

**GSD Yatırım Bankası  
Anonim Şirketi  
and Its Subsidiary**

Consolidated Financial Statements  
Together With  
Independent Auditors' Report  
As at 31 December 2010

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

28 February 2011

*This report contains 1 page of independent auditors' report and 53 pages of consolidated financial statements together with explanatory notes.*

## **GSD Yatırım Bankası Anonim Şirketi and Its Subsidiary**

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## **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 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### *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 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *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 ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 2010, 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.*

28 February 2011  
İstanbul, Turkey

## GSD Yatırım Bankası AŞ and Its Subsidiary

### Statement of Financial Position

As at 31 December 2010

(Currency -Thousands of Turkish Lira (TL))

	Notes	2010	2009
<b>Assets</b>			
Cash and balances with Central Bank	12	1,063	1,178
Due from banks	13	122	8,122
Trading assets	14	3,422	4,470
Derivative financial instruments	15	1	9
Loans and advances to customers	16	89,751	77,966
Investment securities	17	-	7,998
Tangible assets	18	138	201
Intangible assets	19	42	46
Deferred tax assets	20	215	199
Other assets	21	1,903	2,379
<b>Total assets</b>		<b>96,657</b>	<b>102,568</b>
<b>Liabilities</b>			
Derivative financial instruments	15	28	24
Current accounts of loan customers	22	7,807	15,198
Other money market deposits	23	2,400	3,501
Funds borrowed	24	12,891	15,579
Provisions	25	324	276
Income taxes payable	11	167	-
Other liabilities	26	2,282	1,085
<b>Total liabilities</b>		<b>25,899</b>	<b>35,663</b>
<b>Shareholders' equity</b>			
Share capital	27	50,000	50,000
Adjustment to share capital	27	4,313	4,313
Available-for-sale reserve		-	825
Retained earnings		16,445	11,767
<b>Total equity</b>		<b>70,758</b>	<b>66,905</b>
<b>Total liabilities and equity</b>		<b>96,657</b>	<b>102,568</b>

Commitments and contingencies

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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 2010

(Currency -Thousands of Turkish Lira (TL))

	<i>Notes</i>	<b>2010</b>	<b>2009</b>
<b>Interest income</b>			
Interest on loans and advances to customers		9,671	12,666
Interest on securities		293	373
Interest on deposits with banks and other financial institutions		75	539
<b>Total interest income</b>		<b>10,039</b>	<b>13,578</b>
<b>Interest expense</b>			
Interest on funds borrowed and other money market deposits		(1,073)	(968)
Interest on current accounts of loan customers		(323)	(298)
Interest on other money market placements		(160)	(106)
<b>Total interest expense</b>		<b>(1,556)</b>	<b>(1,372)</b>
<b>Net interest income</b>		<b>8,483</b>	<b>12,206</b>
Fees and commission income	7	989	879
Fees and commission expense	7	(84)	(97)
<b>Net fee and commission income</b>		<b>905</b>	<b>782</b>
Net trading loss	8	(122)	(235)
Foreign exchange gains, net		118	437
Other operating income		2,358	2,415
		<b>2,354</b>	<b>2,617</b>
<b>Operating income</b>		<b>11,742</b>	<b>15,605</b>
Net impairment loss on financial assets	16, 26	(575)	(6,756)
Personnel expenses	9	(3,220)	(2,879)
Depreciation and amortisation		(68)	(98)
Taxes other than on income		(460)	(320)
Other operating expenses	10	(2,063)	(2,351)
<b>Profit before income tax</b>		<b>5,356</b>	<b>3,201</b>
Income tax – current	11	(694)	(286)
Income tax – deferred	11	16	16
<b>Net profit for the year</b>		<b>4,678</b>	<b>2,931</b>
<b>Other comprehensive income</b>			
Fair value reserve (available-for-sale financial assets):			
- Net amount transferred to profit or loss		(825)	4,883
<b>Other comprehensive income for the year</b>		<b>(825)</b>	<b>4,883</b>
<b>Total comprehensive income for the year</b>		<b>3,853</b>	<b>7,814</b>

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 2010

(Currency -Thousands of Turkish Lira (TL))

	Share capital	Adjustment to Share capital	Fair Value Reserve	Retained Earnings	Total
<b>Balance at 1 January 2009</b>	25,000	16,813	(4,058)	21,336	59,091
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	2,931	2,931
<b>Other comprehensive income</b>					
Revaluation of premises, net of tax	-	-	-	-	-
Net change in fair value of available-for-sale financial assets, net of tax	-	-	4,883	-	4,883
Total other comprehensive income	-	-	4,883	2,931	7,814
<b>Total comprehensive income for the period</b>	-	-	4,883	2,931	7,814
<b>Transactions with owners, recorded directly in equity</b>					
Capital increase	25,000	(12,500)	-	(12,500)	-
Transfer to reserves	-	-	-	-	-
<b>Total transaction with owners</b>	25,000	(12,500)	-	(12,500)	-
<b>Balance at 31 December 2009</b>	50,000	4,313	825	11,767	66,905
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	4,678	4,678
<b>Other comprehensive income</b>					
Revaluation of premises, net of tax	-	-	-	-	-
Net change in fair value of available-for-sale financial assets, net of tax	-	-	(825)	-	(825)
Total other comprehensive income	-	-	(825)	-	3,853
<b>Total comprehensive income for the period</b>	-	-	(825)	4,678	3,853
<b>Transactions with owners, recorded directly in equity</b>					
Transfer to reserves	-	-	-	-	-
<b>Total transaction with owners</b>	-	-	-	-	-
<b>Balance at 31 December 2010</b>	50,000	4,313	-	16,445	70,758

