

**ANADOLUBANK ANONİM ŐİRKETİ  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL  
STATEMENTS  
AS AT 31 DECEMBER 2010**

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Anadolubank A.Ş. (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial positions as at December 31, 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

# Deloitte.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Anadolubank Anonim Şirketi and its subsidiaries as at December 31, 2010 and of their financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards.

## Other Matter

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 expressed an 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**

Istanbul, Turkey

22 April 2011

## Notes to the consolidated financial statements

<u>Note description</u>	<u>Page:</u>
• Financial statements	1-5
• Overview of the Bank	6
• Basis of preparation	6-10
• Consolidation	11-12
• Significant accounting policies	12-22
• Operating segments	22-24
• Cash and cash equivalents	25
• Financial assets at fair value through profit or loss	26
• Derivative financial assets / liabilities held for trading purpose	27
• Investment securities	28
• Loans and receivables	29
• Factoring receivables	30
• Property and equipment	30
• Intangible assets	31
• Other assets	31
• Deposits	32
• Funds borrowed	33
• Other liabilities and provisions	33
• Income taxes payable	34-35
• Equity	35-36
• Related parties	36-37
• Interest income / expense	37
• Fees and commission income / expense	38
• Operating income / expense	38
• Salaries and employee benefits	39
• Other expenses	40
• Commitment and contingencies	40-41
• Financial risk management	42-55
• Subsequent events	55

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010 AND 2009**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

	Notes	31 December 2010	31 December 2009
<b>ASSETS</b>			
Cash and balances with the Central Bank	6	352,691	251,110
Deposits with banks and other financial institutions	6	201,090	240,948
Receivables from reverse repo transaction	6	15,430	-
Financial assets at fair value through profit or loss	7	95,563	170,721
Derivative financial assets held for trading purpose	8	29,354	32,325
Investment securities	9	749,556	714,293
Loans and receivables	10	3,653,387	3,065,944
Property and equipment	12	20,080	18,564
Intangible assets	13	1,422	1,676
Deferred tax assets	18	11,571	10,012
Other assets	14	87,054	63,151
<b>Total assets</b>		<b>5,217,198</b>	<b>4,568,744</b>
<b>LIABILITIES</b>			
Deposits from banks	15	77,484	80,418
Deposits from customers	15	3,109,050	2,928,675
Interbank money market borrowings	15	-	15,063
Obligations under repurchase agreements	15	529,931	323,108
Funds borrowed	16	379,855	326,788
Derivative financial liabilities held for trading purpose	8	84,743	62,850
Other liabilities and provisions	17	203,227	137,732
Income taxes payable	18	7,038	4,533
<b>Total liabilities</b>		<b>4,391,328</b>	<b>3,879,167</b>
<b>EQUITY</b>			
Share capital	19	602,619	412,119
Reserves		26,708	22,779
Retained earnings		194,690	253,068
<b>Total equity attributable to equity holders of the Bank</b>		<b>824,017</b>	<b>687,966</b>
<b>Non-controlling interest</b>	19	<b>1,853</b>	<b>1,611</b>
<b>Total equity</b>		<b>825,870</b>	<b>689,577</b>
<b>Total liabilities and equity</b>		<b>5,217,198</b>	<b>4,568,744</b>
<b>Commitments and contingencies</b>	26	<b>1,586,529</b>	<b>1,272,082</b>

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

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED**  
**31 DECEMBER 2010 AND 2009**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

	Notes	1 January- 31 December 2010	1 January- 31 December 2009
<b>Continuing operations:</b>			
<i>Interest income:</i>			
Interest on loans and receivables	21	395,326	421,100
Interest on marketable securities	21	85,488	98,795
Interest on deposits with banks and other financial institutions	21	3,493	5,774
Interest on other money market placements	21	4	931
Other interest income	21	2,168	1,973
<b>Total interest income</b>		<b>486,479</b>	<b>528,573</b>
<i>Interest expense:</i>			
Interest on deposits	21	154,651	177,321
Interest on other money market deposits	21	25,127	28,966
Interest on funds borrowed	21	14,887	20,035
Other interest expense	21	94	348
<b>Total interest expense</b>		<b>194,759</b>	<b>226,670</b>
<b>Net interest income</b>		<b>291,720</b>	<b>301,903</b>
Fees and commissions income	22	74,834	76,898
Fees and commissions expense	22	8,651	11,842
<b>Net fees and commissions income</b>		<b>66,183</b>	<b>65,056</b>
<i>Other operating income:</i>			
Trading income due from marketable securities	23	40,125	10,716
Foreign exchange gains, net	23	26,165	-
Other income	23	8,848	9,371
<b>Total other operating income</b>		<b>75,138</b>	<b>20,087</b>
<i>Other operating expense:</i>			
Salaries and employee benefits	23-24	119,615	103,053
Trading losses, due from derivatives	23	72,328	2,106
Foreign exchange loss, net	23	-	8,716
Provision for possible loan losses, net of recoveries	23	7,752	34,243
Depreciation and amortization	23	6,310	6,847
Taxes other than on income	23	9,905	7,519
Other expenses	23-25	44,609	42,317
<b>Total other operating expense</b>		<b>260,519</b>	<b>204,801</b>
<b>Income from operations</b>		<b>172,522</b>	<b>182,245</b>
Income tax expense	18	35,053	36,550
<b>Profit from continuing operations</b>		<b>137,469</b>	<b>145,695</b>
<b>Discontinued operation:</b>			
Income from discontinued operation		-	-
Income tax expense		-	-
<b>Profit from discontinued operation</b>		<b>-</b>	<b>-</b>
<b>Profit for the year</b>		<b>137,469</b>	<b>145,695</b>

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

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE**  
**YEARS ENDED 31 DECEMBER 2010 AND 2009**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

Notes	1 January- 31 December 2010	1 January- 31 December 2009
<b>Other comprehensive income:</b>		
Foreign currency translation differences for foreign operations	(3,028)	543
Fair value reserve of available for sale financial assets transferred to profit or loss	2,315	2,140
Income tax on other comprehensive income	(463)	(428)
<b>Other comprehensive income for the year, net of income taxes</b>	<b>(1,176)</b>	<b>2,255</b>
<b>Total comprehensive income for the year</b>	<b>136,293</b>	<b>147,950</b>
<b>Profit attributable to:</b>		
Equity holders of the Bank	137,229	145,469
Non-controlling interest	240	226
<b>Profit for the year</b>	<b>137,469</b>	<b>145,695</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Bank	136,051	147,722
Non-controlling interest	242	228
<b>Total comprehensive income for the year</b>	<b>136,293</b>	<b>147,950</b>
Earnings per share from continuing operations (full TL)	<b>0.002291</b>	<b>0.002428</b>
Earnings per share from total comprehensive income (full TL)	<b>0.002272</b>	<b>0.002466</b>

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

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS 31 DECEMBER 2010 AND 2009**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

	Attributable to equity holders of the Bank							
	Notes	Share capital	Translation reserve	Fair value reserve	Other reserves	Retained earnings	Non-controlling interest	Total
<b>Balances at 1 January 2009</b>		412,119	9,970	(5,946)	11,234	112,867	1,383	541,627
Total comprehensive income for the year		-	-	-	-	145,469	226	145,695
Net profit of the year		-	-	-	-	-	-	-
Other comprehensive income		-	541	-	-	-	2	543
Currency translation adjustments		-	-	-	-	-	-	-
Net losses on available for sale financial assets transferred to profit or loss, net off tax		-	-	1,712	-	-	-	1,712
<b>Total other comprehensive income</b>		-	541	1,712	-	-	2	2,255
<b>Total comprehensive income for the year</b>		-	541	1,712	-	145,469	228	147,950
<b>Transactions with owners, recorded directly in equity</b>								
Transfers to other reserves		-	-	-	5,268	(5,268)	-	-
<b>Total contributions by owners</b>		-	-	-	5,268	(5,268)	-	-
<b>Total transactions with owners</b>		-	-	-	5,268	(5,268)	-	-
<b>Balances at 31 December 2009</b>		412,119	10,511	(4,234)	16,502	253,068	1,611	689,577
Attributable to equity holders of the Bank								
	Notes	Share capital	Translation reserve	Fair value reserve	Other reserves	Retained earnings	Non-controlling interest	Total
<b>Balances at 1 January 2010</b>		412,119	10,511	(4,234)	16,502	253,068	1,611	689,577
Total comprehensive income for the year		-	-	-	-	137,229	240	137,469
Net profit of the year		-	-	-	-	-	-	-
Other comprehensive income		-	(3,030)	-	-	-	2	(3,028)
Currency translation adjustments		-	-	-	-	-	-	-
Net losses on available for sale financial assets transferred to profit or loss, net off tax		-	-	1,852	-	-	-	1,852
<b>Total other comprehensive income</b>		-	(3,030)	1,852	-	-	2	(1,176)
<b>Total comprehensive income for the year</b>		-	(3,030)	1,852	-	137,229	242	136,293
<b>Transactions with owners, recorded directly in equity</b>								
Share capital increase		190,500	-	-	(925)	(189,575)	-	-
Transfers to other reserves		-	-	-	6,032	(6,032)	-	-
<b>Total contributions by owners</b>		190,500	-	-	5,107	(195,607)	-	-
<b>Total transactions with owners</b>		190,500	-	-	5,107	(195,607)	-	-
<b>Balances at 31 December 2010</b>		602,619	7,481	(2,382)	21,609	194,690	1,853	825,870

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



**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS 31 DECEMBER 2010 AND 2009**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

	Notes	1 January – 31 December 2010	1 January – 31 December 2009
<b>Cash flows from operating activities:</b>			
Profit for the year		137,469	145,695
<b>Adjustments for:</b>			
Income tax expense		35,053	36,550
Provision for loan losses		23,312	44,992
Depreciation and amortization		6,310	6,847
Provision for retirement pay liability		1,604	1,143
Currency translation differences		(3,028)	543
Net interest income		(296,163)	(301,915)
Other various income / expense accruals		60,223	10,930
		<b>(35,220)</b>	<b>(55,215)</b>
<b>Changes in operating assets and liabilities:</b>			
Reserve deposits at the Central Bank		(23,776)	(7,414)
Financial assets at fair value through profit or loss		74,124	(133,992)
Loans and receivables		(618,616)	(779,130)
Derivative financial instruments		24,864	46,610
Other assets		(40,210)	(35,127)
Deposit with other banks and customers		126,164	666,855
Other liabilities and provisions		3,447	28,636
		<b>(454,003)</b>	<b>(213,562)</b>
Interest paid		(196,839)	(237,470)
Interest received		510,037	526,272
Income taxes paid		(34,571)	(48,697)
<b>Cash (used in)/provided by operating activities</b>		<b>(210,596)</b>	<b>(28,672)</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities		(143,734)	(46,734)
Proceeds from sale of investment securities		119,966	91,674
Acquisition of property and equipment		(8,706)	(13,863)
Proceeds from sale of property and equipment		4,492	1,283
<b>Cash provided by/(used in) investing activities</b>		<b>(27,982)</b>	<b>32,360</b>
<b>Cash flows from financing activities</b>			
Change in funds borrowed		231,873	(152,092)
<b>Cash (used in)/provided by financing activities</b>		<b>231,873</b>	<b>(152,092)</b>
Effect of exchange rate fluctuations on cash held		13,392	(560)
Net decrease in cash and cash equivalents		(6,705)	(151,964)
Cash and cash equivalents at the beginning of the year	6	379,788	531,752
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>386,475</b>	<b>379,788</b>

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

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

(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 A.Ş.

