publicly traded.

Nature of activities of the Group

The Bank carries out its activities as investment banking. The Bank's corporate services mainly include corporate lending, trade finance and financial leasing. In retail banking, the Bank mainly provides retail lending products such as mortgages, home equity, vehicle and consumer loans to its customers. As a non-deposit taking bank, the Bank borrows funds from financial markets.

Operational activities of the Bank as stated at its Articles of Association are as follows:

- Lending cash and non cash loans
- Providing collection and payment services, fund transfer and correspondent banking services
- Cheques and notes payable transactions
- Providing custody service
- Foreign exchange transactions
- Trading of capital market instruments, derivatives and money market instruments
- Intermediary services in money markets
- Financial lease transactions

As at 31 December 2009, the Bank provides services through its head office. As at 31 December 2009, the number of employees of the Bank is 26 (2008: 37).

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

The subsidiary included in consolidation and effective shareholding percentage of the Group as at 31 December 2009 and 2008 are as follows:

	Place of incorporation	Principal activity	Effective shareholding and voting rights (%)	
			2009	2008
GSD International Limited	Douglas / UK	Investing	100	100

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Bank were authorised for issue by the management on 19 February 2010. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

The Bank maintains its books of account and prepares its statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the other relevant laws and regulations. GSD International Limited ("GSD International"), the consolidated subsidiary, maintains its books of account in accordance with Isle of Man Companies Acts.

The consolidated financial statements have been prepared from statutory financial statements of the Bank and its subsidiary and presented in accordance with IFRS in Turkish Lira ("TL") with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS.

The accounting policies have been consistently applied by the Group and are consistent with those used in previous year ended 31 December 2008.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value.

2.3 Functional and presentation currency

These consolidated financial statements are presented in TL, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

The restatement for the changes in the general purchasing power of TL until 31 December 2005 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous year be restated in the same terms.

IAS 29 describes characteristics that may indicate that an economy is hyperinflationary. However, it concludes that it is a matter of judgement when restatement of financial statements becomes necessary. After experiencing hyperinflation in Turkey for many years, as a result of the new economic program, which was launched in late 2001, the three-year cumulative inflation rate dropped below 100% in October 2004. Based on these considerations, restatement pursuant to IAS 29 has been applied until 31 December 2005 and Turkey ceased to be hyperinflationary effective from 1 January 2006.

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Group could realise or settle the same values of assets and liabilities as indicated in the consolidated balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

As at 31 December 2009 and 2008, the foreign subsidiary (GSD International, which was previously classified as integral foreign operation) has the same functional currency as the reporting entity.

2. Basis of preparation *(continued)*

2.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs 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 estimate is revised and in any future periods affected.

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 consolidated financial statements are described in notes 4 and 5.

2.5 Changes in accounting policies

Effective 1 January 2009, the Group has changed its accounting policies in the following area:

- Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

2.6 Other accounting developments

Disclosures pertaining to fair values and liquidity risk for financial instruments

The Group has applied Improving *Disclosures about Financial Instruments* (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Revised disclosures in respect of fair values of financial instruments are included in note 5.

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but *contractual* maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Revised disclosures in respect of liquidity risk are included in note 4.

(Currency -Thousands of Turkish Lira (TL))

3. Significant accounting policies

The accounting policies set out below have been applied constantly to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiary is prepared for the same reporting period as the parent Bank, using uniform accounting policies for like transactions and other events in similar circumstances.

ii) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency transactions

The consolidated financial statements are presented in TL, which is the Bank's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate date of the transaction. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period. All foreign currency differences are recognised in profit or loss.

GSD International has the same functional currency as the reporting entity.

Foreign currency translation rates used by the Group are as follows:

	EUR / TL (full)	**USD / TL (full)**
31 December 2007	1.7102	1.1647
31 December 2008	2.1408	1.5123
31 December 2009	2.1603	1.5057

3. Significant accounting policies *(continued)*

3.3 Interest

Interest income and expense are recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of financial instrument, but not future credit losses. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income statement include:

- the interest income on financial assets and liabilities at amortised cost on an effective interest rate basis
- the interest income on trading assets.

3.4 Fees and commission

Fees and commission income and expense 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 commission and placement fees are recognised as the related services are performed.

Fee for bank transfers and other banking transaction services are recorded as income when collected.

3.5 Net trading income

Net trading income comprises all realised and unrealised fair value changes derivative financial instruments.

3.6 Dividends

Dividend income is recognised when the right to receive the payments is established.

3.7 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3. Significant accounting policies *(continued)*

3.8 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same authority on the same taxable entity.

A deferred tax asset is recognised for unused tax loss, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.9 Financial assets and liabilities

Recognition

The Group initially recognises cash and balances with the Central Bank, due from banks, loans and advances to customers, current account of loan customers and funds borrowed on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

Classification

See accounting policies 3.10, 3.11, 3.12, 3.13, 3.14, 3.20.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

3. Significant accounting policies *(continued)*

3.9 Financial assets and liabilities *(continued)*

Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set off the recognised amounts and it intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument in not active, the Group establishes fair value using a valuation technique. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows on the asset(s) that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristic.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or

3. Significant accounting policies *(continued)*

3.9 Financial assets and liabilities *(continued)*

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers; or
  - national or local economic conditions that correlate with defaults on the assets in the Group.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and estimated recoverable amount. The carrying amount of the asset is reduced through use of an allowance account. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognised in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of the reversal should not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary legal and regulatory procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts written off are included in the consolidated income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, met of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

3.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash equivalents are carried at amortised cost in the consolidated balance sheet.

3. Significant accounting policies *(continued)*

3.11 Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the balance sheet, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

3.12 Derivative financial instruments

The Group enters into derivative instrument transactions including forwards, swaps and options in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading.

Derivative financial instruments are initially recognised at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are recognised in profit or loss.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.13 Due from banks and loans and advances to customers

Due from banks and loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a due from banks, and the underlying asset is not recognised in the Group's financial statements.

Due from banks and loans and advances to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3. Significant accounting policies *(continued)*

3.14 Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

(i) Held-to-maturity

As at 31 December 2009 and 2008, the Group does not have any investment securities held-to-maturity.

(ii) Fair value through profit or loss

As at 31 December 2009 and 2008, the Group does not have any investment securities at fair value through profit or loss.