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 2010

(Currency -Thousands of Turkish Lira (TL))

	<i>Notes</i>	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>			
Interest received		10,124	13,961
Interest paid		(1,458)	(1,422)
Fees and commissions received		905	879
Trading income		257	80
Recoveries of loans		1,143	204
Fees and commissions paid		(84)	(97)
Cash payments to employees		(5,187)	(2,792)
Vacation pay liability paid		(26)	(36)
Employee termination benefits paid		(8)	(66)
Cash received from other operating activities		2,021	2,194
Cash paid for other operations		183	(2,684)
Income taxes paid		(1,002)	(599)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>6,868</b>	<b>9,622</b>
<b>Changes in operating assets and liabilities</b>			
Trading assets		1,314	(2,777)
Reserve deposit at Central Bank of Turkish Republic		520	591
Loans and advances to customers		(13,878)	(46,441)
Other assets		(27)	1,311
Current account of loan customers		(10,865)	13,975
Other money market deposits		2,400	3,501
Funds borrowed		(3,790)	2,933
Other liabilities and provisions		1,652	15
<b>Net cash used in operating activities</b>		<b>(22,674)</b>	<b>(17,270)</b>
<b>Cash flows from investing activities</b>			
Purchases of available-for-sale securities		(825)	-
Purchases of tangible assets	18	(168)	(1)
Proceeds from the sale of tangible assets and intangible assets		8,166	-
Purchase of intangible assets	19	(1)	-
<b>Net cash provided by / (used in) investing activities</b>		<b>7,172</b>	<b>(1)</b>
Net decrease in cash and cash equivalents		(8,634)	(17,271)
Cash and cash equivalents at 1 January	28	9,092	26,363
<b>Cash and cash equivalents at 31 December</b>	<b>28</b>	<b>458</b>	<b>9,092</b>

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

# **GSD Yatırım Bankası AŞ and Its Subsidiary**

## **Notes to the Consolidated Financial Statements**

As at and for the year ended 31 December 2010

(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, İnönü Caddesi, GSD Binası No: 14, Küçükyalı 81570, Maltepe - İstanbul, 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 an investment bank. The Bank’s corporate services mainly include corporate lending and trade finance. 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 2010, the Bank provides services through its head office. As at 31 December 2010, the number of employees of the Bank is 28 (2009: 26).

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 Bank as at 31 December 2010 and 2009 are as follows:

	Place of incorporation	Principal activity	Effective shareholding and voting rights (%)	
			2010	2009
GSD International Limited	Douglas / UK	Investing	100	100



# **GSD Yatırım Bankası AŞ and Its Subsidiary**

## **Notes to the Consolidated Financial Statements**

As at and for the year ended 31 December 2010

*(Currency -Thousands of Turkish Lira (TL))*

### **2. Basis of preparation**

#### **2.1 Statement of compliance**

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

The consolidated financial statements of the Bank were authorised for issue by the management on 21 February 2011. 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 2009.

#### **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 2010 and 2009, the foreign subsidiary (GSD International, which was previously classified as integral foreign operation) has the same functional currency as the reporting entity.

## **GSD Yatırım Bankası AŞ and Its Subsidiary**

Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2010

(Currency -Thousands of Turkish Lira (TL))

### **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. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings.

#### **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. 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.

# GSD Yatırım Bankası AŞ and Its Subsidiary

## Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2010

(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 the Group entities.

#### 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 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.

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

	EUR / TL (full)	USD / TL (full)
31 December 2008	2.1408	1.5123
31 December 2009	2.1603	1.5057
31 December 2010	2.0491	1.5460

## **GSD Yatırım Bankası AŞ and Its Subsidiary**

### **Notes to the Consolidated Financial Statements**

As at and for the year ended 31 December 2010

(Currency -Thousands of Turkish Lira (TL))

#### **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 and expense 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 in 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.

## **GSD Yatırım Bankası AŞ and Its Subsidiary**

Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2010

(Currency -Thousands of Turkish Lira (TL))

### **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 tot 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.

## **GSD Yatırım Bankası AŞ and Its Subsidiary**

Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2010

(Currency -Thousands of Turkish Lira (TL))

### **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 is 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

# **GSD Yatırım Bankası AŞ and Its Subsidiary**

## **Notes to the Consolidated Financial Statements**

As at and for the year ended 31 December 2010

(Currency -Thousands of Turkish Lira (TL))

### **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 statement of comprehensive income, 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, net 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.

#### **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 and cash equivalents are carried at amortised cost in the consolidated balance sheet.

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### **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 on 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.



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### **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 2010 and 2009, the Group does not have any investment securities held-to-maturity.

##### *(ii) Fair value through profit or loss*

As at 31 December 2010 and 2009, 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.

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Notes to the Consolidated Financial Statements

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### **3. Significant accounting policies (continued)**

#### **3.15 Tangible assets**

##### *Recognition and measurement*

The costs of the tangible assets are restated for the effects of inflation to the end of 31 December 2005, less accumulated depreciation and impairment losses. Tangible assets 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 tangible assets is determined by comparing the proceeds from disposal with the carrying amount of the item of tangible assets, and are recognised net within other operating income in profit or loss.

##### *Subsequent costs*

The cost of replacing part of an item of tangible assets 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 tangible assets 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 tangible assets 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.

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Notes to the Consolidated Financial Statements

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### **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.

## **GSD Yatırım Bankası AŞ and Its Subsidiary**

### **Notes to the Consolidated Financial Statements**

As at and for the year ended 31 December 2010

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#### **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.

