KPMG

Aktif Yatırım Bankası Anonim Şirketi and Its Subsidiaries

Consolidated Financial Statements As of and For the Year Ended 31 December 2009 with Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

11 March 2010

This report contains 2 pages of independent auditors' report and 52 pages of consolidated financial statements and notes to the consolidated financial statements.

Aktif Yatırım Bankası Anonim Şirketi and Its Subsidiaries

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Aktif Yatırım Bankası Anonim Şirketi:

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters:

a) The Bank has given the significant portion of non-cash loans to its related parties (Çalık Group Companies) as of balance sheet date.

11 March 2010
Istanbul, Turkey

KPMG Akis Bağımsız Denetim ve SMMM AŞ

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position
As of 31 December 2009
(Currency - In thousands of Turkish Lira (“TL”))

	Note	31 December 2009	31 December 2008
ASSETS			
Cash and cash equivalents	*15*	100,927	54,499
Reserve deposits at Central Bank	*16*	8,395	4,897
Trading assets	*17*	874	854
Trade and other receivables	*18*	1,366	1,000
Inventories	*19*	3,295	1,288
Loans and advances to customers	*20*	279,180	105,523
Investment securities	*21*	124,624	50,197
Investment in associate	*22*	19,958	17,542
Property and equipment	*23*	14,047	2,572
Intangible assets	*24*	21,850	17,803
Deferred tax assets	*14*	-	230
Other assets	*25*	2,541	3,685
Total assets		**577,057**	**260,090**
LIABILITIES			
Trading liabilities	*17*	52	3
Trade and other payables	*26*	5,339	1,042
Obligations under repurchase agreements	*27*	85,792	1,528
Financial lease liabilities		2,809	137
Debt securities issued	*28*	51,395	-
Funds borrowed	*29*	97,471	75,698
Provisions	*30*	713	733
Deferred tax liabilities	*14*	1,940	2,624
Other liabilities	*31*	158,353	13,884
Total liabilities		**403,864**	**95,649**
EQUITY			
Share capital	*32*	160,488	138,663
Reserves	*32*	5,070	2,272
Retained earnings		6,936	23,772
Total equity attributable to equity holders of the Bank		**172,494**	**164,707**
Non-controlling interest		699	(266)
Total equity		**173,193**	**164,441**
Total liabilities and equity		**577,057**	**260,090**
Commitments and contingencies	*34*		

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

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2009
(Currency - In thousands of Turkish Lira ("TL"))

	Note	31 December 2009	31 December 2008
Interest income	*8*	37,134	16,757
Interest expense	*8*	(8,385)	(3,346)
Net interest income		**28,749**	**13,411**
Fees and commission income	*9*	5,718	3,000
Fees and commission expense	*9*	(491)	(180)
Net fee and commission income		**5,227**	**2,820**
Net trading income	*10*	5,330	1,659
Income from fare collection services	*11*	11,340	5,658
Cost of fare collection services	*11*	(4,107)	(2,471)
Other operating income		-	54
Operating income		**46,539**	**21,131**
Net impairment on financial assets	*20, 30*	(1,000)	(444)
Personnel expenses	*12*	(25,088)	(16,323)
Depreciation and amortisation	*23, 24*	(4,669)	(2,588)
Administrative expenses	*13*	(13,211)	(5,706)
Other operating expense		(585)	-
Total operating expenses		**(44,553)**	**(25,061)**
Negative goodwill on acquisition of subsidiary	*7*	-	1,039
Share of profit of equity accounted investee	*22*	2,416	7,514
Profit before income tax		**4,402**	**4,623**
Income tax	*14*	(1,247)	330
Net profit for the year		**3,155**	**4,953**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		3,095	177
Income tax on other comprehensive income		(376)	(35)
Other comprehensive income for the year, net of income tax		**2,719**	**142**
Total comprehensive income for the year		**5,874**	**5,095**
Profit attributable to:			
Equity holders of the Bank		5,068	5,219
Non-controlling interest		(1,913)	(266)
Profit for the year		**3,155**	**4,953**
Total comprehensive income attributable to:			
Equity holders of the Bank		7,787	5,361
Non-controlling interest		(1,913)	(266)
Total comprehensive income for the year		**5,874**	**5,095**

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

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2009

(Currency - In thousands of Turkish Lira ("TL"))

	Note	Share capital	Adjustment to share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total Equity
At 1 January 2008		**20,000**	**24,663**	**-**	**1,996**	**18,687**	**65,346**	**-**	**65,346**
Total comprehensive income for the year									
Profit for the year		-	-	-	-	5,219	5,219	(266)	4,953
- Other comprehensive income									
Net change in fair value of available-for-sale financial assets	*32*	-	-	142	-	-	142	-	142
Total other comprehensive income		**-**	**-**	**142**	**-**	**-**	**142**	**-**	**142**
Total comprehensive income for the year		**-**	**-**	**142**	**-**	**5,219**	**5,361**	**(266)**	**5,095**
Transactions with owners, recorded directly in equity									
- Contributions by and distributions to owners									
Share capital increase		94,000	-	-	-	-	94,000	-	94,000
Transfer to legal reserves		-	-	-	134	(134)	-	-	-
At 31 December 2008		**114,000**	**24,663**	**142**	**2,130**	**23,772**	**164,707**	**(266)**	**164,441**
Total comprehensive income for the year									
Profit for the year		-	-	-	-	5,068	5,068	(1,913)	3,155
- Other comprehensive income									
Net change in fair value of available-for-sale financial assets	*32*	-	-	2,719	-	-	2,719	-	2,719
Total other comprehensive income		**-**	**-**	**2,719**	**-**	**-**	**2,719**	**-**	**2,719**
Total comprehensive income for the year		**-**	**-**	**2,719**	**-**	**5,068**	**7,787**	**(1,913)**	**5,874**
Transactions with owners, recorded directly in equity									
- Contributions by and distributions to owners									
Capital contribution by non-controlling interest		-	-	-	-	-	-	2,878	2,878
Transfer to share capital		41,040	(19,215)	-	-	(21,825)	-	-	-
Transfer to legal reserves		-	-	-	79	(79)	-	-	-
At 31 December 2009		**155,040**	**5,448**	**2,861**	**2,209**	**6,936**	**172,494**	**699**	**173,193**

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

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2009
(Currency - In thousands of Turkish Lira ("TL"))

	Note	31 December 2009	31 December 2008
Cash flows from operating activities			
Net profit for the year		3,155	4,953
Adjustments for:			
Depreciation and amortisation	*23, 24*	4,669	2,588
Net impairment on financial assets	*20, 30*	1,000	444
Net interest income		(28,749)	(13,411)
Share of profit of equity investee	*22*	(2,416)	(7,514)
Negative goodwill on acquisition of subsidiary	*7*	-	(1,039)
Gain on sale on property and equipment		-	(49)
Income tax	*14*	1,247	(330)
		(21,094)	**(14,358)**
Change in reserve deposit at Central Bank		(3,498)	(4,278)
Change in trading assets		29	(346)
Change in trade and other receivables		(366)	950
Change in inventories		(2,007)	216
Change in loans and advances to customers		(175,015)	(28,316)
Change in other assets		1,333	2,836
Change in trade and other payables		4,297	(113)
Change in obligations under repurchase agreements		84,264	1,493
Change in other liabilities and provisions		144,449	1,304
		32,392	**(40,612)**
Interest received		37,335	14,937
Interest paid		(8,417)	(2,273)
Income tax paid		(2,266)	(353)
Net cash provided from / (used in) operating activities		**59,044**	**(28,301)**
Cash flows from investing activities			
Purchase of investment securities		(216,193)	(50,055)
Sales of investment securities		145,018	-
Purchase of property and equipment	*23*	(12,694)	(2,168)
Proceeds from the sale of property and equipment		16	63
Purchase of intangible assets	*24*	(3,546)	(4,659)
Development expenditure	*24*	(3,967)	(581)
Acquisition of subsidiary, net of cash acquired	*7*	-	(15,696)
Capital contribution by minority shareholders		2,878	-
Net cash used in investing activities		**(88,488)**	**(73,096)**
Cash flows from financing activities			
Change in financial lease liabilities		2,672	137
Proceeds from debt securities issued		51,018	-
Proceeds from funds borrowed		23,254	336,872
Repayment of borrowings		(1,072)	(298,109)
Proceeds from share capital increase	*31*	-	94,000
Net cash provided from financing activities		**75,872**	**132,900**
Net increase in cash and cash equivalents		46,428	31,503
Cash and cash equivalents on 1 January	*15*	54,499	22,996
Cash and cash equivalents on 31 December	*15*	**100,927**	**54,499**

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

Notes to the consolidated financial statements

1. Corporate information

Aktif Yatırım Bankası Anonim Şirketi (the “Bank”) was incorporated under the name of Çalık Yatırım Bankası A.Ş. in Turkey in July 1999. The Bank changed its name as Aktif Yatırım Bankası A.Ş. on 1 August 2008.

