

**ANADOLUBANK ANONİM ŐİRKETİ
AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011**

Anadolubank Anonim Şirketi and Its Subsidiaries

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

Report on Review of Condensed Consolidated Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Anadolubank A.Ş. as of June 30, 2011 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed 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.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

DRT Bağımsız Denetim ve ŞMMM A.Ş.

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

İstanbul, 10 October 2011

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

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

	Notes	Reviewed 30 June 2011	Audited 31 December 2010
ASSETS			
Cash and balances with the Central Bank		490,770	352,691
Deposits with banks and other financial institutions		246,582	201,090
Receivables from reverse repo transaction		16,328	15,430
Financial assets at fair value through profit or loss	8	279,550	95,563
Derivative financial instruments held for trading	9	26,629	29,354
Investment securities	10	575,379	749,556
Loans and receivables	11	4,290,108	3,653,387
Property and equipment		18,333	20,080
Intangible assets		1,833	1,422
Deferred tax assets		6,007	11,571
Other assets		122,323	87,054
Total assets		6,073,842	5,217,198
LIABILITIES AND EQUITY			
Deposits from other banks		109,580	77,484
Deposits from customers		3,688,530	3,109,050
Obligations under repurchase agreements		547,546	529,931
Funds borrowed	12	530,619	379,855
Derivative financial instruments held for trading	9	39,721	84,743
Other liabilities and provisions		248,759	203,227
Income taxes payable		9,742	7,038
Total liabilities		5,174,497	4,391,328
Share capital issued	13	602,619	602,619
Reserves		48,761	26,708
Retained earnings		245,995	194,690
Total equity attributable to equity holders of the Bank		897,375	824,017
Non-controlling interests		1,970	1,853
Total equity		899,345	825,870
Total liabilities and equity		6,073,842	5,217,198
Commitments and contingencies	15	-	-

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 2011

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

	Note	Reviewed 1 January- 30 June 2011	Reviewed 1 January- 30 June 2010
Continuing operations:			
Interest income			
Interest on loans and receivables		230,269	191,567
Interest on securities		28,067	42,875
Interest on deposits with banks and other financial institutions		1,281	1,971
Interest on other money market placements		-	9
Other interest income		1,003	934
Total interest income		260,620	237,356
Interest expense			
Interest on deposits		(101,971)	(74,103)
Interest on other money market deposits		(5,676)	(11,998)
Interest on funds borrowed		(10,819)	(7,614)
Other interest expense		(128)	(88)
Total interest expense		(118,594)	(93,803)
Net interest income		142,026	143,553
Fees and commissions income		43,650	36,022
Fees and commissions expense		(5,380)	(3,634)
Net fees and commissions income		38,270	32,388
Other operating income			
Trading income due from derivatives		10,929	-
Trading income on marketable securities		-	4,621
Foreign exchange gains		-	31,779
Other income		4,783	8,146
Total other operating income		15,712	44,546
Other operating expense			
Trading loss due from derivatives		-	(51,590)
Trading loss on marketable securities		(4,600)	-
Foreign exchange loss		(16,711)	-
Salaries and employee benefits		(67,238)	(60,192)
Provision for possible loan losses, net of recoveries		(1,511)	(805)
Depreciation and amortization		(3,300)	(3,238)
Taxes other than on income		(4,888)	(3,703)
Other expenses		(23,103)	(28,140)
Total other operating expense		(121,351)	(147,668)
Income from operations		74,657	72,819
Income tax provision	13	(15,270)	(13,755)
Profit from continuing operations		59,387	59,064
Profit from discontinued operations		-	-
Profit for the period		59,387	59,064
Other comprehensive income:			
Foreign currency translation differences for foreign		14,049	(7,789)
Change in fair value of available for sale financial assets		49	1,020
Income tax on other comprehensive income		(10)	(204)
Other comprehensive income for the period net of income		14,088	(6,973)
Total comprehensive income for the period		73,475	52,091
Profit attributable to:			
Equity holders of the Bank		59,272	58,940
Non-controlling interests		115	124
Profit for the period		59,387	59,064
Total comprehensive income attributable to:			
Equity holders of the Bank		73,358	51,968
Non-controlling interests		117	123
Total comprehensive income for the period		73,475	52,091