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% 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. Basis of preparation**

**(a) Statement of compliance**

The Bank and its Turkish subsidiaries 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"), the Capital Markets Board of Turkey, the Turkish Commercial Code, and the Turkish Tax Legislation. The Bank's foreign subsidiaries 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 consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). The Group adopted all IFRSs, which were mandatory as at 31 December 2010.

The accompanying consolidated financial statements are authorized for issue by the directors on 22 April 2011.

**(b) Basis of measurement**

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.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**2. Basis of preparation (Cont’d)**

**(c) Functional currency and presentation currency**

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

**(d) Accounting in hyperinflationary countries**

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on IAS 29 – *Financial Reporting in Hyperinflationary Economies* as at 31 December 2005. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey was 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute (“TURKSTAT”). This, together with the sustained positive trend in quantitative factors, such as the stabilization in capital and money markets, decrease in interest rates and the appreciation of TL against the US Dollar and other hard currencies have been taken into consideration to categorize Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006.

**(e) Use of estimates and judgments**

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

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

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 10 – Derivative financial assets and liabilities held for trading purpose
- Note 12 – Loans and receivables
- Note 20 – Other liabilities and provisions
- Note 21 – Income taxes
- Note 27 – Financial risk management

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**2. Basis of preparation (Cont’d)**

**(f) Adoption of International Financial Reporting Standards (IFRS)**

**New standards, amendments and interpretations to existing standards applied from 1 January 2010**

- **IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements” (Amendment)** (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009). The main changes are:
- Partial acquisitions: Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original IFRS 3 requirement) or at fair value.
  - Step acquisitions: The requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the sum of the fair value of any investment in the business held before the acquisition and the consideration transferred, and the net assets acquired.
  - Acquisition-related costs: Acquisition-related costs are generally recognized as expenses (rather than included in goodwill).
  - Contingent consideration: Contingent consideration must be recognized and measured at fair value at the acquisition date. Subsequent changes in fair value are recognized in accordance with other IFRSs, usually in the income statement (rather than by adjusting goodwill).
  - Transactions with non-controlling interests: Changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.

These amendments affect the financial statements in relation to business combinations effected on or after January 1, 2010.

- **IAS 39 “Financial Instruments: Recognition and Measurement” (Amendment “Eligible Hedged Items”)** (effective for annual periods beginning on or after July 1, 2009). The amendment clarifies how the existing principles underlying hedge accounting should be applied in the designation of:
- (a) a one-sided risk in a hedged item, and
  - (b) inflation in a financial hedged item.

The Group has applied this amendment for the annual period beginning on January 1, 2010, and it did not have any impact on the financial statements.

- **IFRIC 17 “Distributions of Non-cash Assets to Owners”** (effective for annual periods beginning on or after July 1, 2009). The Interpretation clarifies that:
- a dividend payable should be recognized when the dividend is appropriately authorised and is no longer at the discretion of the entity,
  - an entity should measure the dividend payable at the fair value of the net assets to be distributed,
  - an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in the income statement.

The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions.

The Group has applied this Interpretation for the annual period beginning on January 1, 2010, and it did not have any impact on the financial statements.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**2. Basis of preparation (Cont’d)**

**(f) Adoption of International Financial Reporting Standards (IFRS) (Cont’d)**

- **Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009):**  
The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset.

The Group has applied this amendment for the annual period beginning on January 1, 2010, and it did not have any impact on the financial statements.

- **IFRS 2 “Share-based Payment” (Amendment) (effective from January 1, 2010).** The amendments clarify:
  - the scope of IFRS 2: An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.
  - the interaction of IFRS 2 and other standards: The Board clarified that in IFRS 2 a “group” has the same meaning as in IAS 27 “Consolidated and Separate Financial Statements”, that is, it includes only a parent and its subsidiaries.
  - the accounting for some group and treasury share-based payment transactions: An entity must measure the goods or services it received as either an equity-settled or a cash-settled share-based payment transaction assessed from its own perspective, which may not always be the same as the amount recognized by the consolidated group.

The Group has applied this amendment for the annual period beginning on January 1, 2010, and it did not have an impact on the financial statements.

- **Improvements to IFRSs, May 2008 (Amendment to IFRS 5, Non-current assets held for sale and discontinued operations, effective for periods beginning on or after July 1, 2009).** The amendment clarified that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. The Group has applied this amendment for the annual period beginning on January 1, 2010, and it did not have an impact on the financial statements.
- **Improvements to IFRSs, April 2009 (effective for annual periods beginning on or after July 1, 2009, except amendments to IAS 18 that were effective for 2009).** The Group has applied these amendments for the annual period beginning on January 1, 2010, (except the amendment to IAS 18 that was effective in 2009) and they did not have a significant impact on the financial statements.

**New standards, amendments and interpretations to existing standards effective after 2010**

- **IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after January 1, 2013).** IFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities, including some hybrid contracts. The new standard requires all financial assets to be:
  - (a) classified on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.
  - (b) initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs.
  - (c) subsequently measured at amortized cost or fair value.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**2. Basis of preparation (Cont'd)**

**(f) Adoption of International Financial Reporting Standards (IFRS) (Cont'd)**

**New standards, amendments and interpretations to existing standards effective after 2010 (Cont'd)**

The above standard also requires a financial liability to be classified as either at fair value through profit or loss or at amortized cost. For a financial liability designated as at fair value through profit or loss using the fair value option, the change in the liability's fair value attributable to changes in the liability's credit risk is recognized directly in other comprehensive income, unless it creates or increases an accounting mismatch and the amount that is recognized in other comprehensive income is not recycled when the liability is settled or extinguished.

The Group has not applied this Standard and is currently evaluating the impact of IFRS 9 on the financial statements and the timing of its adoption.

- **IFRIC 14 “IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.”** (Amendment “Prepayments of a Minimum Funding Requirement” November 2009) (effective for annual periods beginning on or after January 1, 2011). The amendments remove an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group has not applied this amendment.
- **IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”** (effective for annual periods beginning on or after July 1, 2010). The interpretation clarifies that the profit or loss on extinguishing liabilities by issuing equity instruments should be measured by reference to fair value, preferably of the equity instruments. The Group has not applied this Interpretation.
- **IAS 32 “Financial Instruments: Presentation”** (Amendment) (effective for annual periods beginning on or after February 1, 2010). The amendment addresses 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 applied this amendment.
- **IAS 24 “Related parties”** (Revised) (effective from January 1, 2011). The revised standard provides a partial exemption for government-related entities and a revised definition of a related party. The Group has not applied this amendment.
- **Improvements to IFRSs, May 2010** (effective for the Group's annual period beginning on January 1, 2011). The Group has not applied these amendments.
- **IFRS 7 “Financial Instruments: Disclosures”** (Amendment) (effective for annual periods beginning on or after July 1, 2011). The amendment requires certain additional disclosures in relation to transferred financial assets that are not derecognized and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. The Group has not applied this amendment.
- **IAS 12 “Income Tax”** (Amendment) (effective for annual periods beginning on or after January 1, 2012). The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 Investment Property. The Group has not applied this amendment.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**3. Consolidation**

**3.1 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries (including special purpose entities), which are entities controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses and other comprehensive income of subsidiaries acquired or disposed of during the year are included in the consolidated income statement and in the consolidated statement of comprehensive income, respectively, from the effective date of acquisition and up to the effective date of disposal, as appropriate. Profit for the period and total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

**Non-controlling interests**

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**Changes in the Group's ownership interests in subsidiaries that do not result in loss of control**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

**Loss of control**

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Assets of the subsidiary carried at fair value with the related cumulative gain or loss recognized in other comprehensive income, the amounts previously recognized in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to the income statement or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**3. Consolidation (Cont'd)**

**3.1 Basis of consolidation (Cont'd)**

**Associates**

Associates are entities over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Investments in associates are accounted for by applying the equity method of accounting.

Under the equity method of accounting, the investment is initially recorded at cost. Goodwill arising on the acquisition of an associate is included in the carrying amount of the investment (net of any accumulated impairment loss). The carrying amount of the investment is increased or decreased by the proportionate share of the associate's post-acquisition profits or losses (recognized in the Group income statement) and movements in reserves (recognized in reserves). Dividends received from the associate during the year reduce the carrying value of the investment. Investments in associates for which significant influence is intended to be temporary because such investments are acquired and held exclusively with a view to their subsequent disposal within twelve months from their acquisition, are recorded as assets held for sale. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred. Where necessary, the associate's financial statements used in applying the equity method are adjusted to ensure consistency with the accounting policies adopted by the Group.

**4. Significant accounting policies**

**(a) Foreign currency**

**Foreign currency transactions**

Transactions are recorded in TL, which represents the Group's functional currency except for Anadolubank International and Anadolubank Nederland. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates ruling at reporting date with the resulting exchange differences recognized in profit or loss as foreign exchange gains or losses.

**Foreign operations**

The functional currencies of the foreign subsidiaries, Anadolubank International and Anadolubank Nederland, are US Dollar and EUR, respectively, and their financial statements are translated to the presentation currency, TL, for the consolidation purposes, as summarized in the following paragraph.

The assets and liabilities of the foreign subsidiaries are translated at the rate of exchange ruling at the reporting date. The revenues and expenses of foreign operations are translated to TL using average exchange rates. On consolidation exchange differences arising from the translation of the net investment in foreign subsidiaries are included in equity as currency translation adjustment until the disposal of such subsidiaries.

**(b) Interest**

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

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

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



**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4. Significant accounting policies (Cont'd)**

**(b) Interest (Cont'd)**

- interest on financial assets and liabilities at amortized cost on an effective interest rate basis
- interest earned till the disposal of financial assets at fair value through profit or loss

**(c) Fees and commission**

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

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

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

**(d) Net trading losses**

Net trading losses includes gains and losses arising from disposals of financial assets at fair value through profit or loss and derivative financial instruments held for trading purpose.

**(e) Dividends**

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of other income based on the underlying classification of the equity investment.