The Bank operates as an “investment bank” and is mainly involved in corporate services such as cash or non-cash, financial leasing, factoring, corporate lending. As an investment bank, the Bank borrows funds from other banks, financial markets, partners and credit customers, but is not entitled to receive deposits from customers.

The head office of the Bank is located at Büyükdere Cad. No: 163 Zincirlikuyu / Istanbul, and the Bank have also two branches in Istanbul.

On 8 May 2008, the Bank has established Çalık Yönetim Sistemleri A.Ş. (“ÇYS”) with a 75% of ownership. ÇYS provides consultancy services in the issues of the evaluation, organisation and restructuring of the general management of the companies established or to be established, the alteration, project and quality management thereof, the strategic planning and the preparation of the feasibilities related thereto, the management of company systems, reduction of costs and company management, industrial relations, manpower planning, production management, productivity, strategic decisions, information technology, financial, accounting and commercial matters, human resources, acquisitions and mergers, quality development, risk management, information technology management and system development and evaluation, as well as preparing computer software and databases regarding these issues.

On 30 May 2008, ÇYS acquired 100% of E-Kent Elektronik Ücret Toplama A.Ş. (“E-Kent”) which was established in 2002 to TL 17,000 (see Note 7). E-Kent is a provider of high-technology solutions and services for modern urban management. E-Kent sells, installs and operates electronic fare collection solutions and electronic payment systems, and provides consulting services for planning and efficiency of public transport services. E-Kent is an electronic fare collection operating company, and currently operates services in four provinces of Turkey. E-Kent has tailored its systems to meet the individual customer requirements of various railway networks, municipalities, public transport companies, car parks, cultural parks, zoos and museums located in major cities in Turkey. E-Kent is a member of the International Association of Public Transport (UITP). E-Kent has 98% of ownership in E-Tik Elektronik Transfer Kup. Ltd. Şti. (“E-Tik”).

The Bank and its consolidated subsidiaries are referred as the “Group” hereafter.

(Currency - In thousands of Turkish Lira ("TL"))

1. Corporate information *(continued)*

The Bank has cooperation with Çalık Holding A.Ş. in their project of investing a foreign oriented bank in Çalık Finansal Hizmetler A.Ş. The share of the Bank in this company is 24%.

The main establishment purpose of Çalık Finansal Hizmetler A.Ş. is the transactions related with purchase of Bank Kombatare Tregtare in Albania.

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

	Place of incorporation	**Effective shareholding and voting rights (%)**	
		31 December 2009	**31 December 2008**
ÇYS	Turkey	75.0	75.0
E-Kent	Turkey	75.0	75.0
E-Tik	Turkey	73.5	73.5
Çalık Finansal Hizmetler A.Ş.	Turkey	24.0	24.0

ÇYS established with TL 3,000 of registered capital. The share capital is registered to the Bank and GAP İnşaat Yatırım ve Dış Ticaret A.Ş. ("GAP İnşaat") with shareholding percentage of 75% and 25%, respectively. As at 31 December 2009, ÇYS increased its share capital from 3,000 TL to 11,500 TL. The share capital increase was paid by the Bank and GAP İnşaat respectively their shareholding percentage.

The Bank employs 236 people as of 31 December 2009 (31 December 2008 – 160).

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Accounting Standards, Financial Reporting Standards and other regulations on accounting and reporting standards promulgated by the Banking Regulation and Supervision Agency ("BRSA"). The consolidated subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with the regulations of Turkish Commercial Code and Tax Legislation.

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

The accompanying consolidated financial statements as of 31 December 2009 are authorised for issue by the management on 11 March 2010. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

2.2 Basis of measurement

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

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

2. Basis of preparation *(continued)*

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in notes 4 and 5.

2.5 Change in accounting policies

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

- Presentation of financial statements

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

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

2. Basis of preparation *(continued)*

2.6 Other accounting developments

Disclosures pertaining to fair values and liquidity risk for financial instruments

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

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

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

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

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

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

3. Significant accounting policies

3.1 Accounting in hyperinflationary economies

The financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on International Accounting Standard ("IAS") No. 29 "Financial Reporting in Hyperinflationary Economies" as of 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 on the balance sheet date, and that corresponding figures for prior periods 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 has been 35.61% as of 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute ("TURKSTAT"). By taking this into consideration, together with the sustained positive trend in quantitative factors, such as the stabilisation in financial and monetary markets, decrease in interest rates and the appreciation of TL against USD and other hard currencies, it was declared that Turkey should be considered a non-hyperinflationary economy under IAS 29 from 1 January 2006 as stated in International Standards Alert No. 2006/17 issued on 8 March 2006. Therefore, IAS 29 has not been applied to the accompanying financial statements starting from 1 January 2006.

3.2 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (Note 3.19).

(Currency - In thousands of Turkish Lira (“TL”))

3. Significant accounting policies *(continued)*

3.2 Basis of consolidation

(ii) Associate (equity accounted investee)

The Bank’s investment in associate is subsidiary for under the equity method of accounting. This is entity in which the Bank has significant influence but not control and which are neither affiliate nor joint ventures of the Bank. The investment in subsidiary is carried in the balance sheet at cost plus post-acquisition changes in the Bank’s share of net assets of the subsidiary, less any impairment in value. The income statement reflects the Bank’s share of the results of operations of the subsidiary. Where there has been a change recognised directly in the equity of a subsidiary, the Bank recognises its share of any changes and discloses this when applicable, in the statement of changes in equity.

The subsidiary’s accounting policies conform to those by the Bank for like transactions and events.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.3 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate on that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

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

	EUR / TL (full)	**USD / TL (full)**
31 December 2008	2.1454	1.5180
31 December 2009	2.1603	1.5057

3.4 Interest income / expense

Interest income and expense are recognised in the income statement 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 commissions paid or received transaction costs, and discounts or premiums that are integral part of the effective interest rate.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group’s trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense presented in the consolidated income statement include the interest income on financial assets and liabilities at amortised cost on an effective interest rate basis.

3. Significant accounting policies *(continued)*

3.5 Fees and commission

Fees and commissions 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 are recognised as the related services are provided.

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

3.6 Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

3.7 Income from fare collection service

(i) Goods sold

Revenue from the sale of goods is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from the sale of goods is stated net of discounts and returns. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed on to the buyer and the amount of revenue can be measured reliably.

(ii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iii) Services

Revenue from services rendered is recognised in profit or loss as the service has been rendered.

3.8 Dividends

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

3.9 Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, 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.

3. Significant accounting policies *(continued)*

3.10 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed on each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.11 Financial assets and liabilities

Recognition

The Group initially recognises trade and other receivables, loans and advances to customers, held-to-maturity investment securities, trade and other payables, funds borrowed and customer accounts on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Group commits to purchase or sell the asset. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Derecognition

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

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

Offsetting

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

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

3. Significant accounting policies *(continued)*

3.11 Financial assets and liabilities *(continued)*

Amortised cost measurement

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

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Identification and measurement of impairment

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

Since the Group's loan portfolio does not consist of many transactions, the Group considers evidence of impairment at only specific asset level. All financial assets are assessed for specific impairment.

