

**ANADOLUBANK ANONİM ŐİRKETİ
AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010**

To the Board of Directors of
Anadolubank A.Ş.
İstanbul

Report on Review of Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Anadolubank Anonim Şirketi ("the Bank") and its subsidiaries ("together the Group") as of 30 June 2010 and the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for preparation and presentation of this condensed and consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial information is not prepared, in all material respects, in accordance with "Interim Financial Reporting".

Other Matter

The consolidated financial statements of the Group as of and for the six-month ended 30 June 2009 were reviewed and the consolidated financial statements of the Group as of and for the year ended 31 December 2009 were audited by another auditor. The previous independent auditor stated that nothing had come to their attention that causes them to believe that the consolidated interim financial statements did not give a true and fair view of the financial position and the results of its operations in their review report dated 20 August 2009 for the consolidated financial statements as of 30 June 2009 and expressed unqualified opinion in their audit report dated 5 March 2010 for the consolidated financial statements as of 31 December 2009.

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

İstanbul, 14 September 2010

Anadolubank Anonim Şirketi and Its Subsidiaries

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ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010

(Amounts are expressed in thousand of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	30 June 2010	31 December 2009
ASSETS			
Cash and balances with the Central Bank		101,622	170,869
Deposits with banks and other financial institutions		248,446	240,948
Financial assets at fair value through profit or loss	8	193,910	170,721
Derivative financial instruments held for trading	9	11,704	32,325
Investment securities	10	816,715	714,293
Loans and receivables	11	3,297,608	3,065,944
Reserve deposits at the Central Bank		72,485	80,241
Property and equipment		17,863	18,564
Intangible assets		1,471	1,676
Deferred tax assets		9,739	10,012
Other assets		96,391	63,151
Total assets		4,867,954	4,568,744
LIABILITIES AND EQUITY			
Deposits from other banks		58,418	80,418
Deposits from customers		2,831,065	2,928,675
Interbank money market borrowings		-	15,063
Obligations under repurchase agreements		628,380	323,108
Funds borrowed	12	350,193	326,788
Derivative financial instruments held for trading	9	66,628	62,850
Other liabilities and provisions		182,827	137,732
Income taxes payable		8,775	4,533
Total liabilities		4,126,286	3,879,167
Share capital issued	14	602,619	412,119
Reserves		20,914	22,779
Retained earnings		116,401	253,068
Total equity attributable to equity holders of the Bank		739,934	687,966
Non-controlling interest		1,734	1,611
Total equity		741,668	689,577
Total liabilities and equity		4,867,954	4,568,744
Commitments and contingencies	16	1,413,089	1,272,082

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

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010

(Amounts are expressed in thousand of Turkish Lira ("TRY") unless otherwise indicated.)

	Note	30 June 2010	30 June 2009
Continuing operations:			
Interest income			
Interest on loans and receivables		191,567	215,394
Interest on securities		42,875	48,015
Interest on deposits with banks and other financial institutions		1,971	3,608
Interest on other money market placements		9	845
Other interest income		934	1,030
Total interest income		237,356	268,892
Interest expense			
Interest on deposits		(74,103)	(97,576)
Interest on other money market deposits		(11,998)	(12,706)
Interest on funds borrowed		(7,614)	(12,127)
Other interest expense		(88)	(320)
Total interest expense		(93,803)	(122,729)
Net interest income		143,553	146,163
Fees and commissions income		36,022	33,426
Fees and commissions expense		(3,634)	(4,757)
Net fees and commissions income		32,388	28,669
Other operating income			
Trading income, net		-	3,767
Foreign exchange gains, net		31,779	10,151
Other income		8,146	5,360
Total other operating income		39,925	19,278
Other operating expense			
Trading loss, net		(46,969)	-
Salaries and employee benefits		(60,192)	(50,342)
Provision for possible loan losses, net of recoveries		(1,625)	(10,176)
Depreciation and amortization		(3,238)	(3,169)
Taxes other than on income		(3,703)	(4,559)
Other expenses		(27,320)	(19,947)
Total other operating expense		(143,047)	(88,193)
Income from operations		72,819	105,917
Income tax provision	13	(13,755)	(21,263)
Profit from continuing operations		59,064	84,654
Discontinued operation:			
Income from discontinued operation		-	-
Income tax expense		-	-
Profit from discontinued operation		-	-
Profit for the period		59,064	84,654
Other comprehensive income:			
Foreign currency translation differences for foreign operations		(7,789)	263
Change in fair value of available for sale financial assets		1,020	989
Income tax on other comprehensive income		(204)	(198)
Other comprehensive income for the period net of income		(6,973)	1,054
Total comprehensive income for the period		52,091	85,708
Profit attributable to:			
Equity holders of the Bank		58,940	84,535
Non-controlling interest		124	119
Profit for the period		59,064	84,654
Total comprehensive income attributable to:			
Equity holders of the Bank		51,968	85,587
Non-controlling interest		123	121
Total comprehensive income for the period		52,091	85,708

