



## **SECTION I - INTRODUCTION**

- 2 Financial Highlights and Key Ratios
- 4 Brief History
- 4 Amendments to the Articles of Association
- 6 Shareholders and Capital Structure
- 7 Shares Held by the Chairman, Members of the Board, CEO and Executive Vice Presidents of the Bank
- 8 Chairman's Message
- 10 CEO's Message
- 12 T-Bank as a Niche Bank
- 12 Review of Operations in 2010

## **SECTION II - T-BANK MANAGEMENT AND CORPORATE GOVERNANCE IMPLEMENTATIONS**

- 20 Board of Directors
- 22 Executive Management
- 22 Statutory Auditors
- 22 Credit Committee and Other Committees
- 23 Attendance to the Board of Directors, Audit Committee and Other Committees
- 24 Summary Report of the Board of Directors to the General Assembly
- 25 Human Resources
- 28 Related Party Transactions
- 29 Persons and Companies that Provide Support Services

## **SECTION III - FINANCIAL INFORMATION AND RISK MANAGEMENT**

- 32 Risk Management Policies
- 34 The Assessments of Audit Committee on Internal Systems
- 36 Statutory Auditors' Report
- 37 Annual Activity Report Compliance Opinion
- 39 Unconsolidated Financial Statements and Notes to Financial Statements
- 164 Assessment of Financial Position
- 165 Five-Year Summary Financial Statistics
- 165 T-Bank Credit Ratings
- 166 Directory

**T-BANK**

**2010  
ANNUAL REPORT**

## Financial Highlights and Key Ratios

Financial Highlights (TL thousands/US\$ thousands)					
	December 31, 2010		December 31, 2009		Change
	TL	US\$	TL	US\$	%
Total Assets	1,509,774	977,706	1,144,511	765,406	32
Loan Portfolio (Gross)	1,020,368	660,775	750,012	501,580	36
Loan Portfolio (Net)	1,003,222	649,671	722,218	482,992	39
Securities Portfolio (Net)	268,428	173,830	178,729	119,527	50
Banks/Money Market Placements	93,939	60,833	144,759	96,809	(35)
Total Deposits	1,143,081	740,242	841,950	563,064	36
Borrowings	92,264	59,749	48,878	32,688	89
Shareholders' Equity	219,256	141,987	215,284	143,974	2
Guarantees and Collaterals	975,901	631,978	709,505	474,490	38

	December 31, 2010		December 31, 2009		Change
	TL	US\$	TL	US\$	%
Net Interest Income	52,742	34,155	64,537	43,160	(18)
Net Commission Income	16,472	10,667	12,729	8,513	29
Profit before Taxes	4,466	2,892	3,074	2,056	45
Net Profit	2,463	1,595	2,354	1,574	5

Key Financial Ratios		
	December 31, 2010 (%)	December 31, 2009 (%)
Capital Adequacy Ratio	14.03	19.32
Loans (Net)/Deposits	87.76	85.78
Loans (Net)/Total Assets	66.45	63.10
Liquid Assets/Total Assets (*)	21.93	26.65
Non-Performing Loans (Net)/Total Loans (Net)	2.29	0.83
Non-Performing Loans (Gross)/Total Loans (Gross)	3.93	4.50
Non-Performing Loans (Net)/Total Assets	1.52	0.52
Specific Loan Provisions/Non-Performing Loans	42.72	82.28

\* Includes financial assets at fair value through profit and loss and financial assets available for sale.

**Loans/Total Assets (%)**

2009		63.10
2010		<b>66.45</b>

**Capital Adequacy Ratio (%)**

2009		19.32
2010		<b>14.03</b>

**Liquid Assets/Total Assets (\*) (%)**

2009		26.65
2010		<b>21.93</b>

*\* Includes securities portfolio.*

**Loans/Deposits (%)**

2009		85.78
2010		<b>87.76</b>



T-Bank continues its success within the Turkish banking sector by increasing the number of customers as well as maintaining a sound and profitable portfolio.