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
  - adverse changes in the payment status of borrowers; or
  - national or local economic conditions that correlate with defaults on the assets in the Group.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

3. Significant accounting policies *(continued)*

3.11 Financial assets and liabilities *(continued)*

Identification and measurement of impairment (continued)

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

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

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

3.12 Cash and cash equivalents

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

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

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

3.13 Trading assets and liabilities

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

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

3.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.15 Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is determined on weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3. Significant accounting policies *(continued)*

3.16 Loans and advances to customers

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

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances to customers.

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

3.17 Investment securities

Investment securities are initially measured at fair value plus, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity or available-for-sale.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

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

Other fair value changes are recognised directly in equity until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in equity are recognised in profit or loss.

(Currency - In thousands of Turkish Lira ("TL"))

3. Significant accounting policies *(continued)*

3.18 Property and equipment

Recognition and measurement

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

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

Subsequent costs

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

Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for as at 31 December 2009 and 31 December 2008 are as follows:

▪ machinery and equipment	4-8 years
▪ furniture and fixtures	4-8 years
▪ motor vehicles	5 years
▪ other fixed assets	4-50 years

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

3. Significant accounting policies *(continued)*

3.19 Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries.

Acquisition

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Service agreements

Service agreements acquired in a business combination are recognised at fair value at the acquisition date. The service agreements have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the service agreements.

(iii) Software

Software acquired by the Group is restated for the effects of inflation to the end of 31 December 2005, less accumulated amortisation and impairment losses. Intangible assets acquired after 31 December 2005 are reflected at cost, less accumulated amortisation and impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is 3 to 14 years.

3. Significant accounting policies *(continued)*

3.20 Leased assets – lessee

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

Other leases are operating leases and, the leased assets are not recognised on the Group's balance sheet.

3.21 Impairment of non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

3.22 Funds borrowed and debt securities issued

Funds borrowed and debt securities issued are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.23 Provisions

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

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

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

3. Significant accounting policies *(continued)*

3.24 Employee benefits

(i) Reserve for employee severance payments

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

(ii) Short-term benefits

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

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

3.25 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3. Significant accounting policies *(continued)*

3.26 New standards and interpretations not yet adopted

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

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

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

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

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

4. Financial risk management

Introduction and overview

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

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

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit Committee and Risk Management Department, which are responsible for developing and monitoring Group risk management policies in their specified areas. The Audit Committee has non-executive members and report regularly to the Board of Directors on their activities.

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 Bank, 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 Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk

The Bank's credit risk management strategy is based on a three-part methodology that embraces the customer selection, credit allocation, and credit pricing stages. Since it was founded, the Bank has always managed its credit risks by taking a portfolio-logic approach. This sums up the Bank's basic risk management strategy.

In the first stage of the lending process, sectoral weightings are determined and firms that are seeking credit are given a preliminary screening. This initial check is followed by the credit allocation stage in which firms are individually rated and the Bank's guarantee strategy is determined according to the results of this rating. In the final stage of the lending process, prices are determined by taking a risk-premium approach.

(Currency - In thousands of Turkish Lira ("TL"))

4. Financial risk management *(continued)*

Credit risk *(continued)*

Exposure to credit risk

		Cash at banks (excluding cash at Central Bank)		Trade and other receivables		Loans and advances to customers		Investment debt securities (held-to-maturity portfolio)	
	Note	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Carrying amount		**91,047**	**47,987**	**1,366**	**1,000**	**279,180**	**105,523**	**2,580**	**2,423**
Individually impaired - Non-performing financial assets		-	-	-	62	1,754	500	-	-
Gross amount		**-**	**-**	**-**	**62**	**1,754**	**500**	**-**	**-**
Allowance for impairment		-	-	-	(62)	(1,754)	(450)	-	-
Carrying amount	*15, 18, 20*	**-**	**-**	**-**	**-**	**-**	**50**	**-**	**-**
Neither past due nor impaired									
- Low risk		91,047	47,987	-	-	209,885	53,099	-	-
- Medium risk		-	-	-	-	68,789	52,374	2,580	2,423
- High risk		-	-	-	-	-	-	-	-
- Non graded		-	-	1,366	1,000	506	-	-	-
Carrying amount		**91,047**	**47,987**	**1,366**	**1,000**	**279,180**	**105,473**	**2,580**	**2,423**
Carrying amount (amortised cost)	*15, 18, 20 ,21*	**91,047**	**47,987**	**1,366**	**1,000**	**279,180**	**105,523**	**2,580**	**2,423**

Impaired loans and advances to customers, trade and other receivables and investment securities

Impaired loans and advances to customers, trade and other receivables and investment debt securities are those for which the Group determines that it is probable that it will be unable to collect all principal and interest due to according to the contractual terms of the loans, receivables and investment debt securities.

Allowance for impairment

The Group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan, receivable and investment debt security portfolio. This allowance is a specific loss component that relates to individually significant exposures.

Write-off policy

The Group writes off a loan, receivable or investment debt security balance, and any related allowances for impairment losses, when Group determines that the loan, receivable or security is uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower's / 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.

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

	Trade and other receivables		Loans and advances to customers		Investment debt securities – HTM	
	Gross	Net	Gross	Net	Gross	Net
31 December 2009						
Individually impaired	-	-	1,754	-	-	-
31 December 2008						
Individually impaired	62	-	500	50	-	-

(Currency - In thousands of Turkish Lira ("TL"))

4. Financial risk management *(continued)*

Credit risk *(continued)*

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

Cash loans	31 December 2009	31 December 2008
Against non-performing loans	-	-
Against neither past due nor impaired		
- Investment securities	26,176	-
- Pledge on property	9,172	1,822
- Equity	5,403	-
- Cheques and notes	1,436	42,538
Total	**42,187**	**44,360**

The Bank also holds collateral against non-cash loans as stated below:

Non-cash loans	31 December 2009	31 December 2008
Equity	20,304	1,588
Cheques and notes	5,500	13,631
Pledge on property	5,251	5,325
Investment securities	170	-
	31,225	**20,544**

In addition to collaterals stated above, the Bank holds customer sureties amounting to TL 47,077 (31 December 2008 – TL 41,435) against its cash loans and advances to customers and TL 102,819 (31 December 2008 – TL 134,049) against its non-cash loans.

Concentration risk by sector

The Bank monitors concentrations of credit risk for cash loans and advances to customers by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	31 December 2009		31 December 2008	
Sector	**Carrying amount**	**%**	**Carrying amount**	**%**
Construction	66,650	24	8,099	8
Financial institutions	63,279	23	3,362	3
Manufacturing	63,206	23	74,372	70
Transportation and communication	45,875	16	1,620	2
Energy	8,515	3	950	1
Trade	3,991	1	9,969	9
Real estate	-	-	944	1
Other	27,664	10	6,207	6
	279,180	**100**	**105,523**	**100**

(Currency - In thousands of Turkish Lira ("TL"))

4. Financial risk management *(continued)*

Credit risk *(continued)*

Concentration risk by sector (continued)

An analysis of concentrations of credit risk for non-cash loans to customers at the reporting date is shown below:

	31 December 2009		31 December 2008	
Sector	**Carrying amount**	**%**	**Carrying amount**	**%**
Manufacturing	160,755	33	75,601	22
Energy	108,545	22	12,747	4
Construction	97,856	20	53,242	15
Financial institutions	65,440	13	7,750	2
Transportation and communication	35,859	7	10,600	3
Trade	10,811	2	35,718	10
Real estate	-	-	78,148	22
Other	14,638	3	76,798	22
	493,904	**100**	**350,604**	**100**

Trade and other receivables are due from several private sector companies and city municipalities. Investment securities (held-to-maturity portfolio) are corporate bonds.