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

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010

(Amounts are expressed in thousand of Turkish Lira ("TRY") unless otherwise indicated.)

	Attributable to equity holders of the Bank							Total	
	Notes	Share capital	Translation reserve	Fair value reserve	Other reserves	Retained earnings	Total		Non-controlling interest
Balances at 1 January 2009		412,119	9,970	(5,946)	11,234	112,867	540,244	1,383	541,627
Total comprehensive income for the period		-	-	-	-	84,535	84,535	119	84,654
Net profit of the period		-	-	-	-	-	-	-	-
Other comprehensive income		-	261	-	-	-	261	2	263
Currency translation adjustments		-	-	-	-	-	-	-	-
Net gains on available for sale financial assets transferred to profit or loss, net off tax	14	-	-	791	-	-	791	-	791
Total other comprehensive income		-	261	791	-	-	1,052	2	1,054
Total comprehensive income for the period		-	261	791	-	84,535	85,587	121	85,708
Transactions with owners, recorded directly in equity		-	-	-	-	-	-	-	-
Transfers to other reserves		-	-	-	5,268	(5,268)	-	-	-
Total contributions by owners		-	-	-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-	-	-
Balances at 30 June 2009		412,119	10,231	(5,155)	16,502	192,134	625,831	1,504	627,335
Balances at 1 January 2010		412,119	10,511	(4,234)	16,502	253,068	687,966	1,611	689,577
Total comprehensive income for the period		-	-	-	-	58,940	58,940	124	59,064
Net profit of the period		-	-	-	-	-	-	-	-
Other comprehensive income		-	(7,788)	-	-	-	(7,788)	(1)	(7,789)
Currency translation adjustments		-	-	-	-	-	-	-	-
Net gains on available for sale financial assets transferred to profit or loss, net off tax	14	-	-	816	-	-	816	-	816
Total other comprehensive income		-	(7,788)	816	-	-	(6,972)	(1)	(6,973)
Total comprehensive income for the period		-	(7,788)	816	-	58,940	51,968	123	52,091
Transactions with owners, recorded directly in equity		-	-	-	-	-	-	-	-
Share capital increase		190,500	-	-	(925)	(189,575)	-	-	-
Transfers to other reserves		-	-	-	6,032	(6,032)	-	-	-
Total contributions by owners		-	-	-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-	-	-
Balances at 30 June 2010		602,619	2,723	(3,418)	21,609	116,401	739,934	1,734	741,668