## Brief History

Established in 1985 as the Istanbul Branch of the Bank of Bahrain and Kuwait, the Bank was converted in 1991 to an independent entity known as the Bank of Bahrain and Kuwait Bankası A.Ş.. Following an acquisition done by the Doğu Group in 1992, the Bank was renamed Garanti Yatırım ve Ticaret Bankası A.Ş. 1997 it was purchased by Mehmet Nazif Günel and its name changed to MNG Bank.

In 2006, Arab Bank and BankMed reached a mutual agreement with Mehmet Nazif Günel for the acquisition of 91% of MNG Bank's shares. The sale transaction was approved by the Turkish Banking Supervision and Regulation Agency (BRSA) on December 29, 2006. In January 2007, the share transfer was completed and Arab Bank and BankMed purchased 50% and 41% of MNG Bank shares, respectively. On April 3, 2007, the Bank's name was changed to Turkland Bank A.Ş., or as it is known in its abbreviated form: T-Bank. In June 2010, BankMed raised its share in T-Bank's capital from 41% to 50% by acquiring the 9% stake of Mehmet Nazif Günel.

T-Bank benefits from the long-standing banking experience that Arab Bank and BankMed bring to it, with their solid track record and expertise in the areas of retail and corporate banking since the 1930s and 1940s respectively. The synergy created with shareholder banks is a valuable asset for T-Bank and its clients.

While maintaining focus on its traditional strengths in corporate and commercial banking, T-Bank continues to expand its operations, most notably through the strengthening of its SME banking portfolio.

## Amendments to the Articles of Association

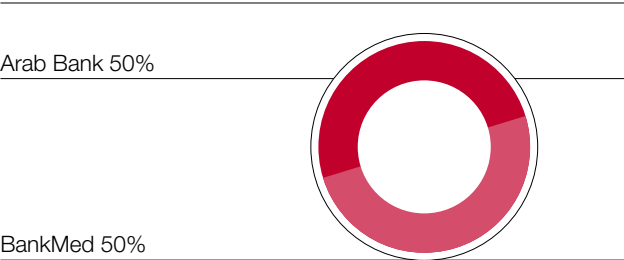
There are no amendments to the Articles of Association.



T-Bank benefits from the long-standing banking experience and solid track record and expertise of its shareholder banks; Arab Bank and BankMed.

Shareholder and Capital Structure

On June 29, 2010 the general shareholder’s assembly made a resolution amending the shareholder’s structure of T-Bank as follows:



Arab Bank	849,999,995 shares (representing 50%)
BankMed	849,999,994 shares (representing 50%)
Others	11 shares
Paid-in Capital (TL)	170,000,000

**Arab Bank**  
Arab Bank was established in 1930 with a unique purpose that transcends that of banking and strives to enable the Arab world to grow and prosper both economically and socially. The role that Arab Bank has played in the advancement of Arab economies has also been a motivating force behind its financing of strategic infrastructure projects across the Middle East and North Africa (MENA).

Headquartered in Amman, Jordan, Arab Bank is now in its eighth decade of operation. It maintains a leading global network and enjoys a prominent position in MENA regional centers including Dubai, Manama, Doha and Beirut. Arab Bank’s presence in key international financial centers including London, Zurich, Frankfurt, New York, Singapore and Sydney brings its global branch network to over 500 locations in 30 countries, spanning five continents.

Arab Bank is uniquely positioned to be the partner of choice for MENA financial services expertise. The Bank is a diversified financial institution providing a broad range of products and services in areas such as corporate and institutional banking, consumer banking and treasury services, all of which cater to meet the needs of individuals, corporations, government agencies and other international financial institutions.

In 2010, Arab Bank Group achieved pre-tax and after provisions profit of US \$486.8 million; total assets reached US \$51.1 billion, while shareholders’ equity equaled to US \$8.3 billion.