Concentration risk by location

The Group's total risk for loans and advances to customers, trade and other receivables and investment debt securities (held-to-maturity portfolio) is concentrated on Turkey.

Trading assets and investment securities (available-for-sale portfolio)

The Group held trading assets, investment securities (available-for-sale portfolio) including derivative assets of TL 122,918 (31 December 2008: TL 48,628). An analysis of the credit quality of the maximum credit exposure is as follows:

	Note	**31 December 2009**	**31 December 2008**
Government bonds and treasury bills			
- Rated BB- (trading portfolio)	*17*	874	854
- Rated BB- (available-for-sale portfolio)	*21*	106,187	40,274
Corporate bonds			
- Rated B (available-for-sale portfolio)	*21*	15,857	7,500
Derivative assets:			
- Bank and financial institution counterparties	*17*	-	-
Fair value and carrying amount		**122,918**	**48,628**

(Currency - In thousands of Turkish Lira ("TL"))

4. Financial risk management *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group funds its short-term liquidity with interbank. In the case of long-term liquidity need, the Bank utilises capital market instruments. Additionally, the Bank also funds itself from the domestic market when it needs additional funds.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to short-term funds borrowed. For this purpose net liquid assets are considered as including cash and cash equivalents and trading debt securities for which there is an active and liquid market less any short-term funds borrowed and commitments. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limit established by the BRSA.

	31 December 2009	31 December 2008
At the end of the year	158%	497%
Average for the year	194%	188%
Maximum for the year	434%	420%
Minimum for the year	110%	114%

Residual contractual maturities of financial liabilities

	Note	Carrying amount	Gross nominal inflow / (outflow)	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2009									
Non-derivative liabilities									
Trade and other payables	*26*	5,339	5,339	1,731	95	1,854	827	-	832
Obligations under repurchase agr.	*27*	85,792	85,792	-	85,792	-	-	-	-
Financial lease liabilities		2,809	3,127	-	11	16	580	2,520	-
Debt securities issued	*28*	51,395	54,556	-	20,191	6,323	28,042	-	-
Funds borrowed	*29*	97,471	98,863	-	12,795	33,112	52,324	632	-
Current accounts(*)	*31*	126,402	126,935	34,907	36,395	39,829	15,804	-	-
Derivative financial instruments									
Outflow	*17*	52	(8,118)	-	(5,107)	-	(3,011)	-	-
Inflow	*17*	-	8,177	-	8,177	-	-	-	-
		369,260	**374,671**	**36,638**	**158,349**	**81,134**	**94,566**	**3,152**	**832**

(*) Included in other liabilities.

(Currency - In thousands of Turkish Lira ("TL"))

4. Financial risk management *(continued)*

Liquidity risk *(continued)*

Residual contractual maturities of financial liabilities *(continued)*

	Note	Carrying amount	Gross nominal inflow / (outflow)	On demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
31 December 2008									
Non-derivative liabilities									
Trade and other payables	*26*	1,042	(1,042)	-	(35)	(262)	-	-	(745)
Obligations under repurchase agr.	*27*	1,528	(1,528)	-	(1,528)	-	-	-	-
Financial lease liabilities		137	(137)	-	(8)	(16)	(80)	(33)	-
Funds borrowed	*29*	75,698	(77,209)	-	(16,524)	(25,774)	(33,423)	(1,488)	-
Current accounts(*)	*31*	10,589	(10,589)	(10,589)	-	-	-	-	-
Derivative financial instruments									
Outflow	*17*	3	(1,713)	-	(1,713)	-	-	-	-
Inflow	*17*	-	1,714	-	1,714	-	-	-	-
		88,997	**(90,504)**	**(10,589)**	**(18,094)**	**(26,052)**	**(33,503)**	**(1,521)**	**(745)**

(*) Included in other liabilities.

The gross nominal inflow / (outflow) disclosed in the table above is the contractual, undiscounted cash flow on the financial liability or commitment.

Market risk

Market risk is the risk that, measured by changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) which 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 optimising the return on risk.

Overall authority for market risk is vested in Asset and Liability Committee ("ALCO").

Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is Standard Method.

A summary of the Standard Method position of the Group's trading portfolios on 31 December 2009 and 31 December 2008 and during the year is as follows:

	At the end of the year	Average	Maximum	Minimum
31 December 2009				
Foreign currency risk	1,850	1,825	5,425	288
Interest rate risk	35,325	19,238	35,325	14,225
	37,175	**21,063**	**40,750**	**14,513**
31 December 2008				
Foreign currency risk	400	563	1,313	225
Interest rate risk	16,038	3,438	15,150	13
	16,438	**4,001**	**16,463**	**238**

(Currency - In thousands of Turkish Lira ("TL"))

4. Financial risk management *(continued)*

Market risk *(continued)*

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 Department of the Bank in its day-to-day monitoring activities. A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

	Note	Carrying amount	Unallo-cated	On demand	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2009									
Cash and cash equivalents	*15*	100,927	-	3,271	97,656	-	-	-	-
Reserve deposits at Central Bank	*16*	8,395	8,395	-	-	-	-	-	-
Trade and other receivables	*18*	1,366	-	-	1,366	-	-	-	-
Loans and advances to customers	*20*	279,180	-	-	243,342	6,972	17,802	11,064	-
Investment securities – AFS	*21*	122,044	-	-	-	-	-	122,044	-
Investment securities – HTM	*21*	2,580	-	-	-	-	-	2,580	-
		514,492	**8,395**	**3,271**	**342,364**	**6,972**	**17,802**	**135,688**	**-**
Trade and other payables	*26*	5,339	-	1,731	1,949	-	827	-	832
Obligations under repurchase agr.	*27*	85,792	-	-	85,792	-	-	-	-
Financial lease liabilities		2,809	-	-	26	7	546	2,230	-
Debt securities issued	*28*	51,395	-	-	25,202	-	26,193	-	-
Funds borrowed	*29*	97,471	-	-	45,729	23,928	27,319	495	-
		242,806	**-**	**1,731**	**158,698**	**23,935**	**54,885**	**2,725**	**832**
Interest rate gap		**271,686**	**8,395**	**1,540**	**183,666**	**(16,963)**	**(37,083)**	**132,963**	**(832)**

	Note	Carrying amount	Unallo-cated	On demand	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2008									
Cash and cash equivalents	*15*	54,499	-	2,520	51,979	-	-	-	-
Reserve deposits at Central Bank	*16*	4,897	4,897	-	-	-	-	-	-
Trade and other receivables	*18*	1,000	110	-	827	63	-	-	-
Loans and advances to customers	*20*	105,523	-	-	101,718	2,823	952	30	-
Investment securities – AFS	*21*	47,774	-	-	-	-	-	47,774	-
Investment securities – HTM	*21*	2,423	-	-	-	-	-	2,423	-
		216,116	**5,007**	**2,520**	**154,524**	**2,886**	**952**	**50,227**	**-**
Trade and other payables	*26*	1,042	-	-	297	-	-	-	745
Obligations under repurchase agr.	*27*	1,528	-	-	1,528	-	-	-	-
Financial lease liabilities		137	-	-	24	25	55	33	-
Funds borrowed	*29*	75,698	-	-	42,103	12,866	19,723	1,006	-
		78,405	**-**	**-**	**43,952**	**12,891**	**19,778**	**1,039**	**745**
Interest rate gap		**137,711**	**5,007**	**2,520**	**110,572**	**(10,005)**	**(18,826)**	**49,188**	**(745)**

(Currency - In thousands of Turkish Lira ("TL"))

4. Financial risk management *(continued)*

Market risk *(continued)*

Interest rate sensitivity

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

	Profit or loss		Equity	
At 31 December 2009	**100 bp parallel increase**	**100 bp parallel decrease**	**100 bp parallel increase**	**100 bp parallel decrease**
Trading securities	(13)	13	(13)	13
Investment securities – available-for-sale	-	-	(1,620)	1,650
	(13)	**13**	**(1,633)**	**1,663**