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

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2010

(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

	30 June 2010	30 June 2009
Cash flows from operating activities:		
Profit for the period	59,064	84,654
Adjustments for:		
Income tax expense	13,755	21,263
Provision for loan losses	5,693	14,143
Depreciation and amortization	3,238	3,169
Provision for retirement pay liability	1,267	996
Currency translation differences	(7,789)	258
Other various income/expense accruals (net)	25,366	1,672
Interest expense	113,469	142,875
Interest income	(319,492)	(287,545)
	(105,429)	(18,515)
Changes in operating assets and liabilities:		
Reserve deposits at the Central Bank	(7,498)	(8,048)
Financial assets at fair value through profit or loss	(24,511)	(105,307)
Loans and receivables	(179,288)	(429,460)
Derivative financial instruments	24,399	14,136
Other assets	(46,845)	(61,476)
Deposit with other banks and customers	(135,085)	143,661
Other liabilities and provisions	45,051	43,215
	(429,206)	421,794
Interest paid	(99,050)	(132,802)
Interest received	252,063	268,262
Income taxes paid	(9,920)	(10,798)
Cash provided by operating activities	(286,113)	(297,132)
Cash flows from investing activities		
Acquisition of investment securities	(194,208)	(46,734)
Proceeds from sale of investment securities	81,893	91,674
Acquisition of property and equipment	(2,685)	(6,485)
Proceeds from sale of property and equipment	1,773	151
Cash provided by /(used in) investing activities	(113,227)	38,606
Cash flows from financing activities		
Change in funds borrowed (net)	309,671	106,056
Cash provided by financing activities	309,671	106,056
Effect of exchange rate fluctuations on cash held	3,412	(855)
Net decrease in cash and cash equivalents	(86,257)	(153,325)
Cash and cash equivalents at the beginning of the period	379,788	531,633
Cash and cash equivalents at the end of the period	293,531	378,308

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

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010
(Amounts are expressed in thousand of Turkish Lira (“TL”) unless otherwise indicated.)

1. Overview of the Bank

Anadolubank Anonim Şirketi (the “Bank”), has commenced its operations on 25 September 1997 in Turkey under the Turkish Banking and Commercial Codes pursuant to the permit of Turkish Undersecretariat of Treasury dated 25 August, 1997 and numbered 39692. The Bank provides corporate, commercial and retail banking services through a network of 86 (31 December 2009: 86) domestic branches. The address of the headquarters and registered office of the Bank is Cumhuriyet Mahallesi Silahşör Cad. No: 77 80260 Bomonti-Şişli / Istanbul-Turkey. The ultimate parent of the Bank is Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ.

The Bank has four consolidating subsidiaries which are AnadoluBank International Banking Unit Limited (“Anadolubank International”), Anadolu Yatırım Menkul Kıymetler A.Ş. (“Anadolu Yatırım”), Anadolu Faktoring Hizmetleri A.Ş. (“Anadolu Faktoring”), and AnadoluBank Nederland N.V. (“Anadolubank Nederland”).

The Bank has 99.40% ownership in AnadoluBank International, established in the Turkish Republic of Northern Cyprus (“TRNC”). AnadoluBank International is licensed to undertake all commercial banking transactions.

The Bank has 82.01% ownership in Anadolu Yatırım, a brokerage and investment company, located in Istanbul. Anadolu Yatırım was established on 21 September 1998 and mainly involved in trading of and investing in securities, stocks, treasury bills and government bonds provided from capital markets; the management of mutual funds and performing intermediary services.

The Bank has acquired 99.99% of Anadolu Faktoring from Habaş Petrol Ürünleri Sanayi ve Ticaret A.Ş. (which is a related party) on 27 October 2008. Anadolu Faktoring was established in Istanbul on 20 March 2007 by obtaining the factoring license which is required to operate in the factoring sector.

The Bank has 100.00% ownership in AnadoluBank Nederland, located in Amsterdam – the Netherlands. The Bank engages in banking operations in the Netherlands.

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

2. Statement of compliance

The Bank and its subsidiaries located in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency (“BRSA”), regulations promulgated by the Capital Market Board of Turkey and also the Turkish Commercial Code; the Bank’s subsidiaries located in outside of Turkey maintain their books of account and prepare their statutory financial statements in US Dollar and in EUR in accordance with the regulations of the countries in which they operate.