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

3. Significant accounting policies *(continued)*

3.15 Property and equipment

Recognition and measurement

The costs of the property and equipment are restated for the effects of inflation to the end of 31 December 2005, less accumulated depreciation and impairment losses. Property equipment acquired after 31 December 2005 is reflected at cost, less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other operating income in profit or loss.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Motor vehicles	5 years
Furniture and fixtures	5 – 50 years
Leased assets	shorter of 5 – 10 years and the lease term

Leasehold improvements are depreciated on a straight-line method over a period of time of their lease contract.

Depreciation methods and useful lives are reassessed at each financial year-end and adjusted if appropriate.

3. Significant accounting policies *(continued)*

3.16 Intangible assets

The costs of the intangible assets are restated for the effects of inflation to the end of 31 December 2005, less accumulated amortisation and impairment losses. Intangible assets acquired after 31 December 2005 are reflected at cost, less accumulated amortisation and impairment losses.

Intangible assets comprise purchased software.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimate useful lives of software are four to fifteen years.

Amortisation methods and useful lives are reassessed at each financial year-end and adjusted if appropriate.

3.17 Assets held for sale

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

3.18 Leases

The Group as lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, the leased assets are not recognised in the Group's statement of financial position.

The Group as lessor

Finance leases

The Group presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

3.19 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed on each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. Significant accounting policies *(continued)*

3.19 Impairment of non-financial assets *(continued)*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.20 Deposits, current accounts of loan customers and funds borrowed

The Group is not entitled to collect deposits. Current accounts of loan customers and funds borrowed are the Group's sources of debt funding.

Current accounts of loan customers and funds borrowed are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.21 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.22 Employee benefits

(i) Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognised in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Group that may arise from the retirement of the employees.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.23 Fiduciary assets

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the balance sheet, since such items are not treated as assets of the Group.

3. Significant accounting policies *(continued)*

3.24 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at and for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Group, with the exception of:

- IFRS 9 *Financial Instruments*, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of *held to maturity, available for sale and loans and receivables*. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investment in equity securities in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value witch changes in fair value recognised in profit or loss.

  The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

  The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

  The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's consolidated financial statements.

4. Financial risk management

a) Introduction and overview

The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Group's risk approach is to achieve sound and sustainable low risk profile on consolidated basis, through the identification, the measurement and the monitoring of all types of risks inherent in the nature of the business activities. The main principle of the Group is to manage the credit risk effectively and to eliminate the other types of risk by not carrying positions.

In the course of its normal operations, the Group is exposed to a number of risks such as credit risk, liquidity risk, market risk and operational risk. The Group's risk policy can be summarised as:

- well managing the credit risk through a high standardised credit risk management
- eliminating liquidity risk
- minimising market risk

In accordance with the Bank's general risk management strategy; the Bank aims to eliminate and hedge its currency, interest rate and maturity positions that might create liquidity or market risk to the Bank. Additionally, in order to minimise the market risk, marketable securities portfolio is limited proportional to the total assets size.

Board of Directors is the highest authority to set all risk management guidelines, and it is responsible for ensuring that the Bank implements all necessary risk management techniques in compliance with the related regulatory requirements in Turkey.

All risk levels are set and approved by the Board of Directors on a regularly basis, and it is announced to the organization.

The Bank manages its exposure to all types of risks through the Asset and Liability Committee, comprising members of senior management, and a representative of main shareholder.

In summary, in order not to be exposed to any liquidity, interest rate, market and foreign currency risk, the Bank always keeps its funding structure in line with the asset structure (in terms of currency, maturity and interest rate) and hedges its positions through various derivative transactions. In addition to that, the Bank does not take any speculative positions on currency, interest rate and maturity that might create any liquidity or market risk to the Bank.

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks.

The most important step in managing this risk is the initial decision whether or not to extend credit.

The Bank manages its corporate portfolio as per following principles;

There are risk limits, set by the Board of Directors, describing relevant credit limits such as single borrower limit, group exposure limit, credit approval authorities and their approval limits.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains securities when appropriate.

Management of credit risk

Throughout the loan extension process, the Bank management evaluates the firm's operating performance, financial structure, ability of debt repayment currently and continuance of debt payment ability in the future and the morality of the firm's shareholders. The Bank has generated an internal rating system for the determination of firms' ratings and credit assessments. The "Credit Rating" process is the analysis of objective criteria formed upon the evaluation of firm's financial performance, information gathered throughout intelligence process, relations of the firm with other financial institutions, the firm's production technology, the position of the firm in its sector, the firm's competitiveness and customer and supplier portfolio of the firm. The firms are rated between A - H.

Interval	Rating	Description
90 - 100	A	Excellent
80 - 89	B	Very good
70 - 79	C	Good
60 - 69	D	Average
50 - 59	E	Fair
40 - 49	F	Closely follow up
25 - 39	G	Doubtful
0 - 24	H	Uncollectible

Risk follow-up department performs the monitoring of the morality records of the firm and the black list of the Central Bank, controls the distribution of concentration limits with respect to sector, geography and credit type and controls the collateral structure of the loans.

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Exposure to credit risk

		Due from banks		Loans and advances to customers	
At 31 December	*Notes*	**2009**	**2008**	**2009**	**2008**
Carrying amount		**8,122**	**26,231**	**77,966**	**38,306**
Individually impaired					
- Non-performing financial assets		-	-	12,078	6,147
Gross amount		**-**	**-**	**12,078**	**6,147**
Allowance for impairment	*16*	-	-	(9,028)	(2,736)
Carrying amount		**-**	**-**	**3,050**	**3,411**
Past due but not impaired		-	-	-	-
Carrying amount		**-**	**-**	**-**	**-**
Neither past due nor impaired		8,122	26,231	75,673	35,236
Gross amount		**8,122**	**26,231**	**75,673**	**35,236**
Allowance for collective impairment	*16*	-	-	(757)	(341)
Carrying amount		**8,122**	**26,231**	**74,916**	**34,895**
Carrying amount (amortised cost)	*13, 16*	**8,122**	**26,231**	**77,966**	**38,306**

Impaired loans and advances

Individually impaired loans are loans and advances for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan. These loans are graded F to H in the Group's internal credit risk grading system.

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Exposure to credit risk (continued)

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio.