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 2011

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

	Notes	Share capital	Transation reserve	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total
Balances at 1 January 2010		412,119	10,511	(4,234)	16,502	253,068	687,956	1,611	689,577
Total comprehensive income for the period		-	-	-	-	58,940	58,940	124	59,064
Net profit of the period		-	-	-	-	58,940	58,940	124	59,064
Other comprehensive income		-	(7,788)	-	-	-	(7,788)	(1)	(7,789)
Currency translation adjustments		-	(7,788)	-	-	-	(7,788)	(1)	(7,789)
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
Share capital increase		190,500	-	-	(925)	(189,575)	-	-	-
Transfers to other reserves		-	-	-	6,032	(6,032)	-	-	-
Total contributions by owners		190,500	-	-	5,107	(195,607)	-	-	-
Total transactions with owners		190,500	-	-	5,107	(195,607)	-	-	-
Balances at 30 June 2010		602,619	2,723	(3,418)	21,609	116,401	739,934	1,734	741,668
Balances at 1 January 2011		602,619	7,481	(2,382)	21,609	194,690	824,017	1,853	825,870
Total comprehensive income for the period		-	-	-	-	59,272	59,272	115	59,387
Net profit of the period		-	-	-	-	59,272	59,272	115	59,387
Other comprehensive income		-	14,047	-	-	-	14,047	2	14,049
Currency translation adjustments		-	14,047	-	-	-	14,047	2	14,049
Net gains on available for sale financial assets transferred to profit or loss, net off tax	14	-	-	39	-	-	39	-	39
Total other comprehensive income		-	14,047	39	-	-	14,086	2	14,088
Total comprehensive income for the period		-	14,047	39	-	59,272	73,358	117	73,475
Share capital increase		-	-	-	-	-	-	-	-
Gain on sale of assets		-	-	-	60	(60)	-	-	-
Transfers to other reserves		-	-	-	7,907	(7,907)	-	-	-
Total contributions by owners		-	-	-	7,967	(7,967)	-	-	-
Total transactions with owners		-	-	-	7,967	(7,967)	-	-	-
Balances at 30 June 2011		602,619	21,528	(2,343)	29,576	245,995	897,375	1,970	899,345

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 2011

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

	Reviewed 1 January- 30 June 2011	Reviewed 1 January- 30 June 2010
Cash flows from operating activities:		
Profit for the period	59,387	59,064
Adjustments for:		
Income tax expense	15,270	13,755
Provision for loan losses	6,297	8,833
Depreciation and amortization	3,300	3,238
Provision for retirement pay liability	1,371	1,267
Currency translation differences	14,049	(7,789)
Other various income/expense accruals (net)	3,162	25,366
Net interest income/expense	(142,265)	(209,163)
	(39,429)	(105,429)
Changes in operating assets and liabilities:		
Reserve deposits at the Central Bank	(46,996)	(7,498)
Financial assets at fair value through profit or loss	(183,061)	(24,511)
Loans and receivables	(569,944)	(179,288)
Derivative financial instruments	(42,297)	24,399
Other assets	(18,389)	(46,845)
Deposit with other banks and customers	567,616	(135,085)
Other liabilities and provisions	37,176	45,051
	(295,324)	(429,206)
Interest paid	(110,219)	(99,050)
Interest received	201,692	252,063
Income taxes paid	(7,065)	(9,920)
Cash provided by operating activities	(210,916)	(286,113)
Cash flows from investing activities		
Acquisition of investment securities	10	(22,937)
Proceeds from sale of investment securities	218,197	81,893
Acquisition of property and equipment	(3,070)	(2,685)
Proceeds from sale of property and equipment	3,091	1,773
Cash provided by /(used in) investing activities	195,281	(113,227)
Cash flows from financing activities		
Change in funds borrowed (net)	159,450	309,671
Cash provided by financing activities	159,450	309,671
Effect of exchange rate fluctuations on cash held	7,557	3,412
Net decrease in cash and cash equivalents	151,372	(86,257)
Cash and cash equivalents at the beginning of the period	386,745	379,788
Cash and cash equivalents at the end of the period	538,117	293,531

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 2011
(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 Anadolu International Banking Unit Limited ("Anadolubank International"), Anadolu Yatırım Menkul Kıymetler A.Ş. ("Anadolu Yatırım"), Anadolu Faktoring Hizmetleri A.Ş. ("Anadolu Faktoring"), and Anadolu Bank Nederland N.V. ("Anadolubank Nederland").