The accompanying condensed consolidated interim financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standard (“IFRS”) IAS 34 – *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009. The accompanying condensed consolidated interim financial statements are authorized for issue by the directors on 14 September 2010.

3. Basis of preparation

The consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except for the following assets and liabilities which are stated at their fair values if reliable measures are available: derivative financial assets and liabilities held for trading purpose and financial assets at fair value through profit or loss.

New and amended standards adopted by the Group

None.

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FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

3. Basis of preparation (Cont'd)

Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

Changes in IFRS 3 (revised), "Business Combinations" and IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investment in Associates" and IAS 31, "Interest in Joint Ventures" standards are effective for business combinations where the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009. The main impact of the adoption is as follows:

- a) interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquire.
- b) to change the recognition and subsequent accounting requirements for contingent consideration.
- c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.
- d) in step acquisitions, previously held interests are to be remeasured to fair value at the date of the subsequent acquisition with the value included in goodwill calculation. Gain or loss arising from the re-measurement shall be recognized as part of profit or loss.

The Group does not have any business combinations within the scope of IFRS 3 (Revised).

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

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

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

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

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/interpretations as follows: IFRS 2 Share-based Payments, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows, IAS 17 Leases, IAS 18 Revenue, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 16 Hedges of Net Investment in a Foreign Operation. The effective dates vary standard by standard but most are effective January 1, 2010.

Standards and Interpretations that are not yet effective in 2010 and have not been early adopted

IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions*

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

IFRS 9 *Financial Instruments: Classification and Measurement*

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

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3. Basis of preparation (Cont'd)

Standards and Interpretations that are not yet effective in 2010 and have not been early adopted (Cont'd)

IAS 24 (Revised 2009) Related Party Disclosures

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

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

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

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

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

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

Annual Improvements May 2010

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

4. Significant accounting policies

The interim financial statements as of 30 June 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting of IFRS and are in compliance with the accounting policies used to prepare the financial statements as of 31 December 2009. Therefore the condensed financial statements should be read in conjunction with the financial statements of the company for the year ended 31 December 2009.

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
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(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

5. Basis of consolidation

Methodology

The accompanying condensed consolidated interim financial statements include the accounts of the Bank and its subsidiaries on the basis set out in section below. The financial statements of the subsidiaries included in the consolidation have been prepared as of the date of the condensed consolidated interim financial statements.

For the purposes of the accompanying condensed consolidated interim financial statements, the subsidiaries are those companies over which the Bank has a controlling power on their operating and financial policies through having more than 50% of the ordinary shares held by the Bank.

The major principles of consolidation are as follows:

- The statements of financial position and comprehensive income are consolidated on a line-by-line basis.
- All intercompany investments, receivables, payables, dividends received and paid and other intercompany transactions reflected in the statements of financial position and comprehensive income are eliminated.
- The results of the subsidiaries are included in or excluded from the consolidation from their effective dates of acquisition or disposal, respectively.
- Non-controlling interests in the equity and net profit of the consolidated subsidiaries are separately classified in the condensed consolidated statements of financial position and comprehensive income.
- The assets and liabilities of foreign operations are translated to TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated to TL at exchange rates at average exchange rates. Foreign currency differences are recognised directly in equity as currency translation adjustments.

Subsidiaries

The subsidiaries included in the consolidation and their ownership percentages are as follows:

	Place of Incorporation	Principal Activities	Effective Shareholding and Voting Rights (%)	
			30 June 2010	31 December 2009
Anadolu Yatırım	Istanbul / Turkey	Brokerage	82.00	82.00
Anadolubank Nederland	Amsterdam / the Netherlands	Banking	100.00	100.00
Anadolu Faktoring	Istanbul / Turkey	Factoring	99.99	99.99
Anadolubank International	TRNC	Banking	99.40	99.40

6. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009.

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
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FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

7. Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2009.