	Profit or loss		Equity	
At 31 December 2008	**100 bp parallel increase**	**100 bp parallel decrease**	**100 bp parallel increase**	**100 bp parallel decrease**
Trading securities	(8)	8	(8)	8
Investment securities – available-for-sale	-	-	(411)	419
	(8)	**8**	**(419)**	**427**

Summary of average interest rates

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

	31 December 2009			31 December 2008		
	Euro	**USD**	**TL**	**Euro**	**USD**	**TL**
Assets						
Cash and cash equivalents	0.15	0.17	6.61	1.80	0.06	14.97
Reserve deposits at Central Bank	-	-	-	-	0.15	-
Trading assets	-	-	-	-	-	16.5
Loans and advances to customers	9.11	9.05	15.65	11.37	11.96	26.35
Investment securities – AFS	-	8.5	9.63	-	8.50	16.52
Investment securities – HTM	-	8.5	-	-	8.50	-
Liabilities						
Obligations under repurchase agreements	-	-	7.25	-	-	14.84
Financial lease liabilities	3.16	-	18.3	-	-	18.30
Debt securities issued	-	-	9.87	-	-	-
Funds borrowed	5.74	4.87	-	5.87	4.81	23.17

(Currency - In thousands of Turkish Lira ("TL"))

4. Financial risk management *(continued)*

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of audit.

Foreign currency risk

	Euro	USD	JPY	Other	Total
31 December 2009					
Cash and cash equivalents	32,890	30,304	59	210	63,463
Reserve deposits at Central Bank	-	8,395	-	-	8,395
Loans and advances to customers	34,676	92,830	-	-	127,506
Trade and other receivables	63	-	-	-	63
Investment securities – AFS	-	15,857	-	-	15,857
Investment securities – HTM	-	2,580	-	-	2,580
Other assets	7,352	75	-	-	7,427
Trade and other payables	(88)	(7)	-	-	(95)
Funds borrowed	(41,083)	(54,187)	-	-	(95,270)
Other liabilities	(43,220)	(89,038)	-	-	(132,258)
Net balance sheet position	**(9,410)**	**6,809**	**59**	**210**	**(2,332)**
Forward exchange contracts	(2,808)	1,144	-	1,434	(230)
Net position	**(12,218)**	**7,953**	**59**	**1,644**	**(2,562)**

	Euro	USD	JPY	Other	Total
31 December 2008					
Cash and cash equivalents	3,881	21,104	8	325	25,318
Reserve deposits at Central Bank	-	4,897	-	-	4,897
Loans and advances to customers	16,250	27,507	-	-	43,757
Trade and other receivables	39	-	-	-	39
Investment securities – AFS	-	7,500	-	-	7,500
Investment securities – HTM	-	2,423	-	-	2,423
Other assets	15	33	-	-	48
Trade and other payables	829	-	-	-	829
Funds borrowed	(19,587)	(53,811)	-	-	(73,398)
Other liabilities	(227)	(9,002)	(1)	(8)	(9,238)
Net balance sheet position	**1,200**	**651**	**7**	**317**	**2,175**
Forward exchange contracts	-	197	-	(1,714)	(1,517)
Net position	**1,200**	**848**	**7**	**(1,397)**	**658**

(Currency - In thousands of Turkish Lira ("TL"))

4. Financial risk management *(continued)*

Foreign currency risk *(continued)*

The following major exchange rates applied during the year ended 31 December 2009 and 31 December 2008:

	Average rate		Balance sheet date	
TL	**2009**	**2008**	**31 December 2009**	**31 December 2008**
USD	1.5499	1.2976	1.5057	1.5180
Euro	2.1521	1.8949	2.1603	2.1454

Sensitivity analysis

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

31 December 2009	**Equity**	**Profit or loss**
Euro	(1,222)	(1,222)
USD	599	795
Other currencies	170	170
	(453)	**(257)**

31 December 2008	**Equity**	**Profit or loss**
Euro	120	120
USD	85	176
Other currencies	(139)	(139)
	66	**157**

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

Capital management

The Bank's lead regulator, BRSA sets and monitors capital requirements for the Bank as a whole.

In implementing current capital requirements of BRSA requires the Bank to maintain an 8% ratio of total capital to total risk-weighted assets.

As of 31 December 2009, the Bank's capital adequacy ratio is 21.29% (31 December 2008 – 35.64%).

5. Use of estimates and judgements

Management decides to the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.11.

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and individual loans. All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed. Other evidence for impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Impairment and uncollectibility are measured and recognised individually for loans and receivables.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3.11. For financial instruments that require varying degrees of judgement depending liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical accounting judgements in applying the Group's accounting policies

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

Impairment of investment in equity securities

Investments in equity securities are evaluated for impairment on the basis described in accounting policy 3.11.

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

Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.11.

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

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

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

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

(Currency - In thousands of Turkish Lira ("TL"))

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

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

Valuation of financial instruments (continued)

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

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

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

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

At 31 December 2009		**Level 1**	**Level 2**	**Level 3**	**Total**
Trading assets	*17*	874	-	-	874
Investment securities – AFS portfolio	*21*	122,044	-	-	122,044
		122,918	**-**	**-**	**122,918**
Trading liabilities	*17*	-	(52)	-	(52)
		-	**(52)**	**-**	**(52)**

At 31 December 2008		**Level 1**	**Level 2**	**Level 3**	**Total**
Trading assets	*17*	854	-	-	854
Investment securities – AFS portfolio	*21*	47,774	-	-	47,774
		48,628	**-**	**-**	**48,628**
Trading liabilities	*17*	-	(3)	-	(3)
		-	**(3)**	**-**	**(3)**

Financial asset and liability classification

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

In classifying financial assets and liabilities as "trading", the Bank has determined that it meets the description of trading assets and liabilities set out in accounting policy 3.13.

(Currency - In thousands of Turkish Lira ("TL"))

6. Financial assets and liabilities

Accounting classification and fair values

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

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

	Note	Trading	Loans and receivables	Available -for-sale	Held–to-maturity	Other amortised cost	Total carrying amount	Fair value
31 December 2009								
Cash and cash equivalents	*15*	-	100,927	-	-	-	100,927	100,927
Reserve deposits at Central Bank	*16*	-	8,395	-	-	-	8,395	8,395
Trading assets	*17*	874	-	-	-	-	874	874
Trade and other receivables	*18*	-	1,366	-	-	-	1,366	1,366
Loans and advances to customers	*20*	-	279,180	-	-	-	279,180	279,180
Investment securities – AFS	*21*	-	-	122,044	-	-	122,044	122,044
Investment securities – HTM	*21*	-	-	-	2,580	-	2,580	2,423
		874	**389,868**	**122,044**	**2,580**	**-**	**515,366**	**515,209**
Trading liabilities	*17*	52	-	-	-	-	52	52
Trade and other payables	*26*	-	-	-	-	5,339	5,339	5,339
Obligations under rep. agr.	*27*	-	-	-	-	85,792	85,792	85,792
Financial lease liabilities		-	-	-	-	2,809	2,809	2,809
Debt securities issued	*28*	-	-	-	-	51,395	51,395	51,395
Funds borrowed	*29*	-	-	-	-	97,471	97,471	97,471
		52	**-**	**-**	**-**	**242,806**	**242,858**	**242,858**

	Note	Trading	Loans and receivables	Available -for-sale	Held–to-maturity	Other amortised cost	Total carrying amount	Fair value
31 December 2008								
Cash and cash equivalents	*15*	-	54,499	-	-	-	54,499	54,499
Reserve deposits at Central Bank	*16*	-	4,897	-	-	-	4,897	4,897
Trading assets	*17*	854	-	-	-	-	854	854
Trade and other receivables	*18*	-	1,000	-	-	-	1,000	1,000
Loans and advances to customers	*20*	-	105,523	-	-	-	105,523	105,523
Investment securities – AFS	*21*	-	-	47,774	-	-	47,774	47,774
Investment securities – HTM	*21*	-	-	-	2,423	-	2,423	1,875
		854	**165,919**	**47,774**	**2,423**	**-**	**216,970**	**216,422**
Trading liabilities	*17*	3	-	-	-	-	3	3
Trade and other payables	*26*	-	-	-	-	1,042	1,042	1,042
Obligations under rep. agr.	*27*	-	-	-	-	1,528	1,528	1,528
Financial lease liabilities		-	-	-	-	137	137	137
Funds borrowed	*29*	-	-	-	-	75,698	75,698	75,698
		3	**-**	**-**	**-**	**78,405**	**78,408**	**78,408**

(Currency - In thousands of Turkish Lira ("TL"))

7. Acquisition of subsidiary

On 30 May 2008, the Bank's subsidiary, ÇYS acquired all of the shares in E-Kent for TL 17,000 in cash.