### BankMed

BankMed, originally established in 1944, is headquartered in Beirut, Lebanon. It has grown into one of the largest banks in Lebanon (in terms of total assets), and currently holds approximately 10% of market share. Retail banking, corporate banking, institutional banking, wealth management, brokerage and investment banking are a few of the many services BankMed and its subsidiaries provide. In addition to T-Bank in Turkey, BankMed's overseas operations extend to (i) a fully owned subsidiary in Switzerland, BankMed (Suisse), engaged in private banking activities, (ii) a fully owned subsidiary in Saudi Arabia, Saudi-Med Investment Co., involved in investment banking and asset management, and (iii) a branch in Cyprus.

BankMed is wholly owned and controlled by the Hariri family through their shareholdings in GroupMed S.A.L. Holding, the owner of BankMed. The family also owns the Saudi Oger Group, one of the largest conglomerates in the Middle East with investments that include Turk Telecom. As of end of December 2010, BankMed's total assets stood at US\$ 11.2 billion while deposits reached approximately US\$ 8.8 billion, total loans over US\$ 3.6 billion and total equity of US\$ 1.1 billion. The Bank has a client base exceeding 130,000 customers and a total staff of 1,788 persons.

BankMed has implemented an expansion strategy that will enable it to enter selected high-growth markets in the MENA region; with the aim of diversifying sources of income and increasing shareholder value. The target markets carry strategic importance and provide BankMed with a platform to launch itself as a competitive player in the regional financial system.

### Shares Held by the Chairman, Members of the Board, CEO and Executive Vice Presidents of the Bank

The aforementioned people do not hold any shares in T-Bank as of December 31, 2010.



BankMed raised its share in T-Bank's capital to 50% by acquiring the 9% stake of Mehmet Nazif Günal in June 2010.

## Chairman's Message

The year 2010 bore witness to the easing of the negative effects of the global financial crisis, which had all but overwhelmed the world economy since the last quarter of 2008. In the aftermath, players in financial markets have re-focused on more sustainable growth and investment strategies for the future. The recovery from the global recession -one of the largest economic crises of the 21st century, owing to the depth and reach of its consequences- has been tepid and gradual for much of the developed world. However, emerging markets led by the BRIC (Brazil, Russia, India and China) economies have displayed impressive growth levels, conveying important insights into the dynamics that are likely to shape the world economy in the near future. As for Turkey, which became the fastest growing European economy in 2010, registering 7.8% annual GDP growth, its performance clearly indicates that the country is on the brink of establishing a significant position for itself in the world economy.

Implemented since 2001, Turkey's tight, anti-inflationary monetary policy, which focuses on fiscal discipline, has played a crucial role in minimizing the negative effects of the global crisis on the financial sector and the real economy. In contrast to several countries in Europe and the Middle East-whose sovereign credit ratings have suffered during the economic slowdown-Turkey's credit ratings were raised by international rating agencies Fitch and Moody's thanks to this long term stability program. As a result of the stability program's focus on fiscal discipline, Turkish interest rates have remained within the targeted policy range. Underscored by the performance of this indicator, which is crucial for the development of financial markets, the Turkish banking sector has become the driving force behind the country's economic successes in recent years. As part of the process, Turkish banks have enhanced the range of products and services on offer to compete at the international level. Turkish banks have also significantly increased their retail and corporate banking client portfolios, thus contributing considerably to the development of the real

economy. The continued advancement of the global economic recovery and Turkey's progress along a solid economic growth track suggest that the year 2011 will be another leap forward for the Turkish banking sector.

Fulfilling a need in the Turkish banking sector with its niche banking approach, T-Bank focuses its operations on Corporate, Commercial and SME Banking. In order to provide even higher quality services to its selective customer portfolio, T-Bank considers monitoring technological advances in the sector and enhancing its human resources, through ongoing education and training programs, to be two indispensable components of its management strategy. Thanks to our organizational structure and firm corporate values, blended with years of experience of our management, I am proud to say that, in the period ahead, we are in a solid position to record growth levels amongst our peers in the Turkish economy. Supported by our extensive experience in risk management, I would like to emphasize that we are also ready to meet the challenges that await us in the years ahead.