The Group's currency risk and interest rate risk sensitivity are presented below:

Currency risk sensitivity

A 10 percent devaluation of the TL against the following currencies as at 30 June 2010 would have increased/(decreased) equity and profit or loss (without tax effects) 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 the period ended 30 June 2009. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	30 June 2010		30 June 2009	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	(1,262)	(300)	(531)	330
EUR	(1,834)	4,926	732	7,451
Other currencies	(277)	(277)	(106)	(106)
Total, net	(3,373)	4,349	95	7,675

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

Interest rate sensitivity

Interest rate sensitivity of the condensed consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss on the consolidated net interest income as at and for the six-month period ended 30 June 2010. Floating rate non-trading financial assets and financial liabilities held as at 30 June 2010 are also considered in the calculations. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for the period ended 30 June 2009.

	Impact on profit or loss		Impact on equity ^(*)	
	2010	2009	2010	2009
100 bp increase	11.546	6.510	11.546	6.510
100 bp decrease	(12.449)	(7.225)	(12.449)	(7.225)

^(*) Equity effect, includes the effect of changes in interest rates on the statement of comprehensive income.

Operating Segments

IFRS 8 – *Operating Segments* was not applied since the equity instruments of the Group are not traded in a public market.

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8. Financial assets at fair value through profit or loss

As at 30 June 2010 and 31 December 2009, financial assets at fair value through profit or loss comprised the following:

	30 June 2010		31 December 2009	
	Carring Value	Effective Interest Rate	Carring Value	Effective Interest Rate
Government bonds in TL	153,833	3.92-14.35%	133,807	5.68-19.18%
Eurobonds issued by the Turkish Government	187	3.47-8.40%	31,016	4.58-9.00%
Treasury bills in TL	38,134	7.55-7.57%	5,025	7.03%
Equity securities	556	-	873	-
Total financial assets at fair value through profit or loss	193,910		170,721	

As at 30 June 2010, the carrying values of financial assets at fair value through profit or loss kept at Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Takasbank - Istanbul Stock Exchange Clearing and Custody Incorporation) and Capital Markets of Turkey for legal requirements is TL 1,654. (31 December 2009: TL 33,061). The carrying value of financial assets at fair value through profit or loss backing obligations under repurchase transactions amounts to TL 40,511 (31 December 2009: TL 9,893).

9. 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 and swaps.

The table below shows the favourable (assets) and unfavourable (liabilities) fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity with their TL equivalents. 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 period/year-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments is calculated by using forward exchange rates at the reporting date. In the absence of reliable forward rate estimations in a volatile market, current market rate is considered to be the best estimate of the present value of the forward exchange rates.

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9. Derivative financial instruments (Cont'd)

	30 June 2010								
	Fair value assets	Fair value liabilities	Notional amount	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
<i>Derivatives held for trading purpose:</i>									
Forward purchase contract	26	-	97,590	96,373	1,217	-	-	-	-
Forward sale contract	-	5,633	94,832	93,553	1,279	-	-	-	-
Currency swap purchase	11,665	-	1,216,725	1,029,351	-	-	-	6,283	181,091
Currency swap sale	-	60,880	1,230,744	1,044,643	-	-	-	7,076	179,025
Credit default swap	13	-	47,241	-	47,241	-	-	-	-
Interest rate swap purchase	-	-	9,259	-	-	-	-	9,259	-
Interest rate swap sale	-	-	9,259	-	-	-	-	9,259	-
Put option purchase	-	-	256,764	240,054	16,710	-	-	-	-
Put option sale	-	115	254,181	236,780	17,401	-	-	-	-
Total	11,704	66,628	3,216,595	2,740,754	83,848	-	-	31,877	360,116