The Bank establishes an allowance for impairment losses on assets carried at amortised cost 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 collective loan loss allowance established for groups of assets in respect of losses that have been incurred but not have not been identified on loans that are considered individually insignificant as well as individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Write-off policy

The Bank writes off a loan balance and any related allowances for impairment losses, when Bank determines that the loans are uncollectible. This determination is made after considering information such as the occurrence of significant changes in borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not sufficient to pay back the entire exposure.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

	Loans and advances to customers	
2009	**Gross**	**Net**
Grade F : Individually impaired	-	-
Grade G : Individually impaired	-	-
Grade H : Individually impaired	12,078	3,050
Total	**12,078**	**3,050**

	Loans and advances to customers	
2008	**Gross**	**Net**
Grade F : Individually impaired	3,198	2,702
Grade G : Individually impaired	1,418	709
Grade H : Individually impaired	1,531	-
Total	**6,147**	**3,411**

Collateral policy

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over due from banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Collateral policy (continued)

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

	2009	2008
Secured loans	**77,589**	**74,696**
- Secured by cash collateral	76	7
- Secured by mortgages	8,229	6,865
- Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	69,284	67,824
Unsecured loans	**59,831**	**34,547**
Total performing loans(*)	**137,420**	**109,243**

(*) Total performing loans is comprised of collaterals obtained for cash loans and non-cash loans.

Segment concentration

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from due from banks and loans and advances to customers at the reporting date is shown below:

	Due from banks		Loans and advances to customers	
	2009	**2008**	**2009**	**2008**
Banks	8,122	26,231	-	-
Finance	-	-	23,684	902
Transportation	-	-	20,938	3,249
Production	-	-	12,296	13,515
Retail	-	-	7,995	10,034
Construction	-	-	5,273	1,540
Real estate property	-	-	1,015	-
Electrical, gas and natural resources	-	-	460	-
Education	-	-	371	277
Mining	-	-	-	90
Agriculture	-	-	-	40
Tourism	-	-	-	301
Other	-	-	3,437	5,253
Corporate loans	**8,122**	**26,231**	**75,469**	**35,201**
Consumer loans	-	-	204	24
Finance lease receivables	-	-	-	11
Non performing loans	-	-	12,078	6,147
Provision for possible loan losses	-	-	(9,785)	(3,077)
Total	**8,122**	**26,231**	**77,966**	**38,306**

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

b) Credit risk *(continued)*

Segment concentration of non-cash loans is as follows:

	2009	2008
Finance	23,662	18,886
Mining	21,926	21,926
Production	9,670	14,351
Construction	1,218	2,548
Transportation	697	1,596
Retail	400	4,541
Real estate property	-	1,059
Other	4,211	9,380
Total	**61,784**	**74,287**

Concentration risk by location

		Due from banks		Loans and advances to customers	
	Notes	**2009**	**2008**	**2009**	**2008**
Turkey		235	17,828	77,966	38,306
Turkish Republic of Northern Cyprus		7,887	8,403	-	-
	13, 16	**8,122**	**26,231**	**77,966**	**38,306**

Trading assets including derivative financial instruments

At 31 December 2009, the Group held trading assets, including derivative financial assets, of TL 4,479 (2008: TL 2,891). An analysis of the credit quality of the maximum credit exposure is as follows:

	Notes	**2009**	**2008**
Government bonds and treasury bills			
- Rated BB - (trading portfolio)	*14*	4,470	1,776
Derivative assets:			
- Bank and financial institution counterparties	*15*	9	1,115
Fair value and carrying amount		**4,479**	**2,891**

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is a substantial risk in the Turkish market, which exhibits significant volatility.

Management of liquidity risk

In order to manage this risk, the Bank measures and manages its cash flow commitments on a daily basis and maintains liquid assets, which it judges sufficient to meet its commitments.

The calculation method used to measure the banks compliance with the liquidity limit is set by Banking Regulatory and Supervision Agency ("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 the banks. This new legislation requires the banks to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities based on arithmetic average computations on a weekly and monthly basis effective from 1 June 2007. The Bank's liquidity ratios in 2009 and 2008 are as follows:

	First maturity bracket (weekly)		Second maturity bracket (monthly)	
	Foreign currency	Total	Foreign currency	Total
2009 average	276.74	183.16	88.32	224.51
2008 average	284.69	306.53	89.82	221.04

Maturity analysis for financial liabilities

The table on the next page analyses financial liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

c) Liquidity risk *(continued)*

Maturity analysis for financial liabilities (continued)

2009	*Note*	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Non-derivative liabilities									
Current accounts of loan customers	*22*	15,198	(15,281)	(317)	(11,926)	(3,038)	-	-	-
Other money market deposits	*23*	3,501	(3,501)	-	(3,501)	-	-	-	-
Funds borrowed	*24*	15,579	(15,640)	-	(7,748)	(3,468)	(3,475)	(949)	-
		34,278	**(34,422)**	**(317)**	**(23,175)**	**(6,506)**	**(3,475)**	**(949)**	**-**
Derivative financial instruments									
- Outflow	*15*	24	(16,112)	-	(1,224)	(14,888)	-	-	-
- Inflow	*15*	(9)	16,100	-	1,205	14,895	-	-	-
		15	**(12)**	**-**	**(19)**	**7**	**-**	**-**	**-**
		34,293	**(34,434)**	**(317)**	**(23,194)**	**(6,499)**	**(3,475)**	**(949)**	**-**

2008	*Note*	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Non-derivative liabilities									
Current accounts of loan customers	*22*	1,223	(1,227)	(591)	(636)	-	-	-	-
Funds borrowed	*24*	12,696	(13,077)	-	(4,316)	(462)	(4,910)	(3,389)	-
		13,919	**(14,304)**	**(591)**	**(4,952)**	**(462)**	**(4,910)**	**(3,389)**	**-**
Derivative financial instruments									
- Outflow	*15*	1,252	(19,121)	-	(19,121)	-	-	-	-
- Inflow	*15*	(1,115)	18,992	-	18,992	-	-	-	-
		137	**(129)**	**-**	**(129)**	**-**	**-**	**-**	**-**
		14,056	**(14,433)**	**(591)**	**(5,081)**	**(462)**	**(4,910)**	**(3,389)**	**-**

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

d) Market risk

Market risk is the risk that changes in market prices such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments.

The Board of Directors of the Bank determines the risk limits for primary risks carried by the Bank and periodically revises these limits. For the purpose of hedging market risk, the Group primarily aims to balance the foreign currency position, collateralise the loans and manage liquidity.