E-Kent is a provider of high-technology solutions and services for modern urban management. E-Kent sells, installs and operates electronic fare collection solutions and electronic payment systems, and provides consulting services for planning and efficiency of public transport services. E-Kent is an electronic fare collection operating company, and currently operates services in four provinces of Turkey. E-Kent has tailored its systems to meet the individual customer requirements of various railway networks, municipalities, public transport companies, car parks, cultural parks, zoos and museums located in major cities in Turkey.

	Note	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Property and equipment, net	*23*	452	-	452
Intangible assets, net	*24*	217	13,936	14,153
Inventories		1,504	-	1,504
Trade and other receivables		1,950	-	1,950
Other assets		3,944	-	3,944
Cash and cash equivalents		1,304	-	1,304
Deferred tax assets	*14*	26	(2,787)	(2,761)
Loans and borrowings		(901)	-	(901)
Trade and other payables		(1,155)	-	(1,155)
Other liabilities		(451)	-	(451)
Net identifiable assets and liabilities		**6,890**	**11,149**	**18,039**
Negative goodwill on acquisition				(1,039)
Consideration paid, satisfied in cash				17,000
Cash acquired				(1,304)
Net cash outflow				**15,696**

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values.

(Currency - In thousands of Turkish Lira ("TL"))

8. Net interest income

	31 December 2009	31 December 2008
Interest income		
Loans and advances to customers	28,822	14,576
Investment securities	7,196	1,034
Cash and cash equivalents	894	1,069
Other	222	78
Total interest income	**37,134**	**16,757**
Interest expense		
Funds borrowed	4,668	3,098
Other	3,717	248
Total interest expense	**8,385**	**3,346**
Net interest income	**28,749**	**13,411**

9. Net fee and commission income

	31 December 2009	31 December 2008
Fee and commission income		
Financial guarantee contracts issued	4,260	2,624
Other	1,458	376
Total fee and commission income	**5,718**	**3,000**
Fee and commission expense		
Other	491	180
Total fee and commission expense	**491**	**180**
Net fee and commission income	**5,227**	**2,820**

10. Net trading income

	31 December 2009	31 December 2008
Foreign exchange gain	1,115	1,514
Fixed income	4,215	145
Total	**5,330**	**1,659**

(Currency - In thousands of Turkish Lira ("TL"))

11. Income from / (cost of) fare collection services

	31 December 2009	30 May- 31 December 2008
Sales	3,004	1,404
Commissions	7,425	4,055
Services	923	213
Gross revenues	**11,352**	**5,672**
Sales returns	(12)	(11)
Sales discounts	-	(3)
Net revenues	**11,340**	**5,658**
Cost of revenues	(4,107)	(2,471)
Gross profit	**7,233**	**3,187**

12. Personnel expenses

	31 December 2009	31 December 2008
Wages and salaries	21,213	14,516
Compulsory social security obligations	1,707	1,104
Employee termination indemnity and vacation pay liability	283	289
Other	1,885	414
Total	**25,088**	**16,323**

(Currency - In thousands of Turkish Lira ("TL"))

13. Administrative expenses

	31 December 2009	31 December 2008
Rent expenses	3,394	1,017
Accommodation expenses	2,300	-
Expenses on vehicles	1,223	902
Taxes and dues other than on income	1,070	472
Consultancy expenses	922	379
Travelling expenses	699	440
Publicity expenses	676	422
Communication expenses	675	480
Representation expenses	502	155
Software maintenance expenses	437	314
Reuters expenses	303	203
Maintenance expenses	127	312
Subscription expenses	73	375
Others	810	235
Total	**13,211**	**5,706**

14. Taxation

General information

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey.

In Turkey, effective from 1 January 2006 corporate tax rate is 20%. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts which are calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the year-end balance sheet date and taxes must be paid in one instalment by the end of the fourth month.

(Currency - In thousands of Turkish Lira ("TL"))

14. Taxation *(continued)*

As of 31 December 2009 and 31 December 2008, the current tax liability is as follows:

	31 December 2009	31 December 2008
Income tax liability	-	188
Prepaid taxes	(189)	(353)
(Prepaid taxes) / Income taxes payable	**(189)**	**(165)**

For the year ended 31 December 2009 and 31 December 2008, the income tax expense recognised in comprehensive income statement and income tax recognised directly in equity are as follows:

Recognised in income statement

	31 December 2009	31 December 2008
Current tax expense	(2,058)	(110)
Deferred tax	811	440
- *Origination and reversal of temporary differences*	*10*	*285*
- *Tax loss carry-forwards*	*801*	*155*
Total income tax	**(1,247)**	**330**

Income tax recognised directly in equity

	31 December 2009	31 December 2008
Available-for-sale investment securities		
- Deferred tax	(357)	(35)
- Current tax	(19)	-
	(376)	**(35)**

Reconciliation of effective tax rate

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

	31 December 2009	31 December 2008
Profit before income tax	4,402	4,623
Income tax using the domestic corporation tax rate 20%	(880)	(925)
Non-deductible expenses	(275)	(176)
Current year losses for which no deferred tax asset was recognised	(420)	-
Tax exempt income	483	1,639
Tax losses used	(155)	-
Permanent differences	-	(208)
Total income tax in the income statement	**(1,247)**	**330**

The effective income tax rate for 2009 is 28% (2008 – (7)%).

(Currency - In thousands of Turkish Lira ("TL"))

14. Taxation *(continued)*

Deferred tax

Recognised deferred tax assets and liabilities

The deferred tax included in the balance sheet and recognised in profit or loss and in equity are as follows:

	31 December 2009			31 December 2008		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Available-for-sale investment securities	104	(392)	(288)	183	-	183
Held-to-maturity investment securities	11	-	11	-	-	-
Derivative financial instruments	10	-	10	-	-	-
Tax loss carry-forwards	956	-	956	155	-	155
Retirement pay liability	14	-	14	15	-	15
Unused vacation liability	123	-	123	66	-	66
Property, equipment and intangible assets	389	(3,227)	(2,838)	-	(2,859)	(2,859)
Other	72	-	72	46	-	46
Deferred tax assets / (liabilities)	**1,679**	**(3,619)**	**(1,940)**	**465**	**(2,859)**	**(2,394)**

Reflected in the consolidated balance sheet as follows:

	31 December 2009	31 December 2008
Deferred tax assets	-	230
Deferred tax liabilities	(1,940)	(2,624)
	(1,940)	**(2,394)**

Unrecognised deferred tax assets

	31 December 2009	31 December 2008
Tax losses	420	146
	420	**146**

The tax losses relate to ÇYS and expire in 2013. Deferred tax assets have not been recognised in respect of these losses because it is not probable that future taxable profit will be available against which ÇYS can utilise the benefits there from.