The Bank has 99.40% ownership in Anadolu International, established in the Turkish Republic of Northern Cyprus ("TRNC"). Anadolu 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 Anadolu Bank 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 Markets Board of Turkey and also the Turkish Commercial Code; the Bank's subsidiaries located 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 2010. The accompanying condensed consolidated interim financial statements are authorized for issue by the directors on 10 October 2011.

3. Basis of preparation

New and Revised International Financial Reporting Standards

(a) New and Revised IFRSs affecting presentation and disclosure only

None.

(b) New and Revised IFRSs affecting the reported financial performance and / or financial position

None.

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011
(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

3. Basis of preparation (cont'd)

(c) New and Revised IFRSs applied with no material effect on the consolidated financial statements

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

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

Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)

The amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. The amendment also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. The amendments have been applied retrospectively.

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.

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.

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

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

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.

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.

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 5 main standards/interpretations as follow: IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 3 *Business Combinations*; 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.

The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011
(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

3. Basis of preparation (cont'd)

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

IFRS 1 (amendments) *First-time Adoption of IFRS – Two Amendments*

On 20 December, IFRS 1 is amended to;

- provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.
- provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

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

IFRS 7 *Financial Instruments: Disclosures*

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

IFRS 9 *Financial Instruments: Classification and Measurement*

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

IAS 12 *Income Taxes*

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

IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

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

3. Basis of preparation (cont'd)

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

IFRS 11 Joint Arrangements

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 12 Disclosure of Interest In Other Entities

IFRS 12 requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 27 Separate Financial Statements (2011)

The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10.

IAS 28 Investments in Associates and Joint Ventures (2011)

IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

IFRS 13 Fair Value Measurements

On 12 May 2011, IASB issued IFRS 13 Fair Value Measurement, which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The Standard does not include requirements on when fair value measurements is required; it prescribes how fair value is to be measured if another Standard requires it. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 1 Presentation of Financial Statements (2011) – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 provides guidance on the presentation of items contained in other comprehensive income (OCI) and their classification within OCI. The new standard is mandatory for annual periods beginning on or after 1 July 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 19 Employee Benefits (2011) (the "amendments")

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
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FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011
(Amounts are expressed in thousand of Turkish Lira ("TL") unless otherwise indicated.)

4. Significant accounting policies

The interim financial statements as of 30 June 2011 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 2010. Therefore the condensed consolidated financial statements should be read in conjunction with the financial statements of the Group for the year ended 31 December 2010.

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 2011	31 December 2010
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 2010.

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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 2010.

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 2011 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 year ended 31 December 2010. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	30 June 2011		31 December 2010	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(241)	776	(7,014)	(6,051)
EUR	4,227	16,446	3,349	11,563
Other currencies	(246)	(246)	693	693
Total, net	3,740	16,976	(2,972)	6,205

(*) 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 2011. Floating rate non-trading financial assets and financial liabilities held as at 30 June 2011 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 2010.

	Impact on profit or loss		Impact on equity (*)	
	2011	2010	2011	2010
100 bp increase	(4,443)	8,737	(4,443)	8,737
100 bp decrease	4,401	(9,855)	4,401	(9,855)

(*) 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 2011 and 31 December 2010, financial assets at fair value through profit or loss comprised the following:

	30 June 2011		31 December 2010	
	Carrying Value	Effective Interest Rate	Carrying Value	Effective Interest Rate
Government bonds in TL	194,281	2.77%-10.84%	3,162	2.05%-10.84%
Eurobonds	3,500	2.44%-8.00%	91,681	4.29%-9.00%
Private sector bonds	80,741	4.30%-4.79%	-	-
Equity securities	1,028	-	720	-
Total financial assets at fair value through profit or loss	279,550		95,563	

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 2011									
	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	270	-	307,721	287,118	10,709	5,085	4,809	-	-
Forward sale contract	-	10,306	301,720	281,167	10,701	5,082	4,770	-	-
Currency swap purchase	26,318	189	1,087,225	859,093	-	18,519	15,526	145,619	48,468
Currency swap sale	-	13,915	1,082,020	860,727	-	18,640	15,246	140,167	47,240
Credit default swap	15	15,304	48,471	-	-	-	-	48,471	-
Interest rate swap purchase	26	-	6,334	-	-	-	-	6,334	-
Interest rate swap sale	-	7	6,334	-	-	-	-	6,334	-
Put option purchase	-	-	125,214	49,771	24,890	-	50,553	-	-
Put option sale	-	-	125,214	49,771	24,890	-	50,553	-	-
Total	26,629	39,721	3,090,253	2,387,647	71,190	47,326	141,457	346,925	95,708