## **GSD Yatırım Bankası AŞ and Its Subsidiary**

### **Notes to the Consolidated Financial Statements**

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#### **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 2010, 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 with 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 financial statements.

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### **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. 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 regular 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.

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### 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 central bank, controls the distribution of concentration limits with respect to sector, geography and credit type and controls the collateral structure of the loans.

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### 4. Financial risk management (continued)

#### b) Credit risk (continued)

*Exposure to credit risk*

At 31 December	Notes	Due from banks		Loans and advances to customers	
		2010	2009	2010	2009
<b>Carrying amount</b>		<b>122</b>	<b>8,122</b>	<b>89,751</b>	<b>77,966</b>
Individually impaired					
- Non-performing financial assets		-	-	11,979	12,078
<b>Gross amount</b>		<b>-</b>	<b>-</b>	<b>11,979</b>	<b>12,078</b>
Allowance for impairment	16	-	-	(9,603)	(9,028)
<b>Carrying amount</b>		<b>-</b>	<b>-</b>	<b>2,376</b>	<b>3,050</b>
Past due but not impaired		-	-		-
<b>Carrying amount</b>		<b>-</b>	<b>-</b>		<b>-</b>
Neither past due nor impaired		122	8,122	88,135	75,673
<b>Gross amount</b>		<b>122</b>	<b>8,122</b>	<b>88,135</b>	<b>75,673</b>
Allowance for collective impairment	16	-	-	(760)	(757)
<b>Carrying amount</b>		<b>122</b>	<b>8,122</b>	<b>87,375</b>	<b>74,916</b>
<b>Carrying amount (amortised cost)</b>	13, 16	<b>122</b>	<b>8,122</b>	<b>89,751</b>	<b>77,966</b>

#### *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.



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#### 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.

2010	Loans and advances to customers	
	Gross	Net
Grade F : Individually impaired	-	-
Grade G : Individually impaired	-	-
Grade H : Individually impaired	11,979	2,376
<b>Total</b>	<b>11,979</b>	<b>2,376</b>

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

###### *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.

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#### 4. Financial risk management (continued)

##### b) Credit risk (continued)

##### Collateral policy (continued)

The breakdown of performing and under close follow-up cash and non-cash loans by type of collateral is as follows:

	2010	2009
<b>Secured loans</b>	<b>113,488</b>	<b>77,589</b>
- Secured by cash collateral	4	76
- Secured by mortgages	6,824	8,229
- Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	106,660	69,284
<b>Unsecured loans</b>	<b>69,697</b>	<b>59,831</b>
<b>Total performing loans</b>	<b>183,185</b>	<b>137,420</b>

##### 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	
	2010	2009	2010	2009
Banks	122	8,122	-	-
Finance	-	-	40,286	23,684
Transportation	-	-	9,703	20,938
Production	-	-	17,024	12,296
Retail	-	-	8,747	7,995
Construction	-	-	3,143	5,273
Real estate property	-	-	260	1,015
Electrical, gas and natural resources	-	-	-	460
Education	-	-	-	371
Mining	-	-	984	-
Other	-	-	7,846	3,437
<b>Corporate loans</b>	<b>122</b>	<b>8,122</b>	<b>87,993</b>	<b>75,469</b>
Consumer loans	-	-	142	204
Nonperforming loans	-	-	11,979	12,078
Provision for possible loan losses	-	-	(10,363)	(9,785)
<b>Total</b>	<b>122</b>	<b>8,122</b>	<b>89,751</b>	<b>77,966</b>

## GSD Yatırım Bankası AŞ and Its Subsidiary

### Notes to the Consolidated Financial Statements

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#### 4. Financial risk management (continued)

##### b) Credit risk (continued)

Segment concentration of non-cash loans is as follows:

	2010	2009
Finance	22,580	23,662
Mining	21,926	21,926
Production	17,265	9,670
Retail	3,454	400
Electrical, gas and natural resources	2,135	-
Transportation	1,277	697
Construction	1,022	1,218
Other	25,391	4,174
<b>Total</b>	<b>95,050</b>	<b>61,747</b>

##### Concentration risk by location

	Notes	Due from banks		Loans and advances to customers	
		2010	2009	2010	2009
Turkey		122	235	89,751	77,966
Turkish Republic of Northern Cyprus		-	7,887	-	-
	13, 16	122	8,122	89,751	77,966

##### Trading assets including derivative financial instruments

At 31 December 2010, the Group held trading assets, including derivative financial assets, of TL 3,423 (2009: TL 4,479). An analysis of the credit quality of the maximum credit exposure is as follows:

	Notes	2010	2009
Government bonds and treasury bills			
- Rated BB - (trading portfolio)	14	3,422	4,470
Derivative assets:			
- Bank and financial institution counterparties	15	1	9
<b>Fair value and carrying amount</b>		<b>3,423</b>	<b>4,479</b>

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### 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 2010 and 2009 are as follows:

	First maturity bracket (weekly)		Second maturity bracket (monthly)	
	Foreign currency	Total	Foreign currency	Total
2010 average	385.57	248.68	112.53	239.08
2009 average	276.74	183.16	88.32	224.51

#### *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.

# GSD Yatırım Bankası AŞ and Its Subsidiary

## Notes to the Consolidated Financial Statements

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### 4. Financial risk management (continued)