The market risk arising from trading portfolio is monitored, measured and reported using Standardised Approach to the legal legislation. The monthly market risk report and the weekly currency risk reports prepared using Standardised Approach are reported to BRSA. The Bank's value at market risks as at 31 December 2009 and 2008 calculated as per the statutory 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:

	2009			2008		
	Average	**Highest**	**Lowest**	**Average**	**Highest**	**Lowest**
Interest rate risk	26	60	22	51	49	12
Equity price risk	836	1,280	378	1,192	1,832	498
Currency risk	-	-	-	31	42	-
Total value-at-risk	**862**	**1,340**	**400**	**1,274**	**1,923**	**510**

Equity price risk

Equity price risk is the risk that the fair values of equities change as the result of the changes in the levels of equity indices and the value of individual stocks.

The effect on equity as a result of change in the fair value of equity instruments available-for-sale at 31 December 2009 and 2008 due to a reasonably possible 10% change in equity indices, with all other variables held constant is as follows:

	10% increase in index		**10% decrease in index**	
At 31 December	**2009**	**2008**	**2009**	**2008**
	Equity	**Equity**	**Equity**	**Equity**
Istanbul Stock Exchange – 100 (IMKB 100)	800	312	(800)	(312)

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

d) Market risk *(continued)*

Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that the Group is subject to due to the exchange rate movements in the market. The Group does not prefer to carry foreign currency risk and holds foreign currency asset and liability items together with derivatives in balance against the foreign currency risk.

The Group manages foreign currency risk by weekly Asset and Liability Committee meetings, comprising members of senior management of the Bank and through limits on the positions which can be taken by the Bank's treasury and securities trading divisions.

The concentrations of assets, liabilities and off balance sheet items are as follows:

2009	**EUR**	**USD**	**Yen**	**Other**	**Total**
Cash and balances with the Central Bank	-	356	-	-	356
Due from banks	70	7,898	2	34	8,004
Loans and advances to customers	1,307	-	-	-	1,307
Other assets	-	-	-	-	-
Current accounts of loan customers	(8)	(318)	-	(1)	(327)
Funds borrowed	(1,319)	(8,777)	-	(1)	(10,097)
Other liabilities	-	(11)	-	-	(11)
Net balance sheet position	**50**	**(852)**	**2**	**32**	**(768)**
Net off-balance sheet position	**-**	**903**	**-**	**-**	**903**
- Derivative financial assets	-	8,432	-	-	8,432
- Derivative financial liabilities	-	(7,529)	-	-	(7,529)
Net position	**50**	**51**	**2**	**32**	**135**

2008	**EUR**	**USD**	**Yen**	**Other**	**Total**
Cash and balances with the Central Bank	-	1,205	-	-	1,205
Due from banks	110	9,650	49	29	9,838
Loans and advances to customers	2,315	1,251	-	-	3,566
Other assets	11	5	-	-	16
Current accounts of loan customers	(30)	(441)	-	-	(471)
Funds borrowed	(6,429)	(6,232)	-	(1)	(12,662)
Other liabilities	(368)	(13)	-	(1)	(382)
Net balance sheet position	**(4,391)**	**5,425**	**49**	**27**	**1,110**
Net off-balance sheet position	**4,282**	**(4,675)**	**-**	**-**	**(393)**
- Derivative financial assets	4,282	7,742	-	500	12,524
- Derivative financial liabilities	-	(12,417)	-	(500)	(12,917)
Net position	**(109)**	**750**	**49**	**27**	**717**

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

d) Market risk *(continued)*

Currency risk (continued)

Sensitivity analysis

A 10 percent weakening of TL against the foreign currencies at 31 December 2009 and 2008 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	2009		2008	
	Equity(*)	Profit or loss	Equity(*)	Profit or loss
Euro	5	5	(11)	(11)
USD	5	5	75	75
Other currencies	3	3	8	8
Total	**13**	**13**	**72**	**72**

(*) Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.

A 10 percent strengthening of the TL against the foreign currencies at 31 December 2009 and 2008 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and cash flows. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

A substantial majority of the Group's assets and liabilities reprice within three months. Accordingly, there is a limited exposure to interest rate risk.

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

d) Market risk *(continued)*

Interest rate risk (continued)

Exposure to interest rate risk

The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management Department of the Bank in its day-to-day monitoring activities. A summary of the Group's interest rate gap position on portfolios is as follows:

2009	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non interest bearing	Total
Assets							
Cash and balances with the Central Bank	812	-	-	-	-	366	1,178
Due from banks	358	7,529	-	-	-	235	8,122
Trading assets	-	-	-	4,470	-	-	4,470
Loans and advances to customers	50,723	11,300	11,397	2,253		2,293*	77,966
Investment securities	-	-	-	-	-	7,998	7,998
Total assets	**51,893**	**18,829**	**11,397**	**6,723**	**-**	**10,892**	**99,734**
Liabilities							
Current accounts of loan customers	11,868	3,013	-	-	-	317	15,198
Other money market deposits	3,501	-	-	-	-	-	3,501
Funds borrowed	7,744	4,213	3,622	-	-	-	15,579
Total liabilities	**23,113**	**7,226**	**3,622**	**-**	**-**	**317**	**34,278**
Balance sheet interest sensitivity gap	**28,780**	**11,603**	**7,775**	**6,723**	**-**	**10,575**	**65,456**

(*) Includes net of non-performing loans amounting TL 12,078 and allowance for loan losses amounting TL 9,785.

2008	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non interest bearing	Total
Assets							
Cash and balances with the Central Bank	1,346	-	-	-	-	16	1,362
Due from banks	24,610	-	-	-	-	1,621	26,231
Trading assets	-	-	1,776	-	-	-	1,776
Loans and advances to customers	29,476	4,419	1,054	287	-	3,070*	38,306
Investment securities	-	-	-	-	-	3,115	3,115
Total assets	**55,432**	**4,419**	**2,830**	**287**	**-**	**7,822**	**70,790**
Liabilities							
Current accounts of loan customers	632	-	-	-	-	591	1,223
Funds borrowed	4,430	1,234	7,032	-	-	-	12,696
Total liabilities	**5,062**	**1,234**	**7,032**	**-**	**-**	**591**	**13,919**
Balance sheet interest sensitivity gap	**50,370**	**3,185**	**(4,202)**	**287**	**-**	**7,231**	**56,871**

(*) Includes net of non-performing loans amounting TL 6,147 and allowance for loan losses amounting TL 3,077.

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

d) Market risk *(continued)*

Interest rate risk (continued)

Sensitivity analysis

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the net interest income for the year based on the floating rate financial assets and financial liabilities held at 31 December 2009. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 31 December 2008. The following tables also include the sensitivity of trading portfolio of the Group.