**(f) Lease payments made**

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

**(g) Income taxes**

Tax charge (benefit) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

**1. Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4. Significant accounting policies (Cont'd)**

**(g) Income taxes (Cont'd)**

**2. Deferred tax**

Deferred tax is fully provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

The principal temporary differences arise from revaluation of certain financial instruments, including securities and derivatives, insurance reserves and provisions for pensions and other post retirement benefits.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that, in the management's judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax relating to items which are recognized in other comprehensive income is also recognized in other comprehensive income. Such deferred tax is subsequently recognized in the income statement together with the deferred gain or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

**(h) Financial assets and financial liabilities at fair value through profit and loss**

This category has the following two sub-categories:

- Trading and
- Financial assets and liabilities designated at fair value through profit or loss.

**Trading**

The trading category includes securities, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are included in a portfolio in which a pattern of short-term profit making exists, and derivatives unless they are designated as and are effective hedging instruments.

Trading securities may also include securities sold under sale and repurchase agreements.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4. Significant accounting policies (Cont'd)**

**(h) Financial assets and liabilities designated at fair value through profit or loss (Cont'd)**

The Group designates at initial recognition certain financial assets or liabilities as at fair value through profit or loss when a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel, for example the Board of Directors and Chief Executive Officer. The fair value designation, once made, is irrevocable.

**Measurement**

Financial assets and liabilities at fair value through profit or loss (both trading and designated) are initially recognized at fair value and subsequently re-measured at fair value.

Gains and losses realised on disposal or redemption and unrealised gains and losses from changes in the fair value are included in Net trading income and results from investment securities.

Dividend income is recognized in the income statement when the right to receive payment is established. This is the ex-dividend date for equity securities and is separately reported and included in dividend income.

The amount of change during the period, and cumulatively, in the fair values of designated loans and advances to customers that is attributable to changes in their credit risk is determined as the amount of change in the fair value that is not attributable to changes in market conditions that give rise to market risk.

**(i) Available for sale investments**

Available for sale investments are initially recognized at fair value (including transaction costs) and subsequent to initial recognition are measured at fair value. Unquoted equity instruments whose fair value cannot be reliably estimated are carried at cost. Unrealised gains and losses arising from changes in the fair value of available for sale investment securities are reported in other comprehensive income, net of taxes (where applicable), until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired.

Available for sale investment securities may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. When an available for sale investment security is disposed of or impaired, the accumulated unrealised gain or loss included in other comprehensive income is transferred to the income statement for the period and reported as gains / losses from investment securities.

**Impairment:** The Group assesses at each reporting date whether there is objective evidence that an available for sale investment security or a group of such securities is impaired.

Particularly for equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement) is removed from other comprehensive income and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

**Interest earned** while holding investment securities is reported as interest income.

**Dividend income** is recognized when the right to receive payment is established (the ex-dividend date) for equity securities and is separately reported and included in dividend income.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4. Significant accounting policies (Cont’d)**

**(j) Loans and advances to customers**

Loans and advances to customers include loans and advances originated by the Group, where money is provided directly to the borrower.

Loans originated by the Group are recognized when cash is advanced to borrowers. Loans and advances to customers are initially recorded at fair value, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate of the loan, and are subsequently measured at amortized cost using the effective interest rate method, unless they are designated as at “fair value through profit or loss”.

**(k) Impairment losses on loans and advances to customers**

The Group assesses at each reporting date whether there is objective evidence that a loan, or a group of loans is impaired.

A loan (or group of loans) is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (“loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the loan (or group of loans) that can be reliably estimated.

An allowance for impairment is established if there is objective evidence that the Group will be unable to collect all amounts due according to the original contractual terms.

Objective evidence that a loan (or group of loans) is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (a) Significant financial difficulty of the issuer or obligor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- (c) The Group granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the lender would not otherwise consider;
- (d) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (e) The disappearance of an active market for that financial asset because of financial difficulties; or
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - i. adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
  - ii. national or local economic conditions that correlate with defaults on the assets in the group.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4. Significant accounting policies (Cont'd)**

**(k) Impairment losses on loans and advances to customers (Cont'd)**

The impairment loss is reported through the use of an allowance account on the statement of financial position. Additions to impairment losses are made through impairment losses on loans and advances to customers, finance lease receivables and factoring receivables in the income statement.

The Group assesses whether objective evidence of impairment exists individually for loans that are considered individually significant and individually or collectively for loans that are not considered individually significant.

If there is objective evidence that an impairment loss on loans and advances to customers carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at a) the loan's original effective interest rate, if the loan bears a fixed interest rate, or b) current effective interest rate, if the loan bears a variable interest rate.

The calculation of the present value of the estimated future cash flows of a collateralized loan reflects the cash flows that may result from obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Loans and advances to customers are grouped based on days in arrears or product type. Those characteristics are relevant to the estimation of future cash flows for pools of loans by being indicative of the debtors' ability to pay all amounts due and together with historical loss experience for loans with credit risk characteristics similar to those in the pool form the foundation of the loan loss allowance computation. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects and conditions in the historical period that do not currently exist.

The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in impairment losses on loans and advances to customers, finance lease receivables and factoring receivables in the income statement.

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

**(l) Sale and repurchase agreements**

The Group enters into sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to repurchase agreements ('repos'), continue to be recognized on the statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of. The counterparty liability for amounts received under these agreements is included within securities sold under agreements to repurchase in due to other banks or customer deposits, as appropriate. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements using effective interest method.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4. Significant accounting policies (Cont'd)**

**(l) Sale and repurchase agreements (Cont'd)**

Securities purchased with a corresponding commitment to resell at a fixed rate at a specified future date ('reverse repos') are not recognized on the statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in due from banks. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using effective interest method.

**(m) Securities borrowing and lending**

Securities borrowed and securities lent are recorded at the amount of cash collateral advanced or received, plus accrued interest. Securities borrowed and securities received as collateral under securities lending transactions are not recognized in the financial statements unless control of the contractual rights that comprise these securities transferred is gained or sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

Respectively, securities lent and securities provided as collateral under securities borrowing transactions are not derecognized from the financial statements unless control of the contractual rights that comprise these securities transferred is relinquished.

The Group monitors the market value of the securities borrowed and lent on a regular basis and provides or requests additional collateral in accordance with the underlying agreements. Fees and interest received or paid are recorded as interest income or interest expense, on an accrual basis.

**(n) Financial liabilities and equity**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest method, with interest expense recognized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4. Significant accounting policies (Cont'd)**

**(o) Derecognition**

**Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

**(p) Fair value of financial instruments**

The Group measures the fair value of its financial instruments based on a framework for measuring fair value that categorizes financial instruments based on a three-level hierarchy of the inputs to the valuation technique, as discussed below.

**Level 1:** Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

**Level 2:** Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data (for example derived from prices) for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, as well as debt securities without quoted prices; loans and advances to customers which are classified at fair value through profit or loss and certain derivative contracts whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes government and corporate debt securities with prices in markets that are not active and certain OTC derivative contracts.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4. Significant accounting policies (Cont’d)**

**(p) Fair value of financial instruments (Cont’d)**

**Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

**(q) Property and equipment**

The costs of property and equipment purchased before 31 December 2005 are restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29 – *Financial Reporting in Hyperinflationary Economies*. The property and equipment purchased after this date are recorded at their historical costs. Accordingly, property and equipment are carried at costs, less accumulated depreciation and impairment losses.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the year in the costs are incurred. Expenditures incurred that have resulted in an increase in the future economic benefits expected from the use of premises are capitalized as an additional cost of property and equipment. Depreciation is calculated over the estimated useful life of the asset as follows:

	Years
Buildings and land improvements	50
Machinery and equipment	5
Office equipment	5
Furniture, fixtures and vehicles	5
Leasehold improvements	shorter of the useful life of the asset or the lease term

The carrying values of property and equipment are reviewed for impairment annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

**(r) Intangible assets**

Intangible assets mainly comprise computer software.

The costs of the intangible assets purchased before 31 December 2005 are restated from the purchasing dates to 31 December 2005, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortized based on straight line amortization. Cost associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the IAS 36 – *Impairment of Assets* and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.



**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4. Significant accounting policies (Cont’d)**

**(s) Items held in trust**

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

**(t) Reserve for employee severance indemnity**

In accordance with existing social legislation, the Group is required to make lump-sum termination indemnity payments to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is predicated upon retirement pay ceiling announced by the Government. The ceiling amount at 31 December 2010 is TL 2,517 (full TL); at 31 December 2009 it was TL 2,365 (full TL).

In the accompanying consolidated financial statements, the Group has reflected a liability calculated using actuarial method and discounted by using the current market yield at the reporting date on government bonds, in accordance with IAS 19 – *Employee Benefits*. Actuarial gains and losses are recognized in profit or loss in the year they occur.

The principal actuarial assumptions used at 31 December 2010 and 2009 are as follows;

	<b>31 December 2010</b>	<b>31 December 2009</b>
Discount rate	4.66%	5.92%
Expected rate of salary/limit increase	5.10%	4.80%
Turnover rate to estimate the probability of retirement	21.74%	20.54%

**(u) Provisions**

A provision is recognized when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in provision reflecting the passage of time is recognized as interest expense.

**(v) Financial guarantee contracts**

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

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

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**4. Significant accounting policies (Cont'd)**

**(w) Earnings per share**

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

**(x) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

**5. Operating segments**

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Board of Directors reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

**Investment banking**

Includes the Group's trading and corporate finance activities.

**Corporate and commercial banking**

Includes loans, deposits and other transactions and balances with corporate customers.

**Retail banking**

Includes loans, deposits and other transactions and balances with retail customers.