I extend my gratitude to our shareholders and to the members of the Board for their support and unwavering trust and to our employees who, due to their diligent efforts, remain the essential architects of our success. Once again, I would like to share my optimism that the same ambition and enthusiasm we exhibit today will drive us to achieve further successes in 2011.

**Nemeh Sabbagh**  
Chairman

The continued advancement of the global economic recovery and Turkey's progress along a solid economic growth track suggest that the year 2011 will be another leap forward for the Turkish banking sector.



**Nemeh Sabbagh**

Chairman

## CEO's Message

By employing a “Niche Banking” approach to its operations, which has added a new dynamism to the Turkish banking sector, T-Bank strives to best-serve the interests of its selective client base by seizing upon opportunities appropriately and managing risk effectively, especially within the current economic climate. T-Bank's customer-oriented approach to service and deliver is further boosted by its robust shareholding and its dedication in responding to developments in pioneering sectors of the economy which enable it to facilitate and add value to its clients' long-term growth plans. The synergy created by our main shareholders' established presence and solid reputation within the MENA markets contributes to the expansion of the Bank's market reach and operations considerably. Moreover, the wealth of expertise and experience shared by our main partners are indispensable to T-Bank's foreign financing activities.

T-Bank successfully carries out its operations in commercial and corporate banking, with a special focus on SME Banking, partly due to the high level of skills and dedication of its 510 employees in the bank's 27 branches, all located throughout Turkey. T-Bank follows an organic growth strategy, focusing on the most industrialized and fastest growing cities in Turkey. In 2010 it has further reinforced its branch network with the addition of the Avcılar and İzmit branches.

T-Bank's growth strategy relies on establishing solid cooperative relationships with its customers within the framework of a business partnership. This approach is clearly contributing to the sustainability of T-Bank's financial achievements as indicated by the performance registered during the year. The Bank's total income grew by 12% to reach TL 170 million and net profits increased by 5% to reach TL 2.5 million. Moreover, deposits, a clear indicator of our clients' trust, grew by 36% in 2010 to reach TL 1.143 billion.

In 2010, total loans grew by 36%. T-Bank's SME banking operations, positioned as one of its main fields of specialization, contributed a significant share of this growth. In this respect, during the year T-Bank increased its total cash and non-cash loans by 37%, outperforming the sector average. Within a short period of time, T-Bank's “Niche SME Banking” approach has borne fruit, by helping to enhance and expand the Bank's SME operations. In just three years, the Bank has added almost 10,000 mid-size companies to its customer portfolio and reached a volume of US\$ 500 million in SME Banking transactions. The new, simplified operational procedures, including a streamlined credit approval process, which allows for the quick assessment of SME loan demands has played a significant role in reaching these and other achievements.

Another field in which T-Bank has achieved noteworthy success, is its foreign trade finance operations. In 2010, the volume of foreign trade transactions mediated by T-Bank reached US\$ 500 million. Aside from non-cash services, i.e.,

letters of credit and letters of guarantee, the Bank also provided funding such as foreign trade finance and working capital to clients according to their needs.

T-Bank prefers to expand the range of goods and services it offers customers via agency agreements. In 2010, concurrently with its ongoing cooperation with Axa Sigorta and Western Union, T-Bank entered into a new collaborative agreement with Ata Yatırım, which has a significant market share in its areas of activity. Thanks to this cooperation, called the “Win-Win Policy”, the Bank's individual and corporate clients can take advantage of Ata Yatırım's capital markets brokerage services via T-Bank's branches. Embracing a customer-oriented service approach, T-Bank will continue to formulate such projects to further enhance its range of goods and services.