	Profit or loss		**Equity(*)**	
2009	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit or loss	(55)	57	(55)	57
Floating rate financial assets	-	-	-	-
Floating rate financial liabilities	(8)	8	(8)	8
Total, net	**(63)**	**65**	**(63)**	**65**

	Profit or loss		**Equity(*)**	
2008	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit or loss	(12)	12	(12)	12
Floating rate financial assets	-	-	-	-
Floating rate financial liabilities	(14)	14	(14)	14
Total, net	**(26)**	**26**	**(26)**	**26**

(*) Equity effect also includes profit or loss effect of 100 bp increase or decrease in interest rates.

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

d) Market risk *(continued)*

Interest rate risk (continued)

Summary of average interest rates

As at 31 December 2009 and 2008, the summary of average interest rates for different assets and liabilities are as follows:

	2009			2008		
	Euro	**USD**	**TL**	**Euro**	**USD**	**TL**
Assets						
Cash and balances with the Central Bank	-	-	5.20	-	-	12.00
Due from banks	-	3.41	-	-	5.26	14.75
Trading assets	-	-	8.59	-	-	16.70
Loans and advances to customers	10.75	-	13.49	11.32	9.98	31.31
Liabilities						
Current account of loan customers	-	3.00	9.50	-	4.00	17.25
Other money market deposit	-	-	6.76	-	-	-
Funds borrowed	3.00	1.78	6.95	6.61	4.47	-

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

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.

The Bank calculated the value at operational risk in accordance with the "Computation of Value of Operational Risk" of the circular, "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette dated 1 November 2006, using gross profit of the last three years, 2006, 2007 and 2008. The amount calculated as TL 27,664 as at 31 December 2009 (2008: TL 20,677) represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk.

(Currency -Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

f) Capital management

BRSA, the regulator body of the banking industry, sets and monitors capital requirements for the Bank. In implementing current capital requirements, BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets.

The Bank is consolidated regulatory capital is analysed into two tiers:

- Tier 1 capital, capital is composed of the total amount of paid up capital, legal, voluntary and extra reserves, profits for the period after tax provisions and profits for previous years. The total amount of banks' losses for the period and losses for previous years is taken into account as a deduction item, in the calculation of Tier 1 capital.
- Tier 2 capital, is composed of the total amount of general provisions for credits, fixed assets revaluation fund, revaluation of available-for-sale financial assets and equity investments, subordinated loans received, free reserves set aside for contingencies and the fund for increase in the value of securities.

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. Operational risk capital requirement is calculated using Basic Indicator Approach and included in the capital adequacy calculations.

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

There have been no material changes in the Bank's management of capital during the period.

The Bank's capital position at 31 December 2009 and 2008 is as follows:

	2009	**2008**
Tier 1 capital	65,808	63,258
Tier 2 capital	66,936	59,541
Deductions from capital	-	(186)
Total regulatory capital	**66,936**	**59,355**
Risk-weighted assets	111,978	93,682
Value at market risk	16,750	6,375
Operational risk	27,664	20,677
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk and operational risk	42.80	49.16
Total Tier 1 capital expressed as a percentage of risk-weighted assets, value at market risk and operational risk	42.08	52.39

5. Use of estimates and judgements

Management decides to the development, selection and disclosure of the Group'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 4).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.9.

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances when there is objective to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3.9. For financial instruments that require varying degrees of judgement depending liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical accounting judgements in applying the Group's accounting policies

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

Impairment of investment in equity securities

Investments in equity securities are evaluated for impairment on the basis described in accounting policy 3.9.

For an investment in an equity security, a significant or prolonged decline it its fair value below its cost is objective evidence of impairment: In this respect, the Group regards a decline in fair value in excess of 20 percent to be "significant" and a decline in a quoted market price that persists for nine months or longer to be "prolonged".

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.9.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments using valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

(Currency -Thousands of Turkish Lira (TL))

5. Use of estimates and judgements *(continued)*

Critical accounting judgements in applying the Group's accounting policies *(continued)*

Valuation of financial instruments (continued)

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like forwards and currency swaps, that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

This table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

2009	***Note***	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Trading assets	*14*	4,470	-	-	4,470
Derivative financial instruments	*15*	-	9	-	9
Investment securities	*17*	7,998	-	-	7,998
		12,468	**9**	**-**	**12,477**
Liabilities					
Derivative financial instruments	*15*	-	24	-	24
		-	**24**	**-**	**24**

2008	***Note***	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Trading assets	*14*	1,776	-	-	1,776
Derivative financial instruments	*15*	-	1,115	-	1,115
Investment securities	*17*	3,115	-	-	3,115
		4,891	**1,115**	**-**	**6,006**
Liabilities					
Derivative financial instruments	*15*	-	1,252	-	1,252
		-	**1,252**	**-**	**1,252**

(Currency -Thousands of Turkish Lira (TL))

5. Use of estimates and judgements *(continued)*

Critical accounting judgements in applying the Group's accounting policies *(continued)*

Financial asset and liability classification

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

- In classifying financial assets and liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3.11.

Details of the Group's classification of financial assets and liabilities are given in note 6.

6. Financial assets and liabilities

Accounting classification and fair values

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets or valuation techniques. However, the Group expects no significant difference between the fair value and carrying value of the financial instruments below since their maturities are short-term.

The table below sets out the Group's classification of each class of financial assets and liabilities and their fair values.

	Notes	Trading	Loans and receivables	Available -for-sale	Other amortised cost	Total carrying amount	Fair value
2009							
Cash and balances with Central Bank	*12*	-	1,178	-	-	1,178	1,178
Due from banks	*13*	-	8,122	-	-	8,122	8,122
Trading assets	*14*	4,470	-	-	-	4,470	4,470
Derivative financial instruments	*15*	9	-	-	-	9	9
Loans and advances to customers	*16*	-	77,966	-	-	77,966	77,966
Investment securities	*17*	-	-	7,998	-	7,998	7,998
		4,479	**87,266**	**7,998**	**-**	**99,743**	**99,743**
Derivative financial instruments	*15*	24	-	-	-	24	24
Current account of loan customers	*22*	-	-	-	15,198	15,198	15,198
Other money market deposits	*23*	-	-	-	3,501	3,501	3,501
Funds borrowed	*24*	-	-	-	15,579	15,579	15,579
		24	**-**	**-**	**34,278**	**34,302**	**34,302**