#### c) Liquidity risk (continued)

##### Maturity analysis for financial liabilities (continued)

2010	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
<i>Non-derivative liabilities</i>									
Current accounts of loan customers	22	7,807	(7,854)	(284)	(2,631)	(4,939)	-	-	-
Other money market deposits	23	2,400	(2,400)	-	(2,400)	-	-	-	-
Funds borrowed	24	12,891	(12,902)	-	(11,941)	-	(961)	-	-
		23,098	(23,156)	(284)	(16,972)	(4,939)	(961)	-	-
<i>Derivative financial instruments</i>									
- Outflow	15	28	(1,106)	-	(184)	-	(922)	-	-
- Inflow	15	(1)	1,099	-	184	-	915	-	-
		27	(7)	-	-	-	(7)	-	-
		23,125	(23,163)	(284)	(16,972)	(4,939)	(968)	-	-

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
<i>Non-derivative liabilities</i>									
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)	-
<i>Derivative financial instruments</i>									
- 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)	-

## GSD Yatırım Bankası AŞ and Its Subsidiary

### Notes to the Consolidated Financial Statements

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(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 2010 and 2009 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:

	2010			2009		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	32	44	21	26	60	22
Equity price risk	1,274	1,590	-	836	1,280	378
Currency risk	-	-	-	-	-	-
<b>Total value-at-risk</b>	<b>1,306</b>	<b>1,634</b>	<b>21</b>	<b>862</b>	<b>1,340</b>	<b>400</b>

##### 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 2010 and 2009 due to a reasonably possible 10% change in equity indices, with all other variables held constant is as follows:

At 31 December	10% increase in index		10% decrease in index	
	2010	2009	2010	2009
	Equity	Equity	Equity	Equity
Istanbul Stock Exchange – 100 (IMKB 100)	-	800	-	(800)

## GSD Yatırım Bankası AŞ and Its Subsidiary

### Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2010

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#### 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:

2010	Euro	USD	Yen	Other	Total
Cash and balances with the Central Bank	-	1,015	-	-	1,015
Due from banks	21	55	2	32	110
Loans and advances to customers	2,224	1,548	-	-	3,772
Current accounts of loan customers	(6)	(371)	-	-	(377)
Funds borrowed	(1,537)	(2,256)	-	-	(3,793)
Other liabilities	-	(14)	-	-	(14)
<b>Net balance sheet position</b>	<b>702</b>	<b>(23)</b>	<b>2</b>	<b>32</b>	<b>713</b>
<b>Net off-balance sheet position</b>	<b>(738)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(738)</b>
- Derivative financial assets	184	-	-	-	184
- Derivative financial liabilities	(922)	-	-	-	(922)
<b>Net position</b>	<b>(36)</b>	<b>(23)</b>	<b>2</b>	<b>32</b>	<b>(25)</b>

  

2009	Euro	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
Current accounts of loan customers	(8)	(318)	-	(1)	(327)
Funds borrowed	(1,319)	(8,777)	-	(1)	(10,097)
Other liabilities	-	(11)	-	-	(11)
<b>Net balance sheet position</b>	<b>50</b>	<b>(852)</b>	<b>2</b>	<b>32</b>	<b>(768)</b>
<b>Net off-balance sheet position</b>	<b>-</b>	<b>903</b>	<b>-</b>	<b>-</b>	<b>903</b>
- Derivative financial assets	-	8,432	-	-	8,432
- Derivative financial liabilities	-	(7,529)	-	-	(7,529)
<b>Net position</b>	<b>50</b>	<b>51</b>	<b>2</b>	<b>32</b>	<b>135</b>

## GSD Yatırım Bankası AŞ and Its Subsidiary

Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2010

(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 2010 and 2009 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 2009.

	2010		2009	
	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>	Profit or loss
Euro	(4)	(4)	5	5
USD	(2)	(2)	5	5
Other currencies	3	3	3	3
<b>Total</b>	<b>(3)</b>	<b>(3)</b>	<b>13</b>	<b>13</b>

(\*) 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 2010 and 2009 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.



# GSD Yatırım Bankası AŞ and Its Subsidiary

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As at and for the year ended 31 December 2010

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### 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:

2010	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non interest bearing	Total
<b>Assets</b>							
Cash and balances with the Central Bank	-	-	-	-	-	1,063	1,063
Due from banks	-	-	-	-	-	122	122
Trading assets	-	-	3,422	-	-	-	3,422
Loans and advances to customers	74,128	10,379	2,489	1,139	-	1,616 <sup>(*)</sup>	89,751
<b>Total assets</b>	<b>74,128</b>	<b>10,379</b>	<b>5,911</b>	<b>1,139</b>	<b>-</b>	<b>2,801</b>	<b>94,358</b>
<b>Liabilities</b>							
Current accounts of loan customers	3,508	4,040	-	-	-	259	7,807
Other money market deposits	2,400	-	-	-	-	-	2,400
Funds borrowed	11,934	-	957	-	-	-	12,891
<b>Total liabilities</b>	<b>17,842</b>	<b>4,040</b>	<b>957</b>	<b>-</b>	<b>-</b>	<b>259</b>	<b>23,098</b>
<b>Balance sheet interest sensitivity gap</b>	<b>56,286</b>	<b>6,339</b>	<b>4,954</b>	<b>1,139</b>	<b>-</b>	<b>2,542</b>	<b>71,260</b>

(\*) Includes non performing loans amounting TL 11,979 and allowance for loan losses amounting TL 10,363.