	31 December 2009								
	Fair value assets	Fair value liabilities	Notional amount	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
<i>Derivatives held for trading purpose:</i>									
Forward purchase contract	265	-	133,765	123,683	9,110	324	648	-	-
Forward sale contract	-	60	131,279	121,301	8,975	335	668	-	-
Currency swap purchase	31,891	-	1,427,345	1,247,323	-	-	-	6,866	173,156
Currency swap sale	-	62,503	1,435,441	1,248,307	-	-	-	8,109	179,025
Credit default swap sale	28	-	6,023	6,023	-	-	-	-	-
Interest rate swap purchase	141	-	11,805	-	-	-	-	11,805	-
Interest rate swap sale	-	287	11,805	-	-	-	-	11,805	-
Put option purchase	-	-	159,030	151,558	7,472	-	-	-	-
Put option sale	-	-	158,984	151,504	7,480	-	-	-	-
Total	32,325	62,850	3,475,477	3,049,699	33,037	659	1,316	38,585	352,181

10. Investment securities

The movement of held to maturity investment securities is as follows:

	30 June 2010	31 December 2009
Carrying value at the beginning of the period	714,293	747,052
Foreign exchange differences	2,184	(1,452)
Acquisitions through the period	194,208	46,734
Settlements during the period	(81,893)	(91,674)
Change in amortized cost of the securities during the period	(12,077)	13,633
Carrying value at the end of the period	816,715	714,293

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10. Investment securities (Cont'd)

As at 30 June 2010, the carrying and the nominal values of the securities issued by the Turkish Government kept in the Central Bank, Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Takasbank - Istanbul Stock Exchange Clearing and Custody Incorporation) and Vadeli İşlem ve Opsiyon Borsası Anonim Şirketi (Derivatives Exchange) for legal requirements and as a guarantee for stock exchange and money market operations are amounting to TL 56,463 and TL 53,190, respectively (31 December 2009: TL 95,703 and TL 90,190). The carrying value of investment securities backing obligations under repurchase transactions amounts to TL 340,065 (31 December 2009: TL 353,353).

During 2006, the Bank has reclassified the securities from available for sale financial assets to held to maturity investment securities in accordance with the decision of board of Directors. The previous losses of TL 12,931 net off deferred tax that has been recognized directly in equity has been accounted to be amortized to the profit or loss over the remaining life of the transferred securities using the effective interest method. As at 30 June 2010, remaining unrealized losses on classified securities amounts to TL 3,418 net off taxes (31 December 2009: TL 4,234 net off taxes).

11. Loans and receivables

	30 June 2010						
	Amount				Effective Interest Rate (%)		
	TL	FC	FC Indexed	Total	TL	FC	FC Indexed
Corporate loans	1,599,700	679,860	212,155	2,491,715	9.13-24.96	2.00-9.50	3.30-13.00
Consumer loans	445,957	-	115,735	561,692	9.12-18.36	-	3.60-12.20
Credit cards	47,714	14	-	47,728	32.28-34.92	-	-
Factoring receivables	178,462	-	-	178,462	8.56-38.78	-	-
Total performing loans	2,271,833	679,874	327,890	3,279,597			
Non-performing loans	89,093	-	-	89,093			
Less: Reserve for possible loan losses	(71,082)	-	-	(71,082)			
Loans and receivables, net	2,289,844	679,874	327,890	3,297,608			

	31 December 2009						
	Amount				Effective Interest Rate (%)		
	TL	FC	FC Indexed	Total	TL	FC	FC Indexed
Corporate loans	1,510,346	688,586	170,386	2,369,318	14.60-25.10	2.14-8.75	3.50-16.00
Consumer loans	361,063	-	136,858	497,921	9.24-18.48	-	4.44-13.20
Credit cards	39,721	11	-	39,732	39.10-48.10	-	-
Factoring receivables	143,652	-	-	143,652	9.11-41.00	-	-
Total performing loans	2,054,782	688,597	307,244	3,050,623			
Non-performing loans	85,598	-	-	85,598			
Less: Reserve for possible loan losses	(70,277)	-	-	(70,277)			
Loans and receivables, net	2,070,103	688,597	307,244	3,065,944			

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11. Loans and receivables (Cont'd)

The specific allowance for possible loan losses is comprised of amounts for specifically identified as being impaired and non-performing loans and advances plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers.