**Treasury**

Undertakes the Group's funding and centralized risk management activities through borrowings, issues of debt securities and investing in liquid assets such as short-term placements and corporate and government debt securities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**5. Operating segments (Cont'd)**

**Information about operating segments**

31 December 2010	Corporate and Commercial				Investment Banking	Others	Consolidated
	Retail Banking	Banking	Treasury	Banking			
Net interests, fees, and commissions income	82,462	212,502	45,286	17,511	142	357,903	
Other operating income and expenses, net	(42,712)	(110,068)	(23,457)	(9,070)	(74)	(185,381)	
<b>Profit before taxes</b>	<b>39,750</b>	<b>102,434</b>	<b>21,829</b>	<b>8,441</b>	<b>68</b>	<b>172,522</b>	
<b>31 December 2010</b>							
Segment assets	958,141	2,437,548	1,723,856	52,743	44,910	5,217,198	
<b>Total assets</b>	<b>958,141</b>	<b>2,437,548</b>	<b>1,723,856</b>	<b>52,743</b>	<b>44,910</b>	<b>5,217,198</b>	
Segment liabilities	771,775	1,966,447	1,405,996	37,128	209,982	4,391,328	
Equity and non-controlling interest	-	-	-	-	825,870	825,870	
<b>Total liabilities and equity</b>	<b>771,775</b>	<b>1,966,447</b>	<b>1,405,996</b>	<b>37,128</b>	<b>1,035,852</b>	<b>5,217,198</b>	
<b>Other Segment Assets:</b>							
Capital expenditure	3,886	10,290	303	32	-	14,511	
Depreciation and amortization expenses	1,315	3,013	1,882	65	35	6,310	
Other non-cash income/expense	10,004	19,252	5,826	551	(10)	35,623	

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**5. Operating segments (Cont'd)**

**Information about operating segments (Cont'd)**

31 December 2009	Corporate and Commercial				Investment Banking	Others	Consolidated
	Retail Banking	Banking	Treasury	Banking			
Net interests, fees, and commissions income	61,539	231,915	53,971	16,688	2,858	366,971	
Other operating income and expenses, net	(32,295)	(114,447)	(27,614)	(9,043)	(1,327)	(184,726)	
<b>Profit before taxes</b>	<b>29,244</b>	<b>117,468</b>	<b>26,357</b>	<b>7,645</b>	<b>1,531</b>	<b>182,245</b>	
<b>Corporate and Commercial</b>							
31 December 2009	Retail Banking	Banking	Treasury	Investment Banking	Others	Consolidated	
Segment assets	556,329	2,402,999	1,549,468	17,553	42,395	4,568,744	
<b>Total assets</b>	<b>556,329</b>	<b>2,402,999</b>	<b>1,549,468</b>	<b>17,553</b>	<b>42,395</b>	<b>4,568,744</b>	
Segment liabilities	472,687	2,056,312	1,334,744	8,874	6,550	3,879,167	
Equity and non-controlling interest	-	-	-	-	689,577	689,577	
<b>Total Liabilities and Equity</b>	<b>472,687</b>	<b>2,056,312</b>	<b>1,334,744</b>	<b>8,874</b>	<b>6,550</b>	<b>4,568,744</b>	
<b>Other Segment Assets:</b>							
Capital expenditure	1,059	3,682	2,321	48	84	7,194	
Depreciation and amortization expenses	965	3,410	2,113	18	341	6,847	
Other non-cash income/expense	11,129	40,060	26,191	209	41	77,630	

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**6. Cash and cash equivalents**

	31 December 2010	31 December 2009
Cash on hand	23,075	22,076
Reserve deposits at the Central Bank	104,017	80,241
Balances with the Central Bank	225,599	148,793
<b>Cash and balances with the Central Bank</b>	<b>352,691</b>	<b>251,110</b>
Deposits with banks and other financial institutions	201,090	240,948
Receivables from reverse repurchase agreement	15,430	-
<b>Total cash and cash equivalents in the consolidated statement of financial position</b>	<b>569,211</b>	<b>492,058</b>
Reserve deposit at the Central Bank	(104,017)	(80,241)
Blocked deposits with banks and other financial institutions	(78,106)	(31,703)
Interest accruals on cash and cash equivalents	(343)	(326)
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b>386,745</b>	<b>379,788</b>

As at 31 December 2010, deposits with banks amounted to TL 78,106 (31 December 2009: TL 31,703) are blocked at financial institutions for the interest rate swaps and credit default swaps entered into by the Group.

As at 31 December 2010 and 2009, interest range of deposits and placements are as follows:

	31 December 2010				31 December 2009			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Balances with the Central Bank	171,608	181,082	-	-	118,634	132,476	5.20	-
Deposits with banks and other financial institutions	988	200,102	-	0.19-1.50	385	240,563	6.50-7.82	0.15-2.00
Receivables from reverse repurchase agreements	-	15,430	-	0.45	-	-	-	-
<b>Total</b>	<b>172,596</b>	<b>396,614</b>			<b>119,019</b>	<b>373,039</b>		

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**7. Financial assets at fair value through profit or loss**

	31 December 2010		31 December 2009	
	Carrying value	Effective Interest Rate (%)	Carrying value	Effective Interest Rate (%)
<b>Debt instruments:</b>				
Eurobonds issued by the Turkish Government	91,681	4.29-9.00	31,016	4.58-9.00
Government bonds in TL	3,162	2.05-10.84	133,807	5.68-19.18
Treasury bills in TL	-	-	5,025	7.03
Equity securities	720		873	
<b>Total financial assets at fair value through profit or loss</b>	<b>95,563</b>		<b>170,721</b>	

Debt instrument is given as collateral under repurchase agreements:

	31 December 2010	31 December 2009
Deposited at financial institutions for repurchase transactions	80,542	9,893

As at 31 December 2010, carrying values of underlying financial assets at fair value through profit or loss collateralized against repurchase agreements were amounted to TL 80,542 (31 December 2009: 9,893).

	31 December 2010	31 December 2009
Equity securities	-	-
Government bonds	-	33,061
Other	-	-
<b>Total</b>	<b>-</b>	<b>33,061</b>

As at 31 December 2009, the carrying and the nominal values of government securities kept at Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Takasbank - Istanbul Stock Exchange Clearing and Custody Incorporation) and in Capital Markets Board of Turkey for legal requirements and as a guarantee for stock exchange and money market operations are amounting to TL 33,061 and TL 32,114 respectively.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**8. Derivative financial assets / liabilities held for trading purpose**

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 of the Group mainly include foreign currency forwards, cross currency interest rate swaps, foreign currency options, and credit default 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. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments is calculated by using forward exchange rates at the reporting date and option pricing models. 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.

	31 December 2010								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	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 financial instruments 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	-	-	-	-
<b>Total</b>	<b>29,354</b>	<b>84,743</b>	<b>3,929,011</b>	<b>3,582,674</b>	<b>18,238</b>	<b>2,200</b>	<b>-</b>	<b>76,744</b>	<b>249,155</b>

	31 December 2009								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	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 financial instruments 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	-	-	-	-
<b>Total</b>	<b>32,325</b>	<b>62,850</b>	<b>3,475,477</b>	<b>3,049,699</b>	<b>33,037</b>	<b>659</b>	<b>1,316</b>	<b>38,585</b>	<b>352,181</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**9. Investment securities**

As at 31 December 2010 and 2009, investment securities classified as held-to maturity comprised of the following:

	31 December 2010		31 December 2009	
	Amount	Effective Interest rate (%)	Amount	Effective Interest rate (%)
<i>Debt instruments:</i>				
Turkish government bonds	220,353	11.72-14.35	313,304	8.66-20.57
Eurobonds issued by the Turkish Government	439,097	6.50-7.69	356,642	7.40-7.46
Foreign currency denominated corporate bonds	90,106	1.01-7.60	44,347	7.60
<b>Total held to maturity securities</b>	<b>749,556</b>		<b>714,293</b>	

Carrying value of held-to-maturity debt securities given as collateral under repurchase agreements and for other banking transactions under the normal course of the banking operations are as follows:

	31 December 2010	31 December 2009
Deposited at financial institutions for repurchase transactions	471,622	353,353
Other collaterals	132,987	136,481
<b>Total</b>	<b>604,609</b>	<b>489,834</b>

As at 31 December 2010, carrying values of underlying financial assets classified as held-to-maturity investments collateralized against repurchase agreements were amounted to TL 471,622 (31 December 2009: TL 353,353).

As at 31 December 2010, the carrying and the nominal values of the securities issued by the Turkish Government kept at the Central Bank of Turkey, 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 amounted to TL 54,412 and TL 51,190 (31 December 2009: TL 95,703 and TL 90,190); respectively.

As at 31 December 2010, carrying values and nominal values of held to maturity securities kept at De Nederlandsche Bank (Dutch Central Bank) as reserve requirement against the Group’s foreign operations in the Netherlands are amounted to TL 78,575 and TL 86,025 (31 December 2009: TL 40,778 and TL 47,047); respectively.



**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**10. Loans and receivables**

	31 December 2010						
	Amount				Effective Interest Rate (%)		
	TL	FC	FC Indexed	Total	TL	FC	FC Indexed
Corporate loans	1,906,443	655,555	228,986	2,790,984	6.50-34.00	2.03-12.50	3.20-13.00
Consumer loans	546,174	-	97,801	643,975	5.76-33.00	-	4.44-12.00
Credit cards	54,291	40	-	54,331	29.28	-	-
Factoring receivables	149,748	-	-	149,748	8.69-38.00	-	-
<b>Total performing loans</b>	<b>2,656,656</b>	<b>655,595</b>	<b>326,787</b>	<b>3,639,038</b>			
Non-performing loans				91,405			
Allowance for:							
Individually impaired loans				(56,386)			
Collectively impaired loans				(20,670)			
<b>Loans and receivables, net</b>				<b>3,653,387</b>			

	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	-	-
<b>Total performing loans</b>	<b>2,054,782</b>	<b>688,597</b>	<b>307,244</b>	<b>3,050,623</b>			
Non-performing loans				85,598			
Allowance for:							
Individually impaired loans				(50,804)			
Collectively impaired loans				(19,473)			
<b>Loans and receivables, net</b>				<b>3,065,944</b>			

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:

	31 December 2010	31 December 2009
Reserve at beginning of the year	70,277	42,370
Provision for possible loan losses	23,312	44,992
Recoveries	(16,533)	(11,779)
<b>Provision, net of recoveries</b>	<b>77,056</b>	<b>33,213</b>
Loans written off during the year	-	(5,306)
<b>Reserve at end of the year</b>	<b>77,056</b>	<b>70,277</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**11. Factoring receivables**

As at 31 December 2010 and 2009 short-term and long-term factoring receivables are as follows:

	31 December 2010	31 December 2009
Short-term	141,718	126,847
Long-term	8,030	16,805
<b>Total</b>	<b>149,748</b>	<b>143,652</b>

**12. Property and equipment**

Movements of tangible assets as at and for the year ended 31 December 2010 and 2009 are as follows:

	1 January 2010	Additions	Disposals	31 December 2010
<i>Cost:</i>				
Buildings	4,742	-	(943)	3,799
Motor vehicles	6,654	4,326	(2,364)	8,616
Furniture, office equipment and leasehold improvements	61,801	4,380	(2,206)	63,975
	<b>73,197</b>	<b>8,706</b>	<b>(5,513)</b>	<b>76,390</b>
<i>Accumulated Depreciation:</i>				
Buildings	1,156	76	(224)	1,008
Motor vehicles	4,387	804	(2,148)	3,043
Furniture, office equipment and leasehold improvements	49,090	4,155	(986)	52,259
	<b>54,633</b>	<b>5,035</b>	<b>(3,358)</b>	<b>56,310</b>
<b>Net Book Value</b>	<b>18,564</b>			<b>20,080</b>
<hr/>				
	1 January 2009	Additions	Disposals	31 December 2009
<i>Cost:</i>				
Buildings	4,742	-	-	4,742
Motor vehicles	6,021	680	(47)	6,654
Furniture, office equipment and leasehold improvements	57,147	5,776	(1,122)	61,801
	<b>67,910</b>	<b>6,456</b>	<b>(1,169)</b>	<b>73,197</b>
<i>Accumulated Depreciation:</i>				
Buildings	1,064	92	-	1,156
Motor vehicles	3,599	788	-	4,387
Furniture, office equipment and leasehold improvements	45,073	5,118	(1,101)	49,090
	<b>49,736</b>	<b>5,998</b>	<b>(1,101)</b>	<b>54,663</b>
<b>Net Book Value</b>	<b>18,174</b>			<b>18,564</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**13. Intangible assets**