	Notes	Trading	Loans and receivables	Available -for-sale	Other amortised cost	Total carrying amount	Fair value
2008							
Cash and balances with Central Bank	*12*	-	1,362	-	-	1,362	1,362
Due from banks	*13*	-	26,231	-	-	26,231	26,231
Trading assets	*14*	1,776	-	-	-	1,776	1,776
Derivative financial instruments	*15*	1,115	-	-	-	1,115	1,115
Loans and advances to customers	*16*	-	38,306	-	-	38,306	38,306
Investment securities	*17*	-	-	3,115	-	3,115	3,115
		2,891	**65,899**	**3,115**	**-**	**71,905**	**71,905**
Derivative financial instruments	*15*	1,252	-	-	-	1,252	1,252
Current account of loan customers	*22*	-	-	-	1,223	1,223	1,223
Funds borrowed	*24*	-	-	-	12,696	12,696	12,696
		1,252	**-**	**-**	**13,919**	**15,171**	**15,171**

(Currency -Thousands of Turkish Lira (TL))

7. Net fee and commission income

	2009	2008
Fee and commission income		
Fee and commission income on non-cash loans	756	754
Fee on banking services	54	529
Other	69	51
Total fee and commission income	**879**	**1,334**
Fee and commission expense		
Fee and commission expense on banks	82	151
Other	15	10
Total fee and commission expense	**97**	**161**
Net fee and commission income	**782**	**1,173**

8. Net trading (loss) / income

	2009	2008
Derivative financial transactions	(235)	214
	(235)	**214**

9. Personnel expenses

	2009	2008
Wages and salaries	2,450	3,740
Social security premiums	217	436
Bonus provision	-	221
Provision for employee termination benefits	66	109
Provision for vacation pay liability	36	104
Other fringe benefits	110	148
	2,879	**4,758**

(Currency -Thousands of Turkish Lira (TL))

10. Other operating expenses

	2009	2008
Utilities expense	625	725
Rent expenses	531	651
On line data expenses	262	217
Vehicle expenses	201	219
Auditing and consulting expenses	207	186
Subscription and membership fees	74	68
Other	451	651
	2,351	**2,717**

11. Income tax

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. GSD International is not subject to taxation.

As at 31 December 2009, corporate income tax is 20% (2008: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the deduction rates included in the 15^{th} and 30^{th} articles of the Law no. 5520 on the Corporate Tax, has been redefined according to the cabinet decision numbered 2006/10731, which has been announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those are settled in Turkey or generate income in Turkey via a business or a regular agent has been increased to 15% from 10%.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns 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 tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007, sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm’s length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

(Currency -Thousands of Turkish Lira (TL))

11. Income tax *(continued)*

As at 31 December 2009 and 2008, prepaid income taxes are netted off with the current tax liability as stated below:

	2009	2008
Income tax liability	286	1,627
Prepaid income tax	(286)	(1,588)
Income taxes payable	**-**	**39**

Income tax recognised in the income statement

The components of income tax expense for the years ended 31 December 2009 and 2008 are:

	2009	2008
Current tax expense		
Current year	286	1,627
Deferred tax (income) / expense		
Origination and reversal of temporary differences	(16)	144
Total income tax expense	**270**	**1,771**

Reconciliation of effective tax rate

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate of the Group for the years ended 31 December 2009 and 2008 is as follows:

	2009	%	2008	%
Profit before income tax	3,201		11,038	
Taxes on income per statutory tax rate	640	20	2,208	20
Tax effect of foreign subsidiary	(64)	(2)	(80)	-
Tax effect of exempt items	(577)	(18)	(654)	(7)
Tax effect of disallowable expenses	271	8	297	3
Total income tax expense	**270**	**8**	**1,771**	**16**

(Currency -Thousands of Turkish Lira (TL))

12. Cash and balances with Central Bank

	2009	2008
Cash on hand	10	16
Cash and balances with Central Bank of Turkish Republic	961	548
Reserve deposits at Central Bank of Turkish Republic	207	798
	1,178	**1,362**

According to the regulations of the Central Bank of Turkish Republic (the "Central Bank"), banks are obliged to reserve a portion of certain liability accounts as specified in the related decree. Such mandatory reserves are not available for use in the Group's day to day operations.

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TL and USD or EUR at the rates of 5% and 9%, respectively as per the Communiqué no. 2005/1 "Reserve Deposits" of the Central Bank of Turkey (2008: 6% for TL and 9% for USD or EUR).

As at 31 December 2009, the interest rate applied by the Central Bank of Turkey for TL reserves is 5.20% (2008: 12.00% for TL). The foreign currency reserves do not earn any interests.

13. Due from banks

	2009	2008
Placements with other banks	8,122	26,231
- Demand	*234*	*1,621*
- Time	*7,888*	*24,610*
	8,122	**26,231**

14. Trading assets

	2009		2008	
	Face value	**Carrying value**	**Face value**	**Carrying value**
Debt and other instruments				
Government bonds in TL	5,000	4,470	2,000	1,776
	5,000	**4,470**	**2,000**	**1,776**

As at 31 December 2009, government bonds with carrying values of TL 4,470 (2008: TL 1,776) are pledged to the Central Bank and the Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Istanbul Stock Exchange Clearing and Custody Incorporation) for regulatory requirements and as a guarantee for stock exchange and money market operations.

As at 31 December 2009 and 2008, there is not any debt instrument given as collateral under repurchase agreements.

(Currency -Thousands of Turkish Lira (TL))

15. Derivative financial instruments

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards and swaps.

	2009	2008
Derivative financial assets		
Forwards	9	1,115
Currency swaps	-	-
	9	**1,115**
Derivative financial liabilities		
Forwards	24	1,155
Currency swaps	-	97
	24	**1,252**

The table below shows the notional amounts of derivative instruments analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	2009					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Currency swaps:						
Purchases	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Currency forwards:						
Purchases	1,205	14,895	-	-	-	16,100
Sales	1,224	14,888	-	-	-	16,112
Total of purchases	**1,205**	**14,895**	-	-	-	**16,100**
Total of sales	**1,224**	**14,888**	-	-	-	**16,112**
Total of transactions	**2,429**	**29,783**	-	-	-	**32,212**

	2008					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Currency swaps:						
Purchases	4,282	-	-	-	-	4,282
Sales	4,372	-	-	-	-	4,372
Currency forwards:						
Purchases	14,710	-	-	-	-	14,710
Sales	14,749	-	-	-	-	14,749
Total of purchases	**18,992**	-	-	-	-	**18,992**
Total of sales	**19,121**	-	-	-	-	**19,121**
Total of transactions	**38,113**	-	-	-	-	**38,113**