Movements in the reserve for possible loan losses:

	30 June 2010	30 June 2009
Reserve at beginning of the period/year	70,277	42,370
Provision for possible loan losses	8,833	14,143
Recoveries	(8,028)	(4,932)
Provision, net of recoveries	805	9,211
Loans written off during the period/year	-	(4,928)
Reserve at end of the period/year	71,082	46,653

12. Funds borrowed

As at 30 June 2010 and 31 December 2009, fund borrowed are detailed as follows:

	30 June 2010				
	Amount			Effective Interest Rate (%)	
	TL	FC	Total	TL	FC
Short-term	146,573	178,530	325,103	7.00-12.00	0.40-4.73
Medium/long term	-	25,090	25,090	-	1.95
Total	146,573	203,620	350,193		
	31 December 2009				
	Amount			Effective Interest Rate (%)	
	TL	FC	Total	TL	FC
Short-term	102,435	215,233	317,668	7.00-13.00	1.95-5.76
Medium/long term	-	9,120	9,120	-	0.68-2.54
Total	102,435	224,353	326,788		

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13. Equity

Share capital

	30 June 2010	31 December 2009
Number of common shares	60,000,000	40,950,000

The authorized nominal share capital of the Bank amounts to TL 600,000 as of 30 June 2010. As per the resolution of the Board of Directors on 29 March 2010, it was decided to increase the Bank's statutory share capital from TL 382,500 to TL 573,000 by cash contribution amounting to TL 100,356 and transferring from legal reserves and accumulated profits of TL 19,994. In addition, the statutory share capital was increased by TL 190,500.

As of 30 June 2010 and 31 December 2009, the composition of shareholders and their respective percentage of ownership can be summarized as follows:

	30 June 2010		31 December 2009	
	Amount	%	Amount	%
Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ	419,823	69.98	286,559	69.98
Mehmet Rüştü Başaran	163,895	27.32	111,858	27.32
Other shareholders	16,282	2.70	11,083	2.70
Historical amount	600,000	100.00	409,500	100.00
Restatement effect	2,619		2,619	
Total	602,619		412,119	

Fair value reserve – available for sale financial assets

Revaluation of available-for-sale assets is detailed as follows:

	30 June 2010	30 June 2009
Balance at the beginning of the year	(4,234)	(5,946)
Net losses transferred to profit or loss on amortization	1,020	989
Related deferred taxes	(204)	(198)
Balance at the end of the year	(3,418)	(5,155)

Other reserves

Other reserves mainly consist of legal reserves and other profit reserves kept within the Group. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5%, until the total reserve reaches 20% of the Bank's paid-in share capital. The second legal reserve is appropriated at the rate of 10% of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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14. 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 financial and operating decisions. The Group is controlled by Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi A.Ş. which owns 69.98% (31 December 2009: 69.98%) of ordinary shares, and included in Habaş Group of companies. For the purpose of these condensed consolidated financial information, shareholders and Habaş Group companies are referred to as related parties. Related parties also include individuals that are principal owners and management and members of the Group's Board of Directors and their families.

In the course of conducting its banking business, the Group conducted various business transactions with related parties on commercial terms.

The following significant balances exist and transactions have been entered into with related parties:

Outstanding balances

	30 June 2010	31 December 2009
Cash loans	83,530	40,429
Non-cash loans	10,997	57,525
Deposits taken	38,276	37,916

Transactions

	30 June 2010	30 June 2009
Interest income	2,563	7,236
Interest expense	303	683
Other operating income	610	1,838
Other operating expense	3,909	1,666
Gains/(losses) from derivatives	-	23

Directors' Remuneration

The key management and the members of the Board of Directors received remuneration and fees amounting to TL 4,370 for the six-month period ended 30 June 2010 (30 June 2009: TL 3,841).