With great importance attached to technological innovation, T-Bank launched efforts to update its Core Banking System, CRM (Customer Relationship Management), Treasury and Internet Banking systems during 2010. In July 2010, a project entitled “Project Future” was initiated to implement one of the most reliable banking systems software suites trusted by independent audit firms and utilized across the globe. The analysis process of the project is underway; and is planned to be completed by the first quarter of 2012. The system, designed according to core banking, e-banking, treasury and asset management as well as the CRM (Customer Relationship Management) needs of retail, corporate and universal banks worldwide, will help T-Bank strengthening its innovative initiatives, differentiating its product and service offering, enhancing its customers' banking experience and attaining even greater operational efficiency.

In 2011, the Bank's main objective will continue to be the reinforcement of its relationships with its valued customers, perceived as business partners, working towards the formulation and implementation of sustainable growth strategies and solutions. T-Bank has managed to reinvigorate certain sectors of the Turkish economy with its “niche services” approach and for this I would like to express my gratitude to our business partners and shareholders for their unwavering support and trust, to our employees, who own the largest share of our achievements through their diligent efforts and lastly, to our customers, who offered us their total trust. I sincerely believe that 2011 will be yet another year full of success for all of our stakeholders.

**Dinçer Alpman**  
CEO

T-Bank successfully carries out its operations in commercial and corporate banking, with a special focus on SME Banking, partly due to the high level of skills and dedication of its 510 employees in the bank's 27 branches all located throughout Turkey.



**Dinçer Alpman**  
CEO

## T-Bank as a Niche Bank

By providing customized solutions to its clients banking needs, in line with its “Niche Banking” approach, T-Bank has an established presence in all the major industrial and financial centers in Turkey through a team of 510 competent and dedicated employees located in 27 branches.

The Bank specializes in providing premium banking services to the commercial business sector as well as to SMEs, through the “Niche Banking” approach. T-Bank offers a comprehensive range of services to suit the banking needs of all its clients, including treasury and cash management, investment services and trade finance. Personal banking services are also available to the shareholders and managers of T-Bank’s corporate clients and for individual customers. The well-developed correspondent banking network of its majority shareholders in the MENA region enables T-Bank to further expand the scope of its services, while concurrently fostering sound relationships with leading global banks.

## Review of Operations in 2010

### A Cohesive Organization

The advantage T-Bank derives from operating as a “Niche Banking” is its ability to respond to clients’ ever-changing needs through customized and timely value-added solutions. T-Bank takes advantage of its position as a mid-scale bank and as such, its decision-making processes focus on fostering close relationships with clients while supporting their mid-to-long-term growth plans.

In 2010, T-Bank reinforced its close ties with its loyal customer-base. By identifying their banking needs and transforming their feedback into innovative solutions, T-Bank’s focus on customer-satisfaction has enabled the expansion of the Bank’s market share.

T-Bank consistently seeks to grow its portfolio through proactive marketing campaigns that target all components of the supply chain, with the aim of capturing additional suppliers and customers.

### Sectoral Breakdown of Loan Portfolio as of December 31, 2010 (TL thousands)

Sector	Cash Loans		Non-cash Loans	
	Total	%	Total	%
<b>Agriculture</b>	<b>21,383</b>	<b>2.10%</b>	<b>10,107</b>	<b>0.95%</b>
Farming	17,476	1.71%	9,127	0.86%
Forestry	3,701	0.36%	915	0.09%
Fishing	206	0.02%	65	0.01%
<b>Industry</b>	<b>561,390</b>	<b>55.02%</b>	<b>381,083</b>	<b>35.91%</b>
Mining and Quarrying	104,673	10.26%	88,290	8.32%
Manufacturing	451,713	44.27%	292,611	27.57%
Power, Gas and Water	5,004	0.49%	182	0.02%
<b>Construction</b>	<b>106,587</b>	<b>10.45%</b>	<b>344,505</b>	<b>32.46%</b>
<b>Services</b>	<b>284,275</b>	<b>27.86%</b>	<b>279,958</b>	<b>26.38%</b>
Wholesale and Retail Trade	111,839	10.96%	126,353	11.91%
Hospitality	65,248	6.39%	6,151	0.58%
Transportation and Communication	31,520	3.09%	26,726	2.52%
Financial Institutions	17,792	1.74%	69,261	6.53%
Real-Estate and Leasing Services	29,043	2.85%	8,443	0.80%
Self-Employed	10,758	1.05%	29,270	2.76%
Education Services	84	0.01%	118	0.01%
Healthcare and Social Services	17,991	1.76%	13,636	1.28%
<b>Other</b>	<b>46,733</b>	<b>4.58%</b>	<b>45,611</b>	<b>4.30%</b>
<b>TOTAL*</b>	<b>1,020,368</b>	<b>100.00%</b>	<b>1,061,264</b>	<b>100.00%</b>

\* Excluding NPL's.