2009	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non interest bearing	Total
<b>Assets</b>							
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 <sup>(*)</sup>	77,966
Investment securities	-	-	-	-	-	7,998	7,998
<b>Total assets</b>	<b>51,893</b>	<b>18,829</b>	<b>11,397</b>	<b>6,723</b>	<b>-</b>	<b>10,892</b>	<b>99,734</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>23,113</b>	<b>7,226</b>	<b>3,622</b>	<b>-</b>	<b>-</b>	<b>317</b>	<b>34,278</b>
<b>Balance sheet interest sensitivity gap</b>	<b>28,780</b>	<b>11,603</b>	<b>7,775</b>	<b>6,723</b>	<b>-</b>	<b>10,575</b>	<b>65,456</b>

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

## GSD Yatırım Bankası AŞ and Its Subsidiary

### Notes to the Consolidated Financial Statements

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#### 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 2010. 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 2009. The following tables also include the sensitivity of trading portfolio of the Group.

2010	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets at fair value through profit or loss	(11)	12	(11)	12
Floating rate financial assets	-	-	-	-
Floating rate financial liabilities	(2)	2	(2)	2
<b>Total, net</b>	<b>(13)</b>	<b>14</b>	<b>(13)</b>	<b>14</b>

2009	Profit or loss		Equity <sup>(*)</sup>	
	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
<b>Total, net</b>	<b>(63)</b>	<b>65</b>	<b>(63)</b>	<b>65</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of 100 bp increase or decrease in interest rates.

## GSD Yatırım Bankası AŞ and Its Subsidiary

### Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2010

(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 2010 and 2009, the summary of average interest rates for different assets and liabilities are as follows:

	2010			2009		
	Euro	USD	TL	Euro	USD	TL
<b>Assets</b>						
Cash and balances with the Central Bank	-	-	-	-	-	5.20
Due from banks	-	0.03	-	-	3.41	-
Trading assets	-	-	6.49	-	-	8.59
Loans and advances to customers	8.59	4.70	9.77	10.75	-	13.49
<b>Liabilities</b>						
Current accounts of loan customers	-	3.00	8.02	-	3.00	9.50
Other money market deposits	0.54	0.89	7.25	-	-	6.76
Funds borrowed	-	-	4.89	3.00	1.78	6.95

##### 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, 2007, 2008 and 2009 (Basic Indicator Approach). The amount calculated as TL 30,169 as at 31 December 2010 (2009: TL 27,664) represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk.

## GSD Yatırım Bankası AŞ and Its Subsidiary

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#### 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 2010 and 2009 is as follows:

	2010	2009
Tier 1 capital	70,502	65,808
Tier 2 capital	71,262	66,936
Deductions from capital	-	-
<b>Total regulatory capital</b>	<b>71,262</b>	<b>66,936</b>
Risk-weighted assets	141,114	111,978
Value at market risk	263	16,750
Operational risk	30,169	27,664
<b>Capital ratios</b>		
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk and operational risk	41.54	42.80
Total Tier 1 capital expressed as a percentage of risk-weighted assets, value at market risk and operational risk	41.10	42.08

## **GSD Yatırım Bankası AŞ and Its Subsidiary**

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### **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 a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk Function.

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 trade infrequently and have little price transparency, fair value is less objective, and requires 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 investments 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 in 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.

## GSD Yatırım Bankası AŞ and Its Subsidiary

### Notes to the Consolidated Financial Statements

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#### 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:

2010	Note	Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Trading assets	14	3,422	-	-	3,422
Derivative financial instruments	15	-	1	-	1
Investment securities	17	-	-	-	-
		<b>3,422</b>	<b>1</b>	<b>-</b>	<b>3,423</b>
<b>Liabilities</b>					
Derivative financial instruments	15	-	28	-	28
		<b>-</b>	<b>28</b>	<b>-</b>	<b>28</b>
<hr/>					
2009	Note	Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Trading assets	14	4,470	-	-	4,470
Derivative financial instruments	15	-	9	-	9
Investment securities	17	7,998	-	-	7,998
		<b>12,468</b>	<b>9</b>	<b>-</b>	<b>12,477</b>
<b>Liabilities</b>					
Derivative financial instruments	15	-	24	-	24
		<b>-</b>	<b>24</b>	<b>-</b>	<b>24</b>

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### 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 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
<b>2010</b>							
Cash and balances with Central Bank	12	-	1,063	-	-	1,063	1,063
Due from banks	13	-	122	-	-	122	122
Trading assets	14	3,422	-	-	-	3,422	3,422
Derivative financial instruments	15	1	-	-	-	1	1
Loans and advances to customers	16	-	89,751	-	-	89,751	89,751
Investment securities	17	-	-	-	-	-	-
		<b>3,423</b>	<b>90,936</b>	<b>-</b>	<b>-</b>	<b>94,359</b>	<b>94,359</b>
Derivative financial instruments	15	28	-	-	-	28	28
Current accounts of loan customers	22	-	-	-	7,807	7,807	7,807
Other money market deposits	23	-	-	-	2,400	2,400	2,400
Funds borrowed	24	-	-	-	12,891	12,891	12,891
		<b>28</b>	<b>-</b>	<b>-</b>	<b>23,098</b>	<b>23,126</b>	<b>23,126</b>
<b>2009</b>							
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
		<b>4,479</b>	<b>87,266</b>	<b>7,998</b>	<b>-</b>	<b>99,743</b>	<b>99,743</b>
Derivative financial instruments	15	24	-	-	-	24	24
Current accounts 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
		<b>24</b>	<b>-</b>	<b>-</b>	<b>34,278</b>	<b>34,302</b>	<b>34,302</b>

## GSD Yatırım Bankası AŞ and Its Subsidiary

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(Currency -Thousands of Turkish Lira (TL))