(Currency - In thousands of Turkish Lira (“TL”))

14. Taxation *(continued)*

Deferred tax *(continued)*

Movements in temporary differences during the year

31 December 2009	Opening balance	Recognised in profit or loss	Recognised in equity	Closing balance
Available-for-sale investment securities	183	(114)	(357)	(288)
Held-to-maturity investment securities	-	11	-	11
Derivative financial instruments	-	10	-	10
Tax loss carry-forwards	155	801	-	956
Retirement pay liability	15	(1)	-	14
Unused vacation liability	66	57	-	123
Property, equipment and intangible assets	(2,859)	21	-	(2,838)
Other	46	26	-	72
	(2,394)	**811**	**(357)**	**(1,940)**

31 December 2008	Opening balance	Effect of acquisition of subsidiary (Note 7)	Recognised in profit or loss	Recognised in equity	Closing balance
Available-for-sale investment securities	-	-	218	(35)	183
Tax loss carry-forwards	-	-	155	-	155
Retirement pay liability	6	5	4	-	15
Unused vacation liability	10	10	46	-	66
Unearned income	12	-	(12)	-	-
Property, equipment and intangible assets	(66)	(2,815)	22	-	(2,859)
Other	-	39	7	-	46
	(38)	**(2,761)**	**440**	**(35)**	**(2,394)**

(Currency - In thousands of Turkish Lira ("TL"))

15. Cash and cash equivalents

	31 December 2009	31 December 2008
Cash and balances with Central Bank	9,862	6,440
- Cash on hand	*1,545*	*797*
- Balances with Central Bank	*8,317*	*5,643*
Placements with other banks	64,542	47,987
Other money market placements	26,505	-
Other	18	72
Total	**100,927**	**54,499**

16. Reserve deposits at Central Bank

	31 December 2009	31 December 2008
Foreign currency	8,395	4,897
	8,395	**4,897**

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

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TL and USD or EUR at the rates of 5% and 9%, respectively as per the Communiqué no. 2005/1 "Reserve Deposits" of the Central Bank of Turkey (31 December 2008 – 6% for TL and 9% for USD or EUR).

As of 31 December 2009, the interest rates applied for TL reserve deposits by the Central Bank are 5.20% for TL reserve deposits (31 December 2008 – 12.00% for TL). As of 31 December 2009 and 31 December 2008, foreign currency reserve deposits are non-interest earning.

(Currency - In thousands of Turkish Lira ("TL"))

17. Trading assets and liabilities

Trading assets

	31 December 2009	31 December 2008
Trading securities		
- Government bonds and treasury bills	874	854
Derivative assets		
- Foreign exchange	-	-
	874	**854**

Trading liabilities

	31 December 2009	31 December 2008
Derivative liabilities		
- Foreign exchange	52	3
	52	**3**

As of 31 December 2009, no trading securities are kept for legal requirements and as a guarantee for stock exchange and money market operations.

TL 874 of trading debt securities pledged under repurchase agreements as of 31 December 2009 (31 December 2008 – TL 854).

As of 31 December 2009 and 2008, all trading debt securities have fixed interest rates.

On the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	31 December 2009	31 December 2008
Forward foreign exchange contracts – buy	3,673	1,713
Forward foreign exchange contracts – sell	3,665	1,714
Swap foreign exchange contracts – buy	4,445	-
Swap foreign exchange contracts – sell	4,512	-

18. Trade and other receivables

	31 December 2009	31 December 2008
Receivables from customers, net	1,356	970
- Receivables from customers, gross	*1,356*	*1,032*
- Less impairment for receivables from customers	-	*(62)*
Cheques receivable	10	8
Other receivables	-	22
	1,366	**1,000**

(Currency - In thousands of Turkish Lira ("TL"))

19. Inventories

	31 December 2009	31 December 2008
Trading goods	3,295	1,288
	3,295	**1,288**

Trading goods consist of E-kent's inventories such as tickets and cards for electronic fare collection.

20. Loans and advances to customers

As of 31 December 2009 and 31 December 2008, all the loans and advances to customers are at amortised cost.

	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
	31 December 2009			31 December 2008		
Corporate customers:						
- Finance leases	7,274	-	7,274	349	-	349
- Other lending	273,660	(1,754)	271,906	105,624	(450)	105,174
	280,934	**(1,754)**	**279,180**	**105,973**	**(450)**	**105,523**

Allowance for impairment

	31 December 2009	31 December 2008
Balance on 1 January	450	310
Transfers from provision for non-cash loans to cash – loans	304	-
Impairment loss for the year		
- Charge for the year	1,018	140
- Recoveries	(18)	-
Balance at the end of the year	**1,754**	**450**

Finance lease receivables

Loans and advances to customers include the following finance lease receivables.

	31 December 2009	31 December 2008
Gross investment in finance leases, receivable:		
- Less than one year	4,328	363
- Between one and five years	3,921	30
	8,249	**393**
Unearned future income on finance leases	(975)	(44)
Net investment in finance leases	**7,274**	**349**
The net investment in finance leases comprises:		
- Less than one year	3,622	320
- Between one and five years	3,652	29
	7,274	**349**

(Currency - In thousands of Turkish Lira ("TL"))

21. Investment securities

	31 December 2009			31 December 2008
	Interest rate %	**Latest maturity**	**Carrying amount**	**Carrying amount**
Held-to-maturity investment securities				
- Corporate bonds	8.50	2012	2,580	2,423
Available-for-sale investment securities				
- Government bonds	9.63	2011	106,187	40,274
- Corporate bonds	8.50	2012	15,857	7,500
			124,624	**50,197**

On 13 August 2008, 3 October 2008, 14 November 2008, 19 February 2009 and 1 December 2009, the Bank purchased with a nominal value of USD 14,000,000 of corporate bonds of Çalık Holding A.Ş. which is the main shareholder of the Bank. The Bank classified USD 12,000,000 of these bonds to available-for-sale investment securities and USD 2,000,000 to held-to-maturity investment securities. The bonds have a maturity of 5 March 2012 and semi-annual coupon payments with 8.50% of interest.

As at 31 December 2009, TL 5,660 of investment securities is given as collateral and TL 94,719 of investment securities pledged under repurchase agreements (31 December 2008: TL 3,070 and TL 11,681).

22. Investment in associate

The Bank has 24% interest in Çalık Finansal Hizmetler A.Ş. (31 December 2008 – 24%). The following table illustrates the summarised financial information of the Bank's investment in Çalık Finansal Hizmetler A.Ş.:

	31 December 2009	31 December 2008
Share of the Group in the associate's balance sheet		
Assets	486,314	466,658
Liabilities	(466,356)	(449,116)
Net assets	**19,958**	**17,542**

The associate's profit for the year ended 31 December 2009 is TL 10,654 (31 December 2008: 6,565).

(Currency - In thousands of Turkish Lira (“TL”))

23. Property and equipment

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Motor vehicles	Other fixed assets	Total
Cost						
Balance on 1 January 2008	928	697	775	-	13	2,413
Acquisition through business combination (Note 7)	231	86	27	108	-	452
Additions	1,187	569	411	1	-	2,168
Disposals	-	(6)	-	(10)	-	(16)
Balance on 31 December 2008	**2,346**	**1,346**	**1,213**	**99**	**13**	**5,017**
Balance on 1 January 2009	2,346	1,346	1,213	99	13	5,017
Additions	9,518	1,565	1,489	-	122	12,694
Disposals	-	(1)	(30)	(17)	-	(48)
Balance on 31 December 2009	**11,864**	**2,910**	**2,672**	**82**	**135**	**17,663**
Depreciation and impairment						
Balance on 1 January 2008	701	503	605	-	11	1,820
Depreciation for the year	280	160	161	26	-	627
Disposals	-	(2)	-	-	-	(2)
Balance on 31 December 2008	**981**	**661**	**766**	**26**	**11**	**2,445**
Balance on 1 January 2009	981	661	766	26	11	2,445
Depreciation for the year	699	317	128	32	27	1,203
Disposals	-	(1)	(17)	(14)	-	(32)
Balance on 31 December 2009	**1,680**	**977**	**877**	**44**	**38**	**3,616**
Carrying amounts						
Balance on 1 January 2008	227	194	170	-	2	593
Balance on 31 December 2008	1,365	685	447	73	2	2,572
Balance on 31 December 2009	10,184	1,933	1,795	38	97	14,047