Movements of intangible assets as at and for the year ended 31 December 2010 and 2009 are as follows:

	1 January 2010	Additions	Disposals	31 December 2010
<i>Cost:</i>				
Software	11,471	431	-	11,902
Other intangibles	1,356	-	-	1,356
	<b>12,827</b>	<b>431</b>	<b>-</b>	<b>13,258</b>
<i>Accumulated Amortization :</i>				
Software	9,755	685	-	10,440
Other intangibles	1,396	-	-	1,396
	<b>11,151</b>	<b>685</b>	<b>-</b>	<b>11,836</b>
<b>Net Book Value</b>	<b>1,676</b>			<b>1,422</b>

	1 January 2009	Additions	Disposals	31 December 2009
<i>Cost:</i>				
Software	10,811	738	(78)	11,471
Other intangibles	1,356	-	-	1,356
	<b>12,167</b>	<b>738</b>	<b>78</b>	<b>12,827</b>
<i>Accumulated Amortization :</i>				
Software	9,069	706	(20)	9,755
Other intangibles	1,356	40	-	1,396
	<b>10,425</b>	<b>746</b>	<b>(20)</b>	<b>11,151</b>
<b>Net Book Value</b>	<b>1,742</b>			<b>1,676</b>

**14. Other assets**

	31 December 2010	31 December 2009
Transfer cheques	68,818	53,421
Assets held for resale	9,543	5,998
Prepaid expenses	4,020	999
Advances given	84	96
Other	4,589	2,637
<b>Total</b>	<b>87,054</b>	<b>63,151</b>

As at 31 December 2010, TL 9,543 (31 December 2009: TL 5,998) of the other assets is comprised of foreclosed real estates acquired by the Bank against its impaired receivables.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**15. Deposits**

**Deposits from banks**

	31 December 2010				31 December 2009			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Demand	6	7	-	-	21	17	-	-
Time	39,438	38,033	7.25-8.85	1.00-2.75	30,017	50,363	6.50-7.82	0.15-2.25
<b>Total</b>	<b>39,444</b>	<b>38,040</b>			<b>30,038</b>	<b>50,380</b>		

**Deposits from customers**

	31 December 2010				31 December 2009			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
<i>Saving:</i>								
Demand	42,263	336,596	-	-	27,603	348,271	-	-
Time	1,138,247	823,572	5.00-10.50	0.25-5.25	1,051,078	932,276	7.50-10.75	0.25-5.25
	<b>1,180,510</b>	<b>1,160,168</b>			<b>1,078,681</b>	<b>1,280,547</b>		
<i>Commercial and other deposits:</i>								
Demand	178,299	87,162	-	-	131,216	61,480	-	-
Time	249,509	253,402	5.00-9.50	0.25-4.00	163,839	212,912	7.50-10.75	0.25-5.25
	<b>427,808</b>	<b>340,564</b>			<b>295,055</b>	<b>274,392</b>		
<b>Total</b>	<b>1,608,318</b>	<b>1,500,732</b>			<b>1,373,736</b>	<b>1,554,939</b>		

**Other money market deposits**

	31 December 2010				31 December 2009			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
<i>Obligations under repurchase agreements:</i>								
Due to banks	31,007	498,924	7.15	1.06-2.65	103,963	219,145	6.50-6.70	1.35-1.48
<i>Interbank money market placements</i>								
Due to banks	-	-	-	-	-	15,063	-	0.50
<b>Total</b>	<b>31,007</b>	<b>498,924</b>			<b>103,963</b>	<b>234,208</b>		

As at 31 December 2010, carrying values of underlying financial assets at fair value through profit or loss collateralized against repurchase agreements are amounted to 80,542 TL (31 December 2009: 9,893) and carrying values of underlying financial assets classified as held-to-maturity investments collateralized against repurchase agreements are amounted to TL 471,622 (31 December 2009: 353,353TL).

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**16. Funds borrowed**

	31 December 2010				31 December 2009			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Short-term (*)	117,060	228,743	6.25-8.75	0.60-4.14	102,435	215,233	7.00-13.00	1.95-5.76
Medium/long term	143	33,909	8.41	2.46-4.33	-	9,120	-	0.68-2.54
<b>Total</b>	<b>117,203</b>	<b>262,652</b>			<b>102,435</b>	<b>224,353</b>		

(\*) Borrowings are presented considering their original maturities.

Repayment plans of medium/long term borrowings are as follows:

	31 December 2010	31 December 2009
2010	-	9,120
2011	33,488	-
2012	564	-
<b>Total</b>	<b>34,052</b>	<b>9,120</b>

**17. Other liabilities and provisions**

	31 December 2010	31 December 2009
Transfer orders	113,089	78,909
Collections from security cheques	28,019	16,247
Other various provisions	12,409	11,246
Payables due from credit cards	12,253	7,814
Taxes other than on income	9,511	9,456
Reserve for employee severance indemnity and liability for unused vacations	7,146	5,434
Factoring payables	1,784	1,218
Other	19,016	7,408
<b>Total</b>	<b>203,227</b>	<b>137,732</b>

As at 31 December 2010 and 2009, other various provisions are as follows:

	31 December 2010	31 December 2009
Provision for personnel bonuses	6,275	5,250
Provisions for law suits against the Group	2,447	1,906
Provisions for non-cash loans that are not indemnified or converted into cash	1,010	606
Provisions for credit card promotions	809	452
Provision for disabled employee working obligation	200	423
Other various provisions	1,668	2,609
<b>Total</b>	<b>12,409</b>	<b>11,246</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**  
(Amounts are expressed in thousand of Turkish Lira (“TL”) unless otherwise indicated.)

**18. Income taxes payable**

Major components of income tax expense:

	31 December 2010	31 December 2009
<i>Current income taxes:</i>		
Current income tax charge	(38,178)	(51,412)
<i>Deferred taxes:</i>		
Relating to origination and reversal of temporary differences	3,125	14,862
<b>Income tax expense</b>	<b>(35,053)</b>	<b>(36,550)</b>

The current income tax charges and prepaid taxes are detailed below:

	31 December 2010	31 December 2009
Current income tax charge	38,178	51,412
Prepaid taxes	(31,140)	(46,879)
<b>Income taxes payable</b>	<b>7,038</b>	<b>4,533</b>

As at 31 December 2010 and 2009, deferred tax assets and liabilities are as follows:

	31 December 2010		31 December 2009	
	Deferred tax Assets/ (Liabilities)		Deferred tax Assets/ (Liabilities)	
<i>Deferred taxes:</i>	<b>Asset</b>	<b>Liability</b>	<b>Asset</b>	<b>Liability</b>
Valuation difference of derivative financial instruments	9,603	-	6,026	-
Differences in the measurement of the debt securities	-	(1,290)	1,267	-
Performance premium accrual	1,255	-	1,065	-
Reserve for employee severance indemnity and liability for unused vacation	1,386	-	1,050	-
Property and equipment and intangibles	79	-	-	(39)
Other	538	-	643	-
<b>Total deferred tax assets/(liabilities)</b>	<b>12,861</b>	<b>(1,290)</b>	<b>10,051</b>	<b>(39)</b>
Offsetting	(1,290)	1,290	(39)	39
<b>Deferred tax assets/(liabilities)</b>	<b>11,571</b>	<b>-</b>	<b>10,012</b>	<b>-</b>

	2010	2009
Deferred tax asset / (liability) at January 1	10,012	(3,665)
Deferred tax recognized in income statement	3,125	14,862
Deferred tax recognized in equity	(463)	(428)
Expense due to prior year paid current	(1,103)	(757)
<b>Deferred tax asset / (liability) at December 31</b>	<b>11,571</b>	<b>10,012</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**18. Income taxes payable (Cont'd)**

A reconciliation of income tax expense applicable to profit from operating activities before income taxes at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 December 2010 and 2009 were as follows:

	31 December 2010	31 December 2009
<b>Net profit from ordinary activities before income taxes and non-controlling interest</b>	<b>172,522</b>	<b>182,245</b>
Taxes on income per statutory tax rate	34,504	36,449
Disallowable expenses	128	386
Effect of income not subject to tax	(8)	(29)
Other	429	(256)
<b>Income tax expense</b>	<b>35,053</b>	<b>36,550</b>

**19. Equity**

**Share capital**

	31 December 2010	31 December 2009
<b>Number of common shares, TL 0.01 (in full TL), par value</b>		
Authorized, issued and outstanding 60,000 millions;	600,000	409,500

As at 31 December 2010 and 2009, the authorized nominal share capital of the Bank amounted to TL 600,000 and TL 409,500 thousands.

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

	31 December 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
<b>Nominal value</b>	<b>600,000</b>	<b>100.00</b>	<b>409,500</b>	<b>100.00</b>
Restatement effect per IAS 29	2,619		2,619	
<b>Total</b>	<b>602,619</b>		<b>412,119</b>	

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**19. Equity (Cont'd)**

**Other reserves**

Other reserves comprised of the legal reserves which is amounted to TL 21,609.

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. As at 31 December 2010, the Group's legal reserves were amounted to TL 21,609 (31 December 2009: TL 15,577).

**Non-controlling interest**

As at 31 December 2010 net non-controlling interest amounts to TL 1,853 (31 December 2009: TL 1,611). Non-controlling interest is detailed as follows:

	31 December 2010	31 December 2009
Capital and other reserves	1,385	981
Retained earnings	224	404
Profit for the year	244	226
<b>Total</b>	<b>1,853</b>	<b>1,611</b>

**Fair value reserve of available-for-sale financial assets**

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

	31 December 2010	31 December 2009
Balance at the beginning of the year	(4,234)	(5,946)
Net losses transferred to profit or loss on amortization	2,315	2,140
Related deferred taxes	(463)	(428)
<b>Balance at the end of the year</b>	<b>(2,382)</b>	<b>(4,234)</b>

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 loss of TL 12,931 net off deferred taxes at the transfer date that has been recognized directly in equity has been accounted to be amortized to profit or loss over the remaining life of the transferred securities using the effective interest method. As at 31 December 2010, such losses recognized under equity amounted to TL 2,382 (31 December 2009: TL 4,234).