### 7. Net fee and commission income

	2010	2009
<b>Fee and commission income</b>		
Fee and commission income on non-cash loans	909	756
Fee on banking services	59	54
Other	21	69
<b>Total fee and commission income</b>	<b>989</b>	<b>879</b>
<b>Fee and commission expense</b>		
Fee and commission expense on banks	63	82
Other	21	15
<b>Total fee and commission expense</b>	<b>84</b>	<b>97</b>
<b>Net fee and commission income</b>	<b>905</b>	<b>782</b>

### 8. Net trading loss

	2010	2009
Derivative financial instruments	(122)	(235)
	<b>(122)</b>	<b>(235)</b>

### 9. Personnel expenses

	2010	2009
Wages and salaries	2,725	2,450
Social security premiums	232	217
Provision for employee termination benefits	8	66
Provision for vacation pay liability	26	36
Other fringe benefits	229	110
	<b>3,220</b>	<b>2,879</b>



## **GSD Yatırım Bankası AŞ and Its Subsidiary**

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#### **10. Other operating expenses**

	<b>2010</b>	<b>2009</b>
Utilities expense	616	625
Rent expenses	498	531
On line data expenses	240	262
Vehicle expenses	205	201
Auditing and consulting expenses	158	207
Subscription and membership fees	71	74
Other	275	451
	<b>2,063</b>	<b>2,351</b>

#### **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 2010, corporate income tax is 20% (2009: 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<sup>th</sup> and 30<sup>th</sup> 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.

## GSD Yatırım Bankası AŞ and Its Subsidiary

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#### 11. Income tax (continued)

As at 31 December 2010 and 2009, prepaid income taxes are netted off with the current tax liability as stated below:

	2010	2009
Income tax liability	694	286
Prepaid income tax	(527)	(286)
<b>Income taxes payable</b>	<b>167</b>	<b>-</b>

#### Income tax recognised in the income statement

The components of income tax expense for the years ended 31 December 2010 and 2009 are:

	2010	2009
<b>Current tax expense</b>		
Current year	694	286
<b>Deferred tax (income) / expense</b>		
Origination and reversal of temporary differences	(16)	(16)
<b>Total income tax expense</b>	<b>678</b>	<b>270</b>

#### 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 2010 and 2009 is as follows:

	2010	%	2009	%
Profit before income tax	5,356		3,201	
Taxes on income per statutory tax rate	1,071	20	640	20
Tax effect of foreign subsidiary	(80)	(1)	(64)	(2)
Tax effect of exempt items	(332)	(6)	(577)	(18)
Tax effect of disallowable expenses	19	-	271	8
<b>Total income tax expense</b>	<b>678</b>	<b>13</b>	<b>270</b>	<b>8</b>

## GSD Yatırım Bankası AŞ and Its Subsidiary

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#### 12. Cash and balances with Central Bank

	2010	2009
Cash on hand	8	10
Cash and balances with Central Bank of Turkish Republic	328	961
Reserve deposits at Central Bank of Turkish Republic	727	207
	<b>1,063</b>	<b>1,178</b>

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 Euro at the rates of 6% and 11%, respectively as per the Communiqué no. 2005/1 “Reserve Deposits” of the Central Bank of Turkey (2009: 5% for TL and 9% for USD or Euro).

As at 31 December 2010, the interest rate is not applied by the Central Bank of Turkey for TL and foreign currency reserves (2009: 5.20% for TL).

#### 13. Due from banks

	2010	2009
Placements with other banks	122	8,122
- Demand	122	234
- Time	-	7,888
	<b>122</b>	<b>8,122</b>

#### 14. Trading assets

	2010		2009	
	Face value	Carrying value	Face value	Carrying value
<b>Debt and other instruments</b>				
Government bonds in TL	3,500	3,422	5,000	4,470
	<b>3,500</b>	<b>3,422</b>	<b>5,000</b>	<b>4,470</b>

As at 31 December 2010, government bonds with carrying values of TL 3,422 (2009: TL 4,470) 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 2010 and 2009, there is not any debt instrument given as collateral under repurchase agreements.

# GSD Yatırım Bankası AŞ and Its Subsidiary

## Notes to the Consolidated Financial Statements

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### 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 in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards.

	2010	2009
<b>Derivative financial assets</b>		
Forwards	1	9
<b>Derivative financial liabilities</b>		
Forwards	28	24

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.

	2010					Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	
<b>Currency forwards:</b>						
Purchases	184		915	-	-	1,099
Sales	184	-	922	-	-	1,106
<b>Total of transactions</b>	<b>368</b>	<b>-</b>	<b>1,837</b>	<b>-</b>	<b>-</b>	<b>2,205</b>

  

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

### 16. Loans and advances to customers

	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
	2010			2009		
- Consumer loans	142	-	142	204	-	204
- Corporate loans	99,972	(10,363)	89,609	87,547	(9,785)	77,762
	<b>100,114</b>	<b>(10,363)</b>	<b>89,751</b>	<b>87,751</b>	<b>(9,785)</b>	<b>77,966</b>

## GSD Yatırım Bankası AŞ and Its Subsidiary

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#### 16. Loans and advances to customers (continued)

##### Allowance for impairment

	2010	2009
<b>Specific allowances for impairment</b>		
Balance at 1 January	9,028	2,736
Impairment loss for the year		
- Charge for the year	668	6,496
- Recoveries	(93)	(204)
<b>Balance at 31 December</b>	<b>9,603</b>	<b>9,028</b>
<b>Collective allowances for impairment</b>		
Balance at 1 January	757	341
Impairment loss for the year		
- Charge for the year	3	416
- Recoveries	-	-
<b>Balance at 31 December</b>	<b>760</b>	<b>757</b>
<b>Total allowances for impairment</b>	<b>10,363</b>	<b>9,785</b>

#### 17. Investment securities

##### Available-for-sale investment securities

	2010	2009
Equity securities with readily determinable fair values	-	7,998
<b>Total investment securities</b>	<b>-</b>	<b>7,998</b>

Equity securities comprised GSD Holding's shares which are stated at fair value. The Bank has sold GSD Holding's shares in year 2010.