31 December 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	695	-	171,706	168,830	1,722	1,154	-	-	-
Forward sale contract	-	28,201	167,562	164,904	1,612	1,046	-	-	-
Currency swap purchase	28,470	-	1,655,119	1,526,153	-	-	-	5,286	123,680
Currency swap sale	-	48,422	1,663,970	1,531,597	-	-	-	6,898	125,475
Credit default swap sale	46	7,788	46,380	-	-	-	-	46,380	-
Interest rate swap purchase	143	-	9,090	-	-	-	-	9,090	-
Interest rate swap sale	-	258	9,090	-	-	-	-	9,090	-
Put option purchase	-	-	103,053	95,601	7,452	-	-	-	-
Put option sale	-	74	103,041	95,589	7,452	-	-	-	-
Total	29,354	84,743	3,929,011	3,582,674	18,238	2,200	-	76,744	249,155

10. Investment securities

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

	30 June 2011	30 June 2010
Carrying value at the beginning of the period	749,556	714,293
Foreign exchange differences	29,604	2,184
Acquisitions through the period	22,937	182,046
Settlements during the period	(218,197)	(69,731)
Change in amortized cost of the securities during the period	(8,521)	(12,077)
Carrying value at the end of the period	575,379	816,715

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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 2011	30 June 2010
Reserve at beginning of the period/year	77,056	70,277
Provision for possible loan losses	6,297	8,833
Recoveries	(4,786)	(8,028)
Provision, net of recoveries	78,567	71,082
Loans written off during the period/year	-	-
Reserve at end of the period/year	78,567	71,082

12. Funds borrowed

As at 30 June 2011 and 31 December 2010, fund borrowed are detailed as follows:

	30 June 2011				
	Amount			Effective Interest Rate (%)	
	TL	FC	Total	TL	FC
Short-term	169,510	282,080	451,590	5.75-8.95	0.45-5.30
Medium/long term	1,531	77,498	79,029	7.25-8.41	1.69-4.60
Total	171,041	359,578	530,619		
	31 December 2010				
	Amount			Effective Interest Rate (%)	
	TL	FC	Total	TL	FC
Short-term	117,060	228,743	345,803	6.25-8.75	0.60-4.14
Medium/long term	143	33,909	34,052	8.41	2.46-4.33
Total	117,203	262,652	379,855		

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13. Equity

Share capital

	30 June 2011	31 December 2010
Number of common shares	60,000,000	60,000,000

As of 30 June 2011 and 31 December 2010, the composition of shareholders and their respective percentage of ownership can be summarized as follows:

	30 June 2011		31 December 2010	
	Amount	%	Amount	%
Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ	419,823	69.98	419,823	69.98
Mehmet Rüştü Başaran	163,895	27.32	163,895	27.32
Other shareholders	16,282	2.70	16,282	2.70
Historical amount	600,000	100.00	600,000	100.00
Restatement effect of inflation accounting	2,619		2,619	
Total	602,619		602,619	

Fair value reserve – available for sale financial assets

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

	30 June 2011	30 June 2010
Balance at the beginning of the year	(2,382)	(4,234)
Net losses transferred to profit or loss on amortization	49	1,020
Related deferred taxes	(10)	(204)
Balance at the end of the year	(2,343)	(3,418)

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 2010: 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 2011	31 December 2010
Cash loans	71,827	9,604
Non-cash loans	24,389	21,198
Deposits taken	55,010	35,544

Transactions

	30 June 2011	30 June 2010
Interest income	4,092	2,563
Interest expense	668	305
Other operating income	997	610
Other operating expense	660	3,909

Directors' Remuneration

The key management and the members of the Board of Directors received remuneration and fees amounting to TL 5,620 for the six-month period ended 30 June 2010 (30 June 2010: TL 4,370).