**20. 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 AŞ which owns 69.98% (31 December 2009: 69.98%) of ordinary shares, and included in Habaş Group of companies. For the purpose of these consolidated financial statements, 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.



**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**20. Related parties (Cont'd)**

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

**Outstanding balances**

	31 December 2010	31 December 2009
Cash loans	9,604	40,429
Non-cash loans	21,198	57,525
Deposits taken	35,544	37,916

**Transactions**

	31 December 2010	31 December 2009
Interest income	5,536	5,398
Interest expense	582	683
Other operating income	1,129	1,838
Other operating expense	2,424	1,666
Profit/(Loss) from derivatives	-	23

**Directors' Remuneration**

As at and for the year ended 31 December 2010, the key management and the members of the Board of Directors received remuneration and fees amounted to TL 8,904 (31 December 2009: TL 7,658).

**21. Interest income / expense**

	12 month period ended December 31,	
	2010	2009
Interest on loans and receivables	395,326	421,100
Interest on marketable securities	85,488	98,795
<i>Financial assets at FVTPL</i>	18,681	21,506
<i>Held to maturity</i>	66,807	77,289
Interest on deposits with banks and other financial institutions	3,493	5,774
Interest on other money market placements	4	931
Other interest income	2,168	1,973
<b>Total interest income</b>	<b>486,479</b>	<b>528,573</b>

	12 month period ended December 31,	
	2010	2009
Interest on deposits	154,651	177,321
Interest on other money market deposits	25,127	28,966
Interest on funds borrowed	14,887	20,035
Other interest expense	94	348
<b>Total interest expense</b>	<b>194,759</b>	<b>226,670</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**22. Fees and commissions income / expense**

	12 month period ended December 31,	
	2010	2009
From non cash loans	12,319	11,172
Other	62,515	65,726
<i>From cash loans</i>	14,796	18,175
<i>From individual loan application</i>	9,169	9,181
<i>From fund commissions</i>	6,809	5,762
<i>Other</i>	31,741	32,608
<b>Fees and commissions income</b>	<b>74,834</b>	<b>76,898</b>

	12 month period ended December 31,	
	2010	2009
ATM commissions	2,168	1,414
Credit card commissions	3,451	2,474
Non cash loan commissions	50	983
Other	2,982	6,971
<b>Fees and commissions expense</b>	<b>8,651</b>	<b>11,842</b>

**23. Other operating income / expense**

	12 month period ended December 31,	
	2010	2009
Trading income, due from marketable securities	40,125	10,716
Foreign exchange gains, net	26,165	-
Other income	8,848	9,371
<b>Other operating income</b>	<b>75,138</b>	<b>20,087</b>

**Other operating expense**

	12 month period ended December 31,	
	2010	2009
Salaries and employee benefits (Note:24)	119,615	103,053
Trading losses, due from derivatives	72,328	2,106
Foreign exchange loss, net	-	8,716
Provision for possible loan losses, net of recoveries	7,752	34,243
Depreciation amortization	6,310	6,847
Taxes other than on income	9,905	7,519
Other expenses (Note:25)	44,609	42,317
<b>Other operating expense</b>	<b>260,519</b>	<b>204,801</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**24. Salaries and employee benefits**

	<b>12 month period ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
<i>Staff costs:</i>		
Wages and salaries	91,917	80,910
Cost of defined contribution plan (employer's share of social security premiums)	10,761	10,225
Other fringe benefits	15,333	10,775
Provision for employee termination benefits and liability for unused vacations	1,604	1,143
<b>Total</b>	<b>119,615</b>	<b>103,053</b>

The average number of employees during the year is:

	<b>12 month period ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
The Bank	1,834	1,851
Subsidiaries	77	73
<b>Total</b>	<b>1,911</b>	<b>1,924</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**25. Other expenses**

	<b>12 month period ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
Operating lease charges	13,068	11,811
Communication expenses	5,669	4,791
Saving deposit insurance fund premium	2,586	2,447
Transportation expenses	1,473	2,933
Maintenance expenses	1,391	1,198
Other provisions	676	2,338
Hosting cost	1,756	1,577
Energy costs	3,891	1,922
Cleaning service expense	2,076	1,718
Advertising expenses	713	973
Office supplies	52	953
POS service expenses	673	951
Expertise expenses	1,409	852
Chartered accountants	135	718
BRSA participation fee	955	606
Credit card service expense	285	295
Raw credit card expenses	42	124
Other	7,759	6,110
<b>Total</b>	<b>44,609</b>	<b>42,317</b>

**26. Commitment and contingencies**

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

	<b>31December 2010</b>	<b>31 December 2009</b>
Letters of guarantee	902,998	648,177
Letters of credit	146,589	158,056
Acceptance credits	7,414	1,511
Other guarantees	95,877	61,451
<b>Total non-cash loans</b>	<b>1,152,878</b>	<b>869,195</b>
Credit card limit commitments	143,784	107,340
Other commitments	289,858	295,547
<b>Total</b>	<b>1,586,520</b>	<b>1,272,082</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**26. 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 were 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.

USD Dollar 14,750,000 that was transferred to the account of a client of the Bank by Citibank N.A. was paid to the related company by the 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 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 TL 2,889 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 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.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management**

**(a) Introduction and overview**

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group has exposure to the following risks from its use of financial instruments:

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

*Risk management framework*

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the auditing committee. Consequently, the Risk Management Department, which carries out the risk management activities and works independently from executive activities, report directly to the Board of Directors.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The risks are measured with the internationally accepted methodologies in compliance with local and international regulations, the Bank's structure, policy and procedures. They are effectively managed and assessed in a continuously growing manner. At the same time, studies for compliance with the international banking applications, such as Basel II, are carried out.

In order to ensure the compliance with the rules altered pursuant to the Articles 23, 29 to 31 of the Banking Law No. 5411 and the Articles 36 to 42 of Regulation on Internal Systems within the Banks, dated 1 November 2006, the Bank revised the current written policies and implementation procedures regarding management of each risk encountered in its activities in February 2007.

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

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

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont'd)**

**(b) Credit risk**

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk is defined as the probability of loss if the customer or counterparty fails to meet its obligations partially or completely on the terms set. Credit risk is considered in depth covering the counterparty risks arising from not only from future or option contracts but also credit risks originating from the transactions in Banking Law.

**Exposure to credit risk**

	Loans and advances to customers		Other assets	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Individually impaired	90,678	84,922	727	676
Allowance for impairment	76,329	69,601	727	676
<b>Carrying amount</b>	<b>14,349</b>	<b>15,321</b>	-	-
Collectively impaired	-	-	-	-
Allowance for impairment	-	-	-	-
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Past due but not impaired	60,265	55,344	-	-
<b>Carrying amount</b>	<b>60,265</b>	<b>55,344</b>	-	-
Neither past due nor impaired	3,578,748	2,995,279	-	-
Loans with renegotiated terms	25	-	-	-
<b>Carrying amount</b>	<b>3,578,773</b>	<b>2,995,279</b>	-	-
<b>Total carrying amount</b>	<b>3,653,387</b>	<b>3,065,944</b>	-	-

**Impaired loans and receivables**

Impaired loans and receivables are loans and receivables for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. These loans are graded 3 to 5 in the Group's internal credit risk grading system.

**Past due but not impaired loans**

Loans and receivables where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

**Loans with renegotiated terms**

Loans with renegotiated terms are loans that have been restructured due to temporary deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont'd)**

**(b) Credit risk (Cont'd)**

**Write-off policy**

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure and the completion of the legal procedure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

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

31 December 2010	Cash loans		Other assets	
	Gross	Net	Gross	Net
Group 3 : Individually Impaired	7,015	2,988	-	-
Group 4 : Individually Impaired	4,800	2,543	-	-
Group 5 : Individually Impaired	78,863	8,818	727	-
<b>Total</b>	<b>90,678</b>	<b>14,349</b>	<b>727</b>	<b>-</b>

31 December 2009	Cash loans		Other assets	
	Gross	Net	Gross	Net
Group 3 : Individually Impaired	20,043	8,237	-	-
Group 4 : Individually Impaired	18,985	4,067	-	-
Group 5 : Individually Impaired	45,894	3,017	676	-
<b>Total</b>	<b>84,922</b>	<b>15,321</b>	<b>676</b>	<b>-</b>

**Collateral policy**

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2010 or 2009.

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

Cash loans	31 December 2010	31 December 2009
Secured loans:		
Secured by cash collateral	88,439	86,072
Secured by mortgages	874,159	661,012
Secured by government institutions or government securities	31,622	5,162
Guarantees issued by financial institutions	2,717	772
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	1,962,615	1,535,720
Unsecured loans	679,486	761,885
<b>Total performing loans and receivables</b>	<b>3,639,038</b>	<b>3,050,623</b>



**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont'd)**

**(b) Credit risk (Cont'd)**

<b>Non-cash loans</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
Secured loans:		
Secured by mortgages	19,723	23,952
Guarantees issued by financial institutions	49,713	42,893
Secured by cash collateral	234	1,949
Secured by government institutions or government securities	222	414
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	882,601	584,928
Unsecured loans	200,385	215,059
<b>Total non-cash loans</b>	<b>1,152,878</b>	<b>869,195</b>

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

	<b>31 December 2010</b>	<b>31 December 2009</b>
Mortgages	15,328	15,170
Pledge on automobile	2,103	2,269
Corporate and personal guarantees	317	627
<b>Total</b>	<b>17,748</b>	<b>18,066</b>

**Sectoral and geographical concentration of impaired loans**

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

	<b>31 December 2010</b>	<b>31 December 2009</b>
Construction	6,773	7,799
Food	9,132	8,489
Textile	9,494	6,280
Service sector	6,396	6,191
Durable consumption	958	2,907
Metal and metal products	4,065	2,772
Consumer loans	10,962	8,922
Agriculture and stockbreeding	3,167	2,002
Others	40,458	40,236
<b>Total non-performing loans and receivables</b>	<b>91,405</b>	<b>85,598</b>

	<b>31 December 2010</b>	<b>31 December 2009</b>
Turkey	91,242	85,419
United States of America	163	179
<b>Total non-performing loans and receivables</b>	<b>91,405</b>	<b>85,598</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont'd)**