(Currency -Thousands of Turkish Lira (TL))

16. Loans and advances to customers

	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
	2009			2008		
Consumer loans						
- Other lending	204	-	204	24	-	24
Corporate customers:						
- Finance leases	-	-	-	11	-	11
- Other lending	87,547	(9,785)	77,762	41,348	(3,077)	38,271
	87,751	**(9,785)**	**77,966**	**41,383**	**(3,077)**	**38,306**

Allowance for impairment

	2009	2008
Specific allowances for impairment		
Balance at 1 January	2,736	1,322
Impairment loss for the year		
- Charge for the year	6,496	1,604
- Recoveries	(204)	(190)
Balance at 31 December	**9,028**	**2,736**
Collective allowances for impairment		
Balance at 1 January	341	1,204
Impairment loss for the year		
- Charge for the year	416	-
- Recoveries	-	(863)
Balance at 31 December	**757**	**341**
Total allowances for impairment	**9,785**	**3,077**

Finance lease receivables

Loans and advances to customers include the following finance lease receivables for leases of certain property and equipment where the Group is lessor:

	2009	2008
Less than one year	-	11
Between one and five years	-	-
Finance lease receivables, gross	**-**	**11**
Less: Unearned future income on finance leases	-	-
Finance lease receivables, net	**-**	**11**

(Currency -Thousands of Turkish Lira (TL))

17. Investment securities

Available-for-sale investment securities

	2009	**2008**
Equity securities with readily determinable fair values	7,998	3,115
Total investment securities	**7,998**	**3,115**

Equity securities comprised GSD Holding's shares which are stated at fair value.

18. Property and equipment

	Motor vehicles	**Furniture and fixtures**	**Leased assets**	**Leasehold improve-ments**	**Total**
Cost					
Balance at 1 January 2008	264	396	408	654	1,722
Acquisitions	-	150	-	84	234
Disposals	(35)	(30)	-	(235)	(300)
Balance at 31 December 2008	**229**	**516**	**408**	**503**	**1,656**
Balance at 1 January 2009	229	516	408	503	1,656
Acquisitions	-	1	-	-	1
Disposals	(164)	(94)	(135)	-	(393)
Balance at 31 December 2009	**65**	**423**	**273**	**503**	**1,264**
Depreciation					
Balance at 1 January 2008	178	211	405	494	1,288
Depreciation for the year	45	56	-	5	106
Disposals	(24)	(1)	-	(16)	(41)
Balance at 31 December 2008	**199**	**266**	**405**	**483**	**1,353**
Balance at 1 January 2009	199	266	405	483	1,353
Depreciation for the year	5	58	1	5	69
Disposals	(139)	(85)	(135)	-	(359)
Balance at 31 December 2009	**65**	**239**	**271**	**488**	**1,063**
Carrying amounts					
Balance at 1 January 2008	86	185	3	160	434
Balance at 31 December 2008	30	250	3	20	303
Balance at 31 December 2009	-	184	2	15	201

There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2008: nil).

(Currency -Thousands of Turkish Lira (TL))

19. Intangible assets

	Software
Cost	
Balance at 1 January 2008	850
Acquisitions	30
Disposals	(3)
Balance at 31 December 2008	**877**
Balance at 1 January 2009	877
Acquisitions	-
Disposals	(1)
Balance at 31 December 2009	**876**
Amortisation	
Balance at 1 January 2008	817
Amortisation for the year	7
Disposals	-
Balance at 31 December 2008	**824**
Balance at 1 January 2009	824
Amortisation for the year	6
Disposals	-
Balance at 31 December 2009	**830**
Carrying amounts	
Balance at 1 January 2008	33
Balance at 31 December 2008	53
Balance at 31 December 2009	46

(Currency -Thousands of Turkish Lira (TL))

20. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2009			2008		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Allowances on loans and advances to customers	151	-	151	68	-	68
Vacation pay liability	35	-	35	39	-	39
Reserve for employee severance indemnity	20	-	20	20	-	20
Derivative financial instruments	5	(2)	3	250	(224)	26
Depreciation methodology differences on property and equipment and intangible assets	-	(10)	(10)	-	(14)	(14)
Bonus provision	-	-	-	44	-	44
	211	**(12)**	**199**	**421**	**(238)**	**183**

Movements in temporary differences during the year

	Balance at 1 January	**Recognised in profit or loss**	**Balance at 31 December**
2009			
Allowances on loans and advances to customers	68	83	151
Vacation pay liability	39	(4)	35
Reserve for employee severance indemnity	20	-	20
Derivative financial instruments	26	(23)	3
Depreciation methodology differences on property and equipment and intangible assets	(14)	4	(10)
Bonus provision	44	(44)	-
	183	**16**	**199**
2008			
Allowances on loans and advances to customers	241	(173)	68
Vacation pay liability	22	17	39
Reserve for employee severance indemnity	16	4	20
Derivative financial instruments	14	12	26
Depreciation methodology differences on property and equipment and intangible assets	(10)	(4)	(14)
Bonus provision	44	-	44
	327	**(144)**	**183**

(Currency -Thousands of Turkish Lira (TL))

21. Other assets

	2009	2008
Assets held for resale	1,038	3,015
Transitory accounts	745	-
Prepaid tax	274	-
Court case receivables	274	274
Prepaid expenses	41	125
Others	7	25
Total	**2,379**	**3,439**

The Group provided an impairment loss amounting TL 23 for assets held for resale (2008: TL 30).

22. Current accounts of loan customers

	2009	2008
Corporate customers	15,198	1,223
- *Demand*	*317*	*591*
- *Time*	*14,881*	*632*
	15,198	**1,223**

23. Other money market deposits

	2009	2008
Obligations under repurchase agreements	3,501	-
	3,501	**-**

(Currency -Thousands of Turkish Lira (TL))

24. Funds borrowed

	2009(*)		
		Effective interest rate	
	Amount	Turkish Lira	Foreign currency
Short-term			
Fixed interest	12,474	6.95%	USD 2.08% - EUR 3.00%
Variable interest	2,176	-	USD 1.16%
Medium/long-term			
Fixed interest	-	-	
Variable interest	929	-	USD 1.42%
Total	**15,579**		

(*) Based on original maturities.

	2008(*)		
		Effective interest rate	
	Amount	Turkish Lira	Foreign currency
Short-term			
Fixed interest	9,577	-	USD 4.33% - EUR 6.64%
Medium/long-term			
Fixed interest	3,119	-	USD 4.53%
Total	**12,696**		

(*) Based on original maturities.