(Currency - In thousands of Turkish Lira ("TL"))

24. Intangible assets

	Software	Rights	Develop-ment costs	Total
Cost				
Balance on 1 January 2008	2,121	-	-	2,121
Acquisition through business combination (Note 7)	-	14,153	-	14,153
Additions	1,014	3,645	-	4,659
Internally developed	-	-	581	581
Disposals	(380)	-	-	(380)
Balance on 31 December 2008	**2,755**	**17,798**	**581**	**21,134**
Balance on 1 January 2009	2,755	17,798	581	21,134
Additions	3,109	437	-	3,546
Internally developed	-	-	3,967	3,967
Disposals	-	-	-	-
Balance on 31 December 2009	**5,864**	**18,235**	**4,548**	**28,647**
Amortisation				
Balance on 1 January 2008	1,750	-	-	1,750
Amortisation for the year	564	1,397	-	1,961
Disposals	(380)	-	-	(380)
Balance on 31 December 2008	**1,934**	**1,397**	**-**	**3,331**
Balance on 1 January 2009	1,934	1,397	-	3,331
Amortisation for the year	323	3,025	118	3,466
Disposals	-	-	-	-
Balance on 31 December 2009	**2,257**	**4,422**	**118**	**6,797**
Carrying amounts				
Balance on 1 January 2008	371	-	-	371
Balance on 31 December 2008	821	16,401	581	17,803
Balance on 31 December 2009	3,607	13,813	4,430	21,850

25. Other assets

	31 December 2009	31 December 2008
Deferred VAT	992	407
Advances given	853	702
Prepaid expenses	275	732
Prepaid taxes (Note 14)	189	165
Receivables from Clearing House	37	1,576
Transitory accounts	18	-
Others	177	103
	2,541	**3,685**

(Currency - In thousands of Turkish Lira ("TL"))

26. Trade and other payables

	31 December 2009	31 December 2008
Payables to suppliers	1,854	258
Advances taken	1,731	-
Deposits and guarantees taken	832	745
Notes payable	827	-
Other liabilities	95	39
	5,339	**1,042**

27. Obligations under repurchase agreements

	31 December 2009	31 December 2008
Obligations under repurchase agreements	85,792	1,528
	85,792	**1,528**

TL 874 of trading debt securities and 94,719 of investment securities are pledged under repurchase agreements as of 31 December 2009 (31 December 2008 – TL 854 of trading debt securities and TL 11,681 of investment securities).

28. Debt securities issued

	31 December 2009	31 December 2008
Debt securities issued	51,395	-
	51,395	**-**

	31 December 2009	31 December 2008
Nominal of debt securities issued	54,556	-
Valuation difference of debt securities issued	(3,161)	-
	51,395	**-**

In 2009, the Bank issued debt securities with a maturity of 25 January-17 December 2010. The interest rate for debt securities is 9%-11%.

29 Funds borrowed

	31 December 2009	31 December 2008
Domestic banks – TL	2,201	2,437
Domestic banks – Foreign currency	33,629	25,652
Foreign banks – Foreign currency	61,641	47,609
	97,471	**75,698**

(Currency - In thousands of Turkish Lira ("TL"))

30. Provisions

	31 December2009	31 December 2008
Vacation pay liability	617	330
Employee termination benefits	72	76
Provision for non-cash loans	-	304
Other	24	23
	713	**733**

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

	31 December 2009	31 December 2008
Opening balance	76	33
Interest cost	14	31
Service cost	32	28
Payment during the year	(98)	(40)
Actuarial difference	48	24
Balance at the end of the year	**72**	**76**

Employee termination benefits

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 2.37 and TL 2.18 on 31 December 2009 and 31 December 2008, respectively) per year of employment at the rate of pay applicable on the date of retirement or termination. In the financial statements as of 31 December 2009 and 31 December 2008, the Group reflected a liability calculated using the statistical method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds on the balance sheet date.

The principal actuarial assumptions used on the balance sheet dates are as follows:

	31 December 2009	31 December 2008
Discount rate	11%	12%
Expected rates of salary/limit increases	5.92%	6.26%
Estimated rate of obtaining right for employee termination indemnity	86%	87%

Vacation pay liability

The movement in provision for vacation pay liability is as follows:

	31 December 2009	31 December 2008
On 1 January	330	49
Effect of acquisition of subsidiary	-	52
Increase during the year	350	231
Paid	(63)	(2)
Balance at the end of the year	**617**	**330**

(Currency - In thousands of Turkish Lira (“TL”))

31. Other liabilities

	31 December 2009	31 December 2008
Customer accounts	126,402	10,589
Cash collaterals received	26,940	-
Taxes and due payable	1,523	973
Transitory accounts	949	285
Payables to Clearing House	197	1,576
Payables to compulsory government funds	156	85
Other	2,186	376
	158,353	**13,884**

The Bank is not entitled to collect deposits. Current accounts represent the current balances of loan customers.

(Currency - In thousands of Turkish Lira ("TL"))

32. Capital and reserves

	31 December 2009	31 December 2008
Number of common shares, TL 1,000 (in full TL), par value (Authorised and issued)	155,040	114,000

Share capital and share premium

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

	31 December 2009		31 December 2008	
	Amount	%	Amount	%
Çalık Holding A.Ş.	152,728	98.51	112,300	98.51
GAP Güneydoğu Tekstil San. ve Tic. A.Ş.	1,224	0.78	900	0.78
Ahmet Çalık	544	0.35	400	0.35
Başak Enerji Elektrik Üretim San. ve Tic. A.Ş.	272	0.18	-	-
Irmak Enerji Elektrik Üretim Madencilik San. ve Tic. A.Ş.	272	0.18	-	-
Mahmut Çalık	-	-	200	0.18
Ali Akbulut	-	-	200	0.18
Total paid-in-capital	**155,040**	**100.00**	**114,000**	**100.00**
Restatement effect	5,448		24,663	
Total share capital	**160,488**		**138,663**	

On 2 July 2009, the Bank's share capital increased from TL 114,000 to TL 155,040. TL 19,215 of the increase was transferred from restatement effect on share capital and TL 21,825 of the increase was transferred from retained earnings.

Reserves

Fair value reserve

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

Other reserves

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

(Currency - In thousands of Turkish Lira ("TL"))

33. Related parties

Parent and ultimate controlling party

The Bank is controlled by Çalık Holding A.Ş. which owns 98.51% of ordinary shares (31 December 2008 – 98.51%).

Compensation of key management personnel of the Bank

Total salaries and other benefits paid to the Board of Members and top management during the year is TL 5,001 (31 December 2008: TL 3,901).

Balances with related parties

	31 December 2009	31 December 2008
Loans and advances to customers	168,263	6,282
Other liabilities (Customer accounts)	6,239	1,310

In addition to balances with related parties above, the Group has corporate bonds issued by Çalık Holding A.Ş. amounting to USD 14,000,000 of nominal value. The Group has reclassified USD 12,000,000 of these bonds to available-for-sale investment securities and USD 2,000,000 to held-to-maturity investment securities. As of 31 December 2009, the carrying value of available-for-sale investment securities and held-to-maturity investment securities are TL 15,857 and TL 2,580, respectively.

Off balance sheet balances with related parties

	31 December 2009	31 December 2008
Non-cash loans	266,203	164,777

Transactions with related parties

	31 December 2009	31 December 2008
Interest income on loans	15,039	4,418
Rent expenses	3,312	625
Accommodation expenses	2,300	-
Fee and commission income	1,511	832

34. Commitments and contingencies

	31 December 2009	31 December 2008
Letters of guarantee	373,221	265,008
Letters of credit	52,423	72,617
Other guarantees	68,260	12,979
	493,904	**350,604**