**(b) Credit risk (Cont'd)**

**Sectoral break down of cash and non-cash loans**

	31 December 2010				31 December 2009			
	Cash	Cash (%)	Non-cash	Non-cash (%)	Cash	Cash (%)	Non-cash	Non-cash (%)
<b>Agriculture</b>	<b>178,411</b>	<b>4.88</b>	<b>28,893</b>	<b>2.51</b>	<b>129,744</b>	<b>4.23</b>	<b>16,585</b>	<b>1.91</b>
Farming and stockbreeding	162,249	4.44	25,974	2.25	112,691	3.68	14,762	1.70
Forestry	14,001	0.38	2,919	0.26	15,334	0.50	1,823	0.21
Fishing	2,161	0.06	-	-	1,719	0.06	-	-
<b>Industry</b>	<b>1,079,324</b>	<b>29.54</b>	<b>444,741</b>	<b>38.58</b>	<b>1,023,118</b>	<b>33.37</b>	<b>359,562</b>	<b>41.37</b>
Mining and quarrying	27,115	0.74	13,021	1.13	35,995	1.17	9,035	1.04
Manufacturing	1,045,219	28.61	413,982	35.91	976,037	31.83	280,806	32.31
Electricity, gas, water	6,990	0.19	17,738	1.54	11,086	0.36	69,721	8.02
<b>Construction</b>	<b>243,903</b>	<b>6.68</b>	<b>269,516</b>	<b>23.38</b>	<b>266,234</b>	<b>8.68</b>	<b>195,458</b>	<b>22.49</b>
<b>Services</b>	<b>1,240,863</b>	<b>33.97</b>	<b>395,915</b>	<b>34.34</b>	<b>1,011,987</b>	<b>33.01</b>	<b>279,305</b>	<b>32.13</b>
Wholesales and retail trade	435,390	11.92	165,693	14.37	301,050	9.82	136,801	15.74
Hotel and restaurant services	18,653	0.51	5,521	0.48	6,150	0.20	2,620	0.30
Transportation and communication	75,482	2.07	30,709	2.66	56,085	1.83	23,978	2.76
Financial institution	534,563	14.63	115,769	10.04	498,524	16.26	66,066	7.60
Real estate and rent services	5,421	0.15	1,124	0.09	2,334	0.08	38	0.01
Professional services	104,705	2.87	43,530	3.78	62,474	2.04	29,049	3.34
Educational services	3,085	0.08	645	0.06	4,464	0.15	484	0.05
Health and social services	63,564	1.74	32,924	2.86	80,906	2.64	20,269	2.33
<b>Consumer loans</b>	<b>643,975</b>	<b>17.63</b>	<b>-</b>	<b>-</b>	<b>504,303</b>	<b>16.45</b>	<b>-</b>	<b>-</b>
<b>Credit card</b>	<b>54,331</b>	<b>1.49</b>	<b>-</b>	<b>-</b>	<b>39,732</b>	<b>1.30</b>	<b>-</b>	<b>-</b>
<b>Others</b>	<b>212,580</b>	<b>5.81</b>	<b>13,813</b>	<b>1.19</b>	<b>90,826</b>	<b>2.96</b>	<b>18,285</b>	<b>2.10</b>
<b>Total</b>	<b>3,653,387</b>	<b>100.00</b>	<b>1,152,878</b>	<b>100.00</b>	<b>3,065,944</b>	<b>100.00</b>	<b>869,195</b>	<b>100.00</b>

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable.

*Management of liquidity risk*

The Bank management is very conservative on maintaining an acceptable level of immediately available funds on hand both in TL as well as in foreign currencies. The level that the Bank management feels comfortable is around 10% of the assets size. The Treasury department is responsible for keeping either cash on hand or liquid assets that could be exchanged into cash immediately by making use of instruments in financial markets in consideration of cash outflows within next two weeks.

To mitigate the liquidity risk, the Group diversifies funding sources and assets are managed with liquidity in mind, maintaining balance of cash and cash equivalents.

Within the risk management framework, the Treasury Department manages the liquidity position of the Bank and the liquidity ratios are monitored closely by the top management of the Bank. In order to manage the liquidity risk, Treasury Department receives information from other business departments and regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury Department maintains a portfolio of short-term liquid assets, short-term loans and placements to domestic and foreign banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont'd)**

**(c) Liquidity risk (Cont'd)**

The daily liquidity position is monitored by the Treasury Department prepared daily reports cover the liquidity position of both the Bank and its subsidiaries. All liquidity policies and procedures are subject to review and approval of ALCO.

**Exposure to liquidity risk**

The calculation method used to measure the banks compliance with the liquidity limit is set by BRSA. Noyember 2006, BRSA issued a new communiqué on the measurement of liquidity adequacy of the banks. This new legislation requires the banks to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities based on arithmetic average computations on a weekly and monthly basis effective from 1 June 2007.

*Residual contractual maturities of monetary liabilities*

<b>31 December 2010</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Deposits from banks	77,484	77,808	13	1,048	50,281	26,466	-	-
Deposits from customers	3,109,050	3,129,458	644,320	206,510	1,995,464	35,821	213,792	33,551
Interbank money market borrowings	-	-	-	-	-	-	-	-
Obligations under repurchase agreements	529,931	531,517	-	31,007	106,573	379,583	14,354	-
Funds borrowed	379,855	382,765	-	107,859	-	145,412	129,494	-
Other liabilities and provisions	203,227	203,227	19,555	174,161	9,511	-	-	-
<b>Total</b>	<b>4,299,547</b>	<b>4,324,775</b>	<b>663,888</b>	<b>520,585</b>	<b>2,161,829</b>	<b>587,282</b>	<b>357,640</b>	<b>33,551</b>

<b>31 December 2009</b>	<b>Carrying amount</b>	<b>Gross nominal outflow</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Deposits from banks	80,418	80,543	31	60,376	7,105	13,031	-	-
Deposits from customers	2,928,675	2,951,545	568,571	1,698,278	468,523	72,637	143,533	3
Interbank money market borrowings	15,063	15,064	-	15,064	-	-	-	-
Obligations under repurchase agreements	323,108	325,777	-	190,916	27,116	107,745	-	-
Funds borrowed	326,788	329,601	-	101,732	71,659	156,210	-	-
Other liabilities and provisions	120,833	120,833	78,909	31,973	9,456	495	-	-
<b>Total</b>	<b>3,794,885</b>	<b>3,823,363</b>	<b>647,511</b>	<b>2,098,339</b>	<b>583,859</b>	<b>350,118</b>	<b>143,533</b>	<b>3</b>

The previous table shows the undiscounted cash flows on the Group's monetary liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments vary significantly from this analysis.

**Financial guarantees**

<b>31 December 2010</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Non-cash loans	-	127,952	112,770	331,164	528,643	52,349	1,152,878

  

<b>31 December 2009</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Non-cash loans	-	758,283	11,207	44,140	27,420	28,145	869,195

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont'd)**

**(d) Market risk**

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**Management of market risk**

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury Department, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

**Exposure to market risk – trading portfolios**

The market risk arising from trading portfolio is monitored, measured and reported using Standardised Approach according to the legal legislation. The monthly market risk report and the weekly currency risk reports prepared using Standardised Approach are reported to BRSA.

The principal tool used to measure and control market risk exposure within the Bank’s trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 1-day holding period. The VaR model used is based mainly on Monte Carlo simulation. Taking account of market data from the previous 252 days, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios and stress tests for market price movements. The VaR model used is based on and Monte Carlo simulation with using with Nelson Siegel method for yield curve and GARCH method for volatility. The VaR analysis of the Bank are not reported outside and used only by the top management.

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

	31 December 2010			31 December 2009		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rates risk	10,386	20,824	3,530	6,198	7,526	3,792
Common share risk	59	85	42	2	2	2
Currency risk	3,238	5,440	669	2,713	4,007	1,874
Option risk	1,497	3,302	88	-	-	-
<b>Total value at risk (12.5 times)</b>	<b>189,750</b>	<b>370,638</b>	<b>54,113</b>	<b>111,413</b>	<b>144,188</b>	<b>70,850</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont'd)**

**(d) Market risk (Cont'd)**

**Exposure to interest rate risk – non-trading portfolios**

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

<b>31 December 2010</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1 -5 years</b>	<b>Over 5 year</b>	<b>Non- Interest</b>	<b>Carrying amount</b>
Cash and balances with the Central Bank	-	-	-	-	-	352,691	352,691
Deposits with banks and other financial institutions	168,463	-	-	-	-	32,627	201,090
Financial assets at fair value through profit and loss	286	103	1,949	81,492	11,258	475	95,563
Derivative financial assets held for trading purpose	29,310	-	44	-	-	-	29,354
Receivables from reverse repurchase transactions	15,430	-	-	-	-	-	15,430
Loans and receivables	1,577,390	198,015	720,611	866,547	276,475	14,349	3,653,387
Investment securities	241,627	46,929	8,197	3,654	449,149	-	749,556
Other assets	-	1,041	-	-	-	86,013	87,054
<b>Total assets</b>	<b>2,032,506</b>	<b>246,088</b>	<b>730,801</b>	<b>951,693</b>	<b>736,882</b>	<b>486,155</b>	<b>5,184,125</b>
Deposits from banks	33,521	29,557	14,393	-	-	13	77,484
Deposits from customers	1,843,131	717,897	84,535	112,010	-	351,477	3,109,050
Obligations under repurchase agreements and interbank money market borrowings	58,188	257,269	214,474	-	-	-	529,931
Funds borrowed	122,418	64,935	191,938	564	-	-	379,855
Derivative financial liabilities held for trading purposes	-	-	-	-	-	-	-
Other liabilities and provisions	-	-	-	-	-	203,227	203,227
Income taxes payable	-	-	-	-	-	7,038	7,038
<b>Total liabilities</b>	<b>2,057,258</b>	<b>1,069,658</b>	<b>505,340</b>	<b>112,574</b>	<b>-</b>	<b>561,755</b>	<b>4,306,585</b>
<b>Net</b>	<b>(24,752)</b>	<b>(823,570)</b>	<b>225,461</b>	<b>839,119</b>	<b>736,882</b>	<b>(75,600)</b>	<b>877,540</b>

  

<b>31 December 2009</b>	<b>Less than one month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1 -5 years</b>	<b>Over 5 year</b>	<b>Non- Interest</b>	<b>Carrying amount</b>
Cash and balances with the Central Bank	109,928	-	-	-	-	141,182	251,110
Deposits with banks and other financial institutions	215,408	-	-	-	-	25,540	240,948
Loans and receivables	1,428,185	166,220	596,998	619,726	240,271	14,544	3,065,944
Investment securities	21,329	9,642	102,706	223,973	356,643	-	714,293
Other assets	-	549	-	-	-	62,602	63,151
<b>Total assets</b>	<b>1,774,850</b>	<b>176,411</b>	<b>699,704</b>	<b>843,699</b>	<b>596,914</b>	<b>243,868</b>	<b>4,335,446</b>
Deposits from banks	60,353	7,078	12,949	-	-	38	80,418
Deposits from customers	1,698,733	792,354	173,038	554	-	263,996	2,928,675
Obligations under repurchase agreements	175,060	56,551	106,560	-	-	-	338,171
Funds borrowed	101,636	71,245	153,907	-	-	-	326,788
Other liabilities and provisions	1,088	1,519	-	-	-	135,125	137,732
Income taxes payable	-	-	-	-	-	4,533	4,533
<b>Total liabilities</b>	<b>2,036,870</b>	<b>928,747</b>	<b>446,454</b>	<b>554</b>	<b>-</b>	<b>403,692</b>	<b>3,816,317</b>
<b>Net</b>	<b>(262,020)</b>	<b>(752,336)</b>	<b>253,250</b>	<b>843,145</b>	<b>596,914</b>	<b>(159,824)</b>	<b>519,129</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont'd)**