**GSD Yatırım Bankası AŞ and Its Subsidiary**

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**18. Tangible assets**

	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Leased assets</b>	<b>Leasehold improve- ments</b>	<b>Total</b>
<b>Cost</b>					
Balance at 1 January 2009	229	516	408	503	1,656
Acquisitions	-	1	-	-	1
Disposals	(164)	(94)	(135)	-	(393)
<b>Balance at 31 December 2009</b>	<b>65</b>	<b>423</b>	<b>273</b>	<b>503</b>	<b>1,264</b>
Balance at 1 January 2010	65	423	273	503	1,264
Acquisitions	-	168	-	-	168
Disposals	-	(168)	-	-	(168)
<b>Balance at 31 December 2010</b>	<b>65</b>	<b>423</b>	<b>273</b>	<b>503</b>	<b>1,264</b>
<b>Depreciation</b>					
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)
<b>Balance at 31 December 2009</b>	<b>65</b>	<b>239</b>	<b>271</b>	<b>488</b>	<b>1,063</b>
Balance at 1 January 2010	65	239	271	488	1,063
Depreciation for the year	-	58	-	5	63
Disposals	-	-	-	-	-
<b>Balance at 31 December 2010</b>	<b>65</b>	<b>297</b>	<b>271</b>	<b>493</b>	<b>1,126</b>
<b>Carrying amounts</b>					
Balance at 1 January 2009	30	250	3	20	303
Balance at 31 December 2009	-	184	2	15	201
Balance at 31 December 2010	-	126	2	10	138

There were no capitalised borrowing costs related to the acquisition of tangible assets during the year (2009: nil).

## GSD Yatırım Bankası AŞ and Its Subsidiary

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#### 19. Intangible assets

	Software
<b>Cost</b>	
Balance at 1 January 2009	877
Acquisitions	-
Disposals	(1)
<b>Balance at 31 December 2009</b>	<b>876</b>
Balance at 1 January 2010	876
Acquisitions	1
Disposals	-
<b>Balance at 31 December 2010</b>	<b>877</b>
<b>Amortisation</b>	
Balance at 1 January 2009	824
Amortisation for the year	6
Disposals	-
<b>Balance at 31 December 2009</b>	<b>830</b>
Balance at 1 January 2010	830
Amortisation for the year	5
Disposals	-
<b>Balance at 31 December 2010</b>	<b>835</b>
<b>Carrying amounts</b>	
Balance at 1 January 2009	53
Balance at 31 December 2009	46
Balance at 31 December 2010	42

## GSD Yatırım Bankası AŞ and Its Subsidiary

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### 20. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2010			2009		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Allowances on loans and advances to customers	152	-	152	151	-	151
Vacation pay liability	26	-	26	35	-	35
Reserve for employee severance indemnity	39	-	39	20	-	20
Derivative financial instruments	6	-	6	5	(2)	3
Depreciation methodology differences on tangible assets and intangible assets	-	(8)	(8)	-	(10)	(10)
	223	(8)	215	211	(12)	199

### Movements in temporary differences during the year

	Balance at 1 January	Recognised in profit or loss	Balance at 31 December
<b>2010</b>			
Allowances on loans and advances to customers	151	1	152
Vacation pay liability	35	4	39
Reserve for employee severance indemnity	20	6	26
Derivative financial instruments	3	3	6
Depreciation methodology differences on tangible assets and intangible assets	(10)	2	(8)
	<b>199</b>	<b>16</b>	<b>215</b>
<b>2009</b>			
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 tangible assets and intangible assets	(14)	4	(10)
Bonus provision	44	(44)	-
	<b>183</b>	<b>16</b>	<b>199</b>



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### 21. Other assets

	2010	2009
Transitory accounts	1,839	745
Prepaid expenses	48	41
Assets held for resale*	-	1,038
Court case receivables	-	274
Prepaid tax	-	274
Others	16	7
<b>Total</b>	<b>1,903</b>	<b>2,379</b>

\*As at 31 December 2009, the Group provided an impairment loss for assets held for resale amounting to TL 23.

### 22. Current accounts of loan customers

	2010	2009
Corporate customers	7,807	15,198
- Demand	259	317
- Time	7,548	14,881
	<b>7,807</b>	<b>15,198</b>

### 23. Other money market deposits

	2010	2009
Obligations under repurchase agreements	2,400	3,501
	<b>2,400</b>	<b>3,501</b>

## GSD Yatırım Bankası AŞ and Its Subsidiary

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### 24. Funds borrowed

2010(*)			
Effective interest rate			
	Amount	Turkish Lira	Foreign currency
<b>Short-term</b>			
Fixed interest	11,934	7.25%	Euro 0.55%
Variable interest	957	-	USD 0.60%
<b>Medium/long-term</b>			
Fixed interest	-	-	USD 1.28%
Variable interest	-	-	
<b>Total</b>	<b>12,891</b>		

(\*) Based on original maturities.

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

(\*) Based on original maturities.

Repayment plan of medium and long-term borrowings is as follows:

	2010	2009
2010	-	14,650
2011	12,891	929
2012	-	-
2013	-	-
	<b>12,891</b>	<b>15,579</b>

Funds borrowed are unsecured.