### Well-Spread Branch Network

T-Bank carries out its operations in line with the “niche services” approach; it currently operates from 27 branches, each of which is situated in one of Turkey’s commercial hubs. The location of each new branch is chosen according to the intensity of the economic and trade activity in the area in order to reach as many of T-Bank’s targeted customers as possible.

### Regional Synergy

Strong ties with Arab Bank and BankMed in the MENA countries create significant network synergy for T-Bank across the region. This is enhanced by Turkey’s maintenance of good trade relations with its neighbors and other regional partners. The know-how and experience accumulated by its shareholders in the region presents a unique opportunity for T-Bank to better serve its customers.

### Segmentation

To provide the highest quality services, T-Bank divides its customers into two segments: SMEs and Corporate clients. T-Bank’s target market in the SME sector includes local trade companies, suppliers and manufacturers (small and medium size firms) generating an annual turnover between TL 1-12.5 million. T-Bank’s corporate/commercial business line focuses on clients with higher turnover and with substantial foreign trade activities. The bulk of these clients are those involved in manufacturing, tourism, construction, energy and logistics sectors.

### A Sound and Profitable Loan Portfolio

T-Bank’s broad and diversified clientele is composed of a mix of creditworthy and profitable players in the market. We believe that increasing the number of customers, as well as maintaining a sound and profitable portfolio, are the essential components of T-Bank’s success within the Turkish banking sector. Accordingly, the Bank has diversified its loans across a variety of sectors and within a large customer base.

### Cash Management Services

T-Bank maintains a client base large enough to ensure the profitability of its cash management services. Effective cash management service, are considered as one of the important cross selling activities that support the growth of corporate banking activities and also provide an additional source of income through commercial deposits.



The advantage T-Bank derives from operating as a niche bank is its ability to respond to clients’ ever-changing needs through customized and timely value-added solutions.

T-Bank provides innovative products in foreign trade finance, cash management and project to its Corporate and Commercial Banking customers via its experienced staff.

### Corporate and Commercial Banking

Corporate and Commercial Banking serves clients that generate an annual turnover above TL 12.5 million, inclusive of publicly traded firms and financial enterprises.

T-Bank provides a wide range of customized services to its Corporate and Commercial Banking customers via its experienced staff. T-Bank fully recognizes and responds to the needs of its corporate and commercial customers and will continue to offer innovative products in foreign trade finance, cash management and project finance.

T-Bank sees its customers as partners and focuses on establishing long-term relationships with them. It continues its consistent growth with a focus on the risk-return balance as much as on profitability. While deepening its association with its present customer portfolio, T-Bank continues to gain new customers utilizing a risk-centered approach. Under today's rapidly changing market conditions, its objective is to continue to be a reliable and cherished bank with a robust financial structure.

The Bank's branches are located in cities or in business areas that have vibrant economic activity and a high potential for investment, production, as well as domestic and foreign trade. T-Bank will be following this road map for prospective branch openings, as it fulfills its strategy to expand the branch network in the period ahead.

T-Bank is one of the most important market players for trade activities between the MENA region and Turkey. Its shareholders' strong presence in the region is thus one of the Bank's major advantages in terms of its Corporate and Commercial Banking strategy. T-Bank provides international finance services, particularly in the MENA region, via its international correspondent network and domestic branch services provided by a specialized and dedicated staff. Integration into the economic environment (which its group companies are a part of) becoming part of a well-established network of commercial relationships, prompt decision making capacity, and the ability to take immediate actions, represent key advantages that give T-Bank's Corporate and Commercial Banking services a competitive edge.