15. Commitment and contingencies

In the normal course of business activities, the Bank and its subsidiaries have various commitments and contingent liabilities as follows:

	30 June 2010	31 December 2009
Letters of guarantee	823,738	648,177
Letters of credit	117,635	158,056
Acceptance credits	6,629	1,511
Other guarantees	88,505	61,451
Total non-cash loans	1,036,507	869,195
Credit card limit commitments	133,155	107,340
Other commitments	243,427	295,547
Total	1,413,089	1,272,082

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15. Commitment and contingencies (Cont'd)

Litigations

a) The Bank

- i) A lawsuit was filed against the Bank by a correspondent bank during the previous reporting periods claiming the collection of US Dollar 14,750,000 plus of any accrued interest thereon since the legal proceedings was instituted. The Bank's lawyers have advised that they do not consider that the suit has merit and they have contested it. No provision has been made in the financial statements as the Group's management does not consider that there will be any probable loss.

US Dollar 14,750,000 that was transferred to the account of a client of the Parent Company Bank by Citibank N.A. was paid to the related company by the Parent Company Bank. Citibank N.A. demanded refundment of the money, however since the money was paid to the related company and could not be returned, a lawsuit was filed against the Parent Company Bank. Court decision about the lawsuit that was filed by Citibank N.A. was cancelled. In addition, claim for indemnity at amount of US Dollar 11,500,000 was cancelled. However, later the court decision was taken to state the insurance companies, that made the related payment, as intervening parties. Court expert reported that the Bank has not responsibility in these claims. As at reporting date, the lawsuits continue as follows; with Citibank N.A. at amount of US Dollar 3,250,000 and with insurance companies at amount of US Dollar 11,500,000.

- ii) The decision about the temporarily abortion of the capital market operations of Anadolu Yatırım, related with the transfers from another intermediary institution to Anadolu Yatırım and between sub accounts of Anadolu Yatırım was published on the weekly bulletin with number 2003/11 and date 7 March 2007 of the Capital Markets Board on year 2003. The abortion of operations would be starting from 7 March 2003 and continue till the audit work that was conducted for two companies to determine the legal relations between the actual right owners and the transfers ends in accordance with the (g) and (h) articles of 1. clause of 46. paragraph of the Capital Markets Board. Following this, it was decided that Anadolu Yatırım, whose operations was aborted temporarily on 7 March 2003 in accordance with the declaration of the Capital Markets Board on date 13 March 2003 with number DEDA-/-10/180-2905 on the meeting of the Commission Ruling Agency on 13 March 2003, could start to operate in capital markets starting from 13 March 2003 since there is not an obstacle in the financial position of Anadolu Yatırım to operate in the capital markets. With reference to the related situation, a preliminary injunction lawsuit at amount of 2,889 TL was filed against the Bank, Anadolu Yatırım and a person by Investor Protection Fund by proxy of related intermediary institution with the demand of taking back the share certificates and all income returns, which belongs to the clients of the intermediary institution and sold off with lack of will while being under the possession of the related intermediary company and are sold off by lack of will and relevant to prevent to be given to third parties till to the end of the court. The Parent Company Bank is a party on this court and the Bank management recorded the provision at a rate of 100 % for the uncollected amount in 2003 that is given as loan to the related intermediary institution. Provided that the court is closed on behalf of the Bank, the share certificates that are mentioned above and belong to the clients of the related intermediary institution will be taken into the portfolio of the Bank and will be recorded revenue at the amount of the share certificates. Above mentioned case is resulted against Anadolu Yatırım and the file is in Court of Appeals for reviewing appellate.

16. Subsequent events

None.

17. Earnings per share

In accordance with IAS 33 "Earnings per Share", companies whose shares are not traded on the stock exchange are not obliged to disclose earnings per share. Therefore, earnings per share have not been calculated in the accompanying condensed consolidated financial statements.