## GSD Yatırım Bankası AŞ and Its Subsidiary

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#### 25. Provisions

	2010	2009
Vacation pay liability	194	177
Employee termination benefits	130	99
<b>Total</b>	<b>324</b>	<b>276</b>

#### 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 2010 and 2009.

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

	2010	2009
At 1 January	177	191
Increase during the year	43	22
Paid	(26)	(36)
<b>At 31 December</b>	<b>194</b>	<b>177</b>

#### 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 2.517 at 31 December 2010 (2009: TL 2.365) 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:

	2010	2009
At 1 January	99	100
Increase during the year	39	65
Paid	(8)	(66)
<b>At 31 December</b>	<b>130</b>	<b>99</b>

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#### **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 Group arising from the retirement of the employees. Accordingly, the following statistical assumptions were used in the calculation of the following liability:

	<b>2010</b>	<b>2009</b>
Discount rate	4.45%	5.92%
Expected rate of salary/limit increase	5.10%	4.80%
Estimated rate of obtaining right for employee termination indemnity	83.61%	84.93%

#### **26. Other liabilities**

	<b>2010</b>	<b>2009</b>
Transitory accounts	1,956	781
Taxes and funds payable	155	173
Provision for non-cash loans	-	49
VAT payable	1	1
Others	170	81
	<b>2,282</b>	<b>1,085</b>

## GSD Yatırım Bankası AŞ and Its Subsidiary

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#### 27. Capital and reserves

	2010	2009		
Total number of shares, TL 0.1 (in full TL), par value	500.000.000	500.000.000		
As at 31 December 2010, the Bank's historical subscribed and issued share capital is TL 50,000.				
As at 31 December 2010 and 2009, the composition of shareholders and their respective ownership percentages are summarised as follows:				
	2010	2009		
	Amount	%	Amount	%
GSD Holding	50,000	100	50,000	100
Adjustment to share capital(*)	4,313		4,313	
	54,313		54,313	

(\*) 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 than 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 extraordinary legal reserves.

#### Available-for-sale 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 2010 as at the date of preparation of these consolidated financial statements.

## GSD Yatırım Bankası AŞ and Its Subsidiary

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### 28. Cash and cash equivalents

	Notes	2010	2009
Cash on hand	12	8	10
Cash and balances with Central Bank of Turkish Republic	12	328	961
Placement with other banks	13	122	8,122
		<b>458</b>	<b>9,093</b>
Interest accruals on cash and cash equivalents		-	(1)
		<b>458</b>	<b>9,092</b>

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

There is no significant legal proceeding outstanding against the Group as at 31 December 2010.

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

	2010	2009
Letters of guarantee	95,050	61,747
Irrevocable commitments	18	37
Revocable loan granting commitments	218,832	-
<b>Total</b>	<b>313,900</b>	<b>61,784</b>

### 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 The Euro Textile International Banking Unit Ltd.) 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.

# GSD Yatırım Bankası AŞ and Its Subsidiary

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### 30. Related party disclosures (continued)

	2010						
	Cash loans	Non-cash Loans	Placements	Current accounts of loan customers	Funds borrowed	Other current assets	Notional amount of derivative transactions
Direct / indirect shareholders	5,413	25,646	-	6,579	-	-	2,205
Others	18	20,808	36	1	2,936	-	-
	2010						
	Interest income	Interest expense	Fees and commission income	Other operating income	Other operating expenses		
Direct / indirect shareholders	523	238	75	2,098	617		
Others	77	553	207	-	518		
	2009						
	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	8,258	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		

For the year ended 31 December 2010, the executive and non-executive members of Board of Directors and management received remuneration and fees totalling approximately TL 1,501 (2009: TL 1,515) comprising salaries and other short-term benefits.

## GSD Yatırım Bankası AŞ and Its Subsidiary

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#### 31 Subsequent events

##### Changes in required reserves ratio

Published in the Official Gazette No. 27788 dated 17.12.2010 and No. 2010/13 on the Amendment of the Communiqué on the Required Provisions Scale obligation dated 07/01/2011, to be effective with the Turkish lira Turkish lira liabilities required reserve ratio for deposits / participation were differentiated according to the maturity structure of funds.

These ratios are below:

##### *a) Turkish lira required reserve ratio*

TL	Required Reserve Ratio (%)
Demand deposits, notice deposits, private current accounts	8
Deposits/participation accounts up to 1-month maturity	8
Deposits/participation accounts up to 3 month maturity	7
Deposits/participation accounts up to 6 month maturity	7
Deposits/participation accounts up to 1-year maturity	6
Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	5
Special funds	Ratios correspond to maturities
Other than deposits/participation accounts	8

##### *b) FX required reserve ratio is 11%*

Published in the Official Gazette No. 27825 dated 24.01.2011 and 2011 / 2 Required Provisions of the Amendment to the Communiqué on the Scale to be valid obligation dated 04/02/2011, the Turkish lira demand required reserve ratios, and special notice deposits current accounts, term deposits up to 1 month / sharing accounts, time deposits up to 3 months / participate in special fund accounts and deposit pools / other liabilities to non-participation fund was set.

The ratios are below:

TL	Required Reserve Ratio (%)
Demand deposits, notice deposits, private current accounts	12
Deposits/participation accounts up to 1-month maturity	10
Deposits/participation accounts up to 3 month maturity	9
Deposits/participation accounts up to 6 month maturity	7
Deposits/participation accounts up to 1-year maturity	6
Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	5
Special funds	Ratios correspond to maturities
Other than deposits/participation accounts	9