Repayment plan of funds borrowed is as follows:

	2009	2008
2009	-	9,551
2010	14,650	2,201
2011	929	944
	15,579	**12,696**

Funds borrowed are unsecured.

(Currency -Thousands of Turkish Lira (TL))

25. Provisions

	2009	2008
Bonus provision	-	221
Vacation pay liability	177	191
Employee termination benefits	99	100
Total	**276**	**512**

Vacation pay liability

In accordance with existing social legislation in Turkey, the Bank is required to make payments to employees whose employment is terminated for any reason for their vested unused vacation days. Such payments are calculated on the basis of the salary of the employee at the date of termination. Vacation pay liability is the total undiscounted liability of vested unused vacation days of the employees as at 31 December 2009 and 2008.

For the years ended 31 December, movements in the vacation pay liability are as follows:

	2009	2008
At 1 January	191	108
Increase during the year	22	104
Paid	(36)	(21)
At 31 December	**177**	**191**

Employee termination benefits

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 2.37 at 31 December 2009 (2008: TL 2.17) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

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

The movement in provision for employee termination benefits is as follows:

	2009	2008
At 1 January	100	82
Increase during the year	65	109
Paid	(66)	(91)
At 31 December	**99**	**100**

(Currency -Thousands of Turkish Lira (TL))

25. Provisions *(continued)*

Employee termination benefits *(continued)*

International Accounting Standard No: 19 ("IAS 19") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Bank arising from the retirement of the employees. Accordingly, the following statistical assumptions were used in the calculation of the following liability:

	2009	**2008**
Discount rate	5.92%	6.26%
Expected rate of salary/limit increase	4.80%	5.40%
Estimated rate of obtaining right for employee termination indemnity	84.93%	86.65%

26. Other liabilities

	2009	**2008**
Transitory accounts	781	502
Taxes and funds payable	173	301
Provision for non-cash loans	49	1
VAT payable	1	3
Others	81	263
	1,085	**1,070**

(Currency -Thousands of Turkish Lira (TL))

27. Capital and reserves

	2009	2008
Total number of shares, TL 0.1 (in full TL), par value	500.000.000	250.000.000

As at 31 December 2009, the Bank's historical subscribed and issued share capital is TL 50,000.

As at 31 December 2009 and 2008, the composition of shareholders and their respective ownership percentages are summarised as follows:

	2009		2008	
	Amount	**%**	**Amount**	**%**
GSD Holding	50,000	100	25,000	100
Adjustment to share capital(*)	4,313		16,813	
	54,313		**41,813**	

(*) Adjustment to share capital represents the restatement effect of share capital until 31 December 2005.

GSD Dış Ticaret AŞ, Tekstil Factoring Hizmetleri AŞ, GSD Sigorta Aracılık Hizmetleri AŞ and Tekstil Finansal Kiralama AŞ have shares amounting less then 1 TL.

According to the Board of Directors decision dated 15 June 2009 and numbered 2009 / 22, the Bank increased its paid-in-capital from TL 25,000 to TL 50,000. Accordingly, TL 12,500 of the share capital increase was made from adjustment to share capital and TL 12,500 of the share capital increase was made from retained earnings.

Fair value reserve

This reserve includes the cumulative net change in the fair value of available-for-sale investment securities until the investment is derecognised or impaired.

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Dividends paid and proposed

The Group did not declare or pay dividends out of the profits for the year ended 31 December 2009 as at the date of preparation of these consolidated financial statements.

(Currency -Thousands of Turkish Lira (TL))

28. Cash and cash equivalents

	Notes	**2009**	**2008**
Cash on hand	*12*	10	16
Cash and balances with Central Bank of Turkish Republic	*12*	961	548
Placement with other banks	*13*	8,122	26,231
		9,093	**26,795**
Interest accruals on cash and cash equivalents		(1)	(432)
		9,092	**26,363**

The reserve deposits at Central Bank are not available to finance the Bank's day-to-day operations and therefore are not part of cash and cash equivalents.

29. Commitments and contingencies

Litigation

There is no legal proceeding outstanding against the Group as at 31 December 2009.

In the normal course of business activities, the Bank and its subsidiaries undertake various commitments and incur certain contingent liabilities that are not presented in the financial statements including:

	2009	**2008**
Letters of guarantee	61,747	71,633
Letters of credit	-	2,374
Acceptance credits	-	-
Other guarantees	37	280
Total	**61,784**	**74,287**

30. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Group is controlled by GSD Holding, which owns 100% of ordinary shares. For the purpose of these consolidated financial statements, shareholders of the Bank, GSD Holding, its subsidiaries (Tekstil Bankası AŞ, GSD Dış Ticaret AŞ, GSD Faktoring Hizmetleri AŞ, Tekstil Finansal Kiralama AŞ, Tekstil Menkul Değerler AŞ, Tekstil Faktoring Hizmetleri AŞ, Tekstil Bilişim Hizmetleri AŞ, GSD Eğitim Vakfı, GSD Sigorta Aracılık Hizmetleri AŞ and Eurobank Offshore) are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

(Currency -Thousands of Turkish Lira (TL))

30. Related party disclosures *(continued)*

	2009							
	Due from banks	**Cash loans**	**Non-cash loans**	**Placements**	**Current accounts of loan customers**	**Funds borrowed**	**Other current assets**	**Notional amount of derivative transactions**
Direct / indirect shareholders	-	8,002	4,660	-	14,179	-	-	32,212
Others	7,886	372	21,633	15	1	6,991	-	-

	2009				
	Interest income	**Interest expense**	**Fees and commission income**	**Other operating income**	**Other operating expenses**
Direct / indirect shareholders	111	249	73	194	625
Others	543	662	185	-	571

	2008							
	Due from banks	**Cash loans**	**Non-cash loans**	**Placements**	**Current accounts of loan customers**	**Funds Borrowed**	**Other current assets**	**Notional amount of derivative transactions**
Direct / indirect shareholders	-	-	13,429	-	-	-	-	28,476
Others	8,403	277	12,245	16,694	4	49	-	

	2008				
	Interest income	**Interest expense**	**Fees and commission income**	**Other operating income**	**Other operating expenses**
Direct / indirect shareholders	105	4,413	114	232	625
Others	633	1,534	68	-	427

For the year ended 31 December 2009, the executive and non-executive members of Board of Directors and management received remuneration and fees totalling approximately TL 1,515 (2008: TL 1,717) comprising salaries and other short-term benefits.