**(d) Market risk (Cont'd)**

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

<b>31 December 2010</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Japanese Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Cash and balances with Central Bank	-	-	-	-
Loans and advances to banks	0.64	0.26	-	-
Loans and advances to customers	3.24	4.22	-	12.39
Investment securities	-	7.26	-	14.25
Deposits from banks	2.54	1.21	-	8.67
Deposits from customers	2.96	2.91	-	8.93
Obligations under repurchase agreements	-	1.24	-	7.15
Funds borrowed	3.26	2.28	-	7.56

  

<b>31 December 2009</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Japanese Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Cash and balances with Central Bank	-	-	-	5.20
Loans and advances to banks	0.34	0.19	-	-
Loans and advances to customers	3.55	3.88	5.05	14.11
Investment securities	-	7.52	-	14.67
Deposits from banks	-	0.15	2.00	7.03
Deposits from customers	3.06	2.63	1.69	9.52
Obligations under repurchase agreements	-	1.48	-	6.52
Funds borrowed	4.22	2.21	2.01	7.23

**Interest rate sensitivity of the trading and non-trading portfolios**

Interest rate sensitivity of the 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 and on the consolidated net interest income as at and for the year ended 31 December 2010, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2010. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 31 December 2009.

<b>31 December 2010</b>	<b>Profit or loss</b>		<b>Equity (*)</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>	<b>100 bp increase</b>	<b>100 bp decrease</b>
Financial assets at fair value through profit or loss	(5,332)	5,583	(5,332)	5,583
Floating rate financial assets	(2,977)	2,647	(2,977)	2,647
Floating rate financial liabilities	-	-	-	-
Derivative financial instruments	9,147	(9,801)	9,147	(9,801)
<b>Total, net</b>	<b>838</b>	<b>(1,571)</b>	<b>838</b>	<b>(1,571)</b>

<b>31 December 2009</b>	<b>Profit or loss</b>		<b>Equity (*)</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>	<b>100 bp increase</b>	<b>100 bp decrease</b>
Financial assets at fair value through profit or loss	(1,138)	1,187	(1,138)	1,187
Floating rate financial assets	11,274	(11,274)	11,274	(11,274)
Floating rate financial liabilities	(45)	45	(45)	45
Derivative financial instruments	9,117	(9,956)	9,117	(9,956)
<b>Total, net</b>	<b>19,208</b>	<b>(19,998)</b>	<b>19,208</b>	<b>(19,998)</b>

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

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont'd)**

**(d) Market risk (Cont'd)**

**Currency risk**

Currency risk arises when an entity's equity is under threat as a result of exchange rate fluctuations. Naturally, a bank doing business in multiple currencies would be exposed to currency risk unless these risks are properly hedged. Any sizeable transaction that would be causing currency risk is immediately hedged with a banking counterpart, or else smaller transactions are gathered until they form a sizeable amount for hedging.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in profit or loss except for foreign exchange gain/loss arising from the conversion of the net investments in subsidiaries in foreign countries into TL.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limit on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to foreign currency exchange rate risk at 31 December 2010, on the basis of the Group's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table.

<b>As at 31 December 2010</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Japanese Yen</b>	<b>Others</b>	<b>Total</b>
<b>Assets:</b>					
Cash and balances with the Central Bank	175,832	4,297	179	774	181,082
Deposits with banks and other financial institutions	127,977	69,679	201	2,245	200,102
Receivables from reverse repo transactions	15,430	-	-	-	15,430
Financial assets at fair value through profit or loss	80,718	10,963	-	-	91,681
Investment securities	458,394	70,809	-	-	529,203
Loans and receivables	388,051	442,912	132,637	18,782	982,382
Other assets	191	3,651	-	-	3,842
<b>Total assets</b>	<b>1,246,593</b>	<b>602,311</b>	<b>133,017</b>	<b>21,801</b>	<b>2,003,722</b>
<b>Liabilities:</b>					
Deposits from other banks	5,577	32,464	-	-	38,041
Deposits from customers	728,508	766,938	114	5,172	1,500,732
Other money market deposits	444,481	54,443	-	-	498,924
Funds borrowed	226,141	36,511	-	-	262,652
Other liabilities and provisions	7,977	1,596	-	2	9,575
<b>Total liabilities</b>	<b>1,412,684</b>	<b>891,952</b>	<b>114</b>	<b>5,174</b>	<b>2,309,924</b>
<b>Position on the consolidated statement of financial position</b>	<b>(166,091)</b>	<b>(289,641)</b>	<b>132,903</b>	<b>16,627</b>	<b>(306,202)</b>
<b>Off-balance sheet position:</b>					
Net notional amount of derivatives	95,951	323,129	(132,673)	(9,932)	276,475
<b>Net position</b>	<b>(70,140)</b>	<b>33,488</b>	<b>230</b>	<b>6,695</b>	<b>(29,727)</b>
<b>As at 31 December 2009</b>					
<b>Total assets</b>	<b>1,111,110</b>	<b>497,761</b>	<b>163,557</b>	<b>29,864</b>	<b>1,802,292</b>
<b>Total liabilities</b>	<b>1,239,000</b>	<b>816,829</b>	<b>345</b>	<b>16,227</b>	<b>2,072,401</b>
<b>Position on the consolidated statement of financial position</b>	<b>(127,890)</b>	<b>(319,068)</b>	<b>163,212</b>	<b>13,637</b>	<b>(270,109)</b>
<b>Off-balance sheet position:</b>					
Net notional amount of derivatives	147,680	313,913	(165,653)	(11,223)	284,717
<b>Net position</b>	<b>19,790</b>	<b>(5,155)</b>	<b>(2,441)</b>	<b>2,414</b>	<b>14,608</b>

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

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont'd)**

**(d) Market risk (Cont'd)**

**Exposure to currency risk sensitivity analysis**

A 10 percent devaluation of the TL against the following currencies as at 31 December 2010 and 2009 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.

	31 December 2010		31 December 2009	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	(7,014)	(6,051)	1,979	2,862
EUR	3,349	11,563	(555)	6,577
Other currencies	693	693	(1,264)	(1,264)
<b>Total, net</b>	<b>(2,972)</b>	<b>6,205</b>	<b>160</b>	<b>8,175</b>

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

**Fair value information**

The estimated fair values of financial instruments have been determined using available market information by the Bank, and where it exists, appropriate valuation methodologies. However, during financial crisis, judgment is necessary requirement to interpret market data to determine the estimated fair value.

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

Fair values of held to maturity investment securities and loans and receivables are TL 813,111 and TL 3,666,255 (31 December 2009: TL 765,709 and TL 3,080,020), respectively, whereas the carrying amounts are TL 749,556 and TL 3,653,387 (31 December 2009: TL 714,293 and TL 3,065,944), respectively, in the accompanying consolidated statement of financial position as at 31 December 2010.

Fair values of held-to-maturity investments are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

Fair value of long-term fixed interest rate loans are calculated by discounting cash flows with current market interest rates. For the loans with floating interest rate and short term loans with fixed interest rate, carrying value also represents fair value.



**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont’d)**

**(d) Market risk (Cont’d)**

**Classification of fair value measurement**

*IFRS 7 – Financial Instruments* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Bank. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

	31 December 2010			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Financial assets at fair value:				
Debt instruments	94,843	-	-	94,843
Equity securities	720	-	-	720
Derivative financial assets held for trading purpose	-	29,354	-	29,354
<b>Total financial assets</b>	<b>95,563</b>	<b>29,354</b>	<b>-</b>	<b>124,917</b>
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities held for trading purpose	-	84,743	-	84,743
<b>Total financial liabilities</b>	<b>-</b>	<b>84,743</b>	<b>-</b>	<b>84,743</b>

	31 December 2009			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Financial assets at fair value:				
Debt instruments	169,848	-	-	169,848
Equity securities	873	-	-	873
Derivative financial assets held for trading purpose	-	32,325	-	32,325
<b>Total financial assets</b>	<b>170,721</b>	<b>32,325</b>	<b>-</b>	<b>203,046</b>
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities held for trading purpose	-	62,850	-	62,850
<b>Total financial liabilities</b>	<b>-</b>	<b>62,850</b>	<b>-</b>	<b>62,850</b>

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont’d)**

**(e) Operational risk**

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

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

The data and amount of operational losses, the Bank exposed to during its activities is collected and analyzed regularly by Risk Management Department and reported to Board of Directors, Auditing Committee and senior management.

The Group calculated the value at operational risk in accordance with the “Computation of Value of Operational Risk” of the circular “Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette dated 1 November 2006, using gross profit of the last three years 2007, 2008 and 2009. The amount calculated as TL 44,490 (31 December 2009: TL 34,452) as at 31 December 2010 represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk is amounting to TL 556,125 (31 December 2009: TL 430,650).

**(f) 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 8% 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 31 December 2010 and 2009 is calculated using Basic Indicator Approach and included in the capital adequacy calculations.

**ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**

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

**27. Financial risk management (Cont’d)**

**(f) Capital management – regulatory capital (Cont’d)**

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 31 December 2010 and 2009 was as follows:

	31 December 2010	31 December 2009
Tier 1 capital	797,868	666,732
Tier 2 capital	18,288	15,239
Total regulatory capital	816,156	681,971
Risk-weighted assets	3,667,049	3,054,199
Value at market risk	166,013	143,538
Operational risk	556,125	430,650
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk and operational risk	18.59%	18.80%
Total tier 1 capital expressed as a percentage of risk-weighted assets, value at market risk and operational risk	18.17%	18.59%

**28. Subsequent events**

On January 24, 2011, “The Announcement About The Change in The Announcement About Required Reserve Ratios” was published in Official Gazette numbered 27825 (Repeated) 2011/2. The required reserve ratios of TL liabilities changed to vary from 5% to 12% depending on maturities of liabilities. In foreign currency liabilities the required reserve ratio of 11% has not been changed.

In accordance with the decision taken by Anadolubank Nederland N.V. Board of Directors, the Bank unanimously decided to join a capital increase of amounting to Euro 10,000,000 in cash and to give authorization to the general management to sign the documents by executing necessary operations.