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 2011	31 December 2010
Letters of guarantee	1,058,865	902,998
Letters of credit	211,267	146,589
Acceptance credits	13,223	7,414
Other guarantees	130,891	95,877
Total non-cash loans	1,414,246	1,152,878
Credit card limit commitments	163,798	143,784
Other commitments	406,365	289,858
Total	1,984,409	1,586,520

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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 Bank's client account by Citibank N.A. and this amount was paid by the Bank. Citibank N.A. demanded to refund the money, however since the money was paid and could not be returned, a lawsuit was filed against the Bank. The court decision about the lawsuit that was filed by Citibank N.A. was cancelled. In addition, a claim for indemnity for US Dollar 11,500,000 was cancelled. However, later the court decided to involve the insurance companies into that case. The court expert reported that the Bank has no responsibility in these claims. As of the date of this report, the lawsuits continue as follows; with Citibank N.A. amounting to US Dollar 3,250,000 and with insurance companies amounting to US Dollar 11,500,000.

- ii) The preliminary resolution on the temporary suspension of Anadolu Menkul Kıymetler A.Ş.'s capital market operations as of 7 March 2003 regarding the transfers from Anadolu Menkul Kıymetler A.Ş. and to Anadolu Menkul Kıymetler A.Ş.'s sub accounts was published on the Capital Markets Board's weekly bulletin no: 2003/11 on 7 March 2003 in accordance with the requirements set out in paragraphs (g) and (h) of Article 46 of , the Capital Markets Law. The suspension period is applicable until the review performed on the jural relations of related transfers and real beneficiaries are determined. Upon the Capital Market Board's written statement no: DEDA-/10/180-2905 issued on 13 March 2003, the Company was decided to restart its capital market operations beginning from 13 March 2003 as there were no negative issues that might have an adverse effect over its financial position in the Capital Markets Board's Decision Making Body meeting held on 13 March 2003. However, the Investor Protection Fund filed a preliminary injunction lawsuit amounting to TL 2,889 against Anadolubank A.Ş., the representative of the intermediary, Anadolu Yatırım Menkul Kıymetler A.Ş. and one real person in regards to the recalling of customer shares from defendants that were involuntarily given while in the possession of the intermediary, including all income returns and in regards to the suspension of share transfer to third parties by the end of the trial. Since the Bank is a party to the related lawsuit, the Bank management provided full provision for the doubtful receivable attributable to 2003 which was given as loan to the related intermediary. If the related lawsuit had been finalized in favor of the Bank, the above-mentioned customer shares would have been transferred to the Bank's portfolio and the Bank would have recognized income that equivalent to the total amount. However, the related lawsuit had been finalized against the Bank and the Bank appealed the case. The Court of Appeals also approved the court's verdict and the related lawsuit was eventually finalized against the Bank. Accordingly, the related shares which were held under the custody of the Bank have been transferred to the Investor Protection Fund.

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16. Capital management – regulatory capital

Banking Regulation and Supervision Agency (“BRSA”), the regulator body of the banking industry sets and monitors capital requirements for the banks in Turkey. In implementing current capital requirements, BRSA requires the banks to maintain a prescribed ratio of minimum 12% of total capital to total risk-weighted assets. BRSA regulation requires the calculation of capital adequacy ratio based on the consolidated financial statements of the Bank and its financial subsidiaries.

The Bank and its subsidiaries’ consolidated regulatory capital is analysed into two tiers:

- Tier 1 capital, is composed of share capital, legal, statutory, other profit and extraordinary reserves, retained earnings, translation reserve and non-controlling interest after deduction of goodwill, prepaid expenses and other certain costs.
- Tier 2 capital, is composed of the total amount of general provisions for loans, revaluation fund on immovables, fair value reserves of available-for-sale financial assets and equity investments, subordinated loans received and free reserves set aside for contingencies.

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 as at 30 June 2011 and 31 December 2010 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 year.

There have been no material changes in the Bank’s management of capital during the year.

The Bank’s and its subsidiaries’ regulatory capital position on a consolidated basis at 30 June 2011 and 31 December 2010 was as follows:

	30 June 2011	31 December 2010
Tier 1 capital	864,108	797,868
Tier 2 capital	29,714	18,288
Total regulatory capital	893,822	816,156
Risk-weighted assets	4,514,532	3,667,049
Value at market risk	101,638	166,013
Operational risk	641,525	556,125
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk and operational risk	17.00%	18.59%
Total tier 1 capital expressed as a percentage of risk-weighted assets, value at market risk and operational risk	16.44%	18.17%

17. Subsequent events

None.

18. 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.