### SME Banking

According to its renewed segmentation criteria, T-Bank defines SMEs as firms with an annual turnover between TL 1 million and TL 12.5 million, whether they are classified as private/ incorporated enterprises or sole proprietorships. Clients within this segment are offered "niche" banking services that suit the particular middle- and long-term growth plans of SMEs. As such, T-Bank serves its clients with a wide product range and innovative solutions. The Bank's main objective is to continue strengthening its dealings with present clients while gaining new customers through a flexible pricing policy which responds to their cash flow needs.

T-Bank SME Banking employs the following values and competences:

- Customer-Oriented Approach
- High Quality Service
- Quick Turnaround
- Competent Human Resources
- Operational Efficiency
- Sustainable Growth and Development

In 2010, T-Bank SME Banking outgrew the sector average by increasing its cash loans by 52% and its total cash and non-cash loans by 50%. In only three years, the Bank has made significant progress in SME Banking; adding approximately 10,000 mid-sized enterprises to its customer portfolio. In 2010, aside from the growth in loans, the deposit base also increased by 36%.

Establishing long lasting relationships through customer-oriented service delivery and maintaining a sustainable growth perspective; the SME Banking team is able to achieve efficient credit/risk compatibility via accurate collaterals, detailed financial analysis and continuous monitoring of risk. With the perspective of becoming one of its clients' principle banks, under a solution partnership scheme, T-Bank's SME Banking portfolio managers strive to meet their customers' strategic and financial needs both proactively and effectively. Profitability, as well as efficient risk management, prioritized in loan portfolio management while loan pricing is determined by assessing the financial data, limit-risk indicators and collaterals of the customers. To meet customers' demands and expectations, portfolio managers provide feedback about possible threats and/or opportunities and offer the appropriate banking instruments and expertise to address their needs.

T-Bank's growth strategy operates within the framework of a business partnership with customers. With a view to becoming one of their customer's primary banks, T-Bank not only offers services targeting customers' cash needs, it also has a large service portfolio including non-cash loans, checks, salary and tax payments, utility bill payments, treasury bonds, foreign trade transactions and other cash management products. Constantly prioritizing technological innovation, T-Bank has devised a new, more simplified credit review process; allowing for the fast assessment of a SME Banking loan demand in a single day for each product.

With the addition of the Avclar and Izmit branches, opened in the second quarter of 2010, T-Bank has created a network of 27 branches and is able to extend its services to the most industrialized, fastest-growing locations in Turkey. Thanks to its robust capital structure, T-Bank will continue to boost its SME Banking activities in the period ahead. The Bank's organic growth strategy targets dynamic and industrialized urban areas where economic activity is intense and the growth potential is high. In these regions, T-Bank strives to reach out to new SMEs and grasp new opportunities in the areas of customer segmentation, market surveys and credit/risk analysis.

#### Credit Allocation-Monitoring Department

Within the Credit Allocation Department, four specialized departments have been established:

- Corporate/Commercial
- SME
- Construction/Contracting
- Individual Loans

Responding to credit requests from different sectors, each specialized department is able to offer the most accurate and innovative solutions to meet its customer demands. In addition, the credit approval process has been streamlined allowing T-Bank to respond in a timely and efficient manner to meet customers' requests.

T-Bank places great emphasis on the continuous enhancement of its Early Warning Model, to better identify potential risk and take preventive measures before they occur. A new advanced software suite is currently being developed that will consolidate and rate potentially negative information, thus improving the accuracy of the Bank's credit assessment process. The Credit Monitoring Unit, part of the Credit Allocation Department, oversees all phases of the loan application/approval process and compiles all the necessary internal and loan monitoring reports.



The Bank's organic growth strategy targets dynamic and industrialized urban areas where economic activity is intense and the growth potential is high.

The “Niche Banking” approach which T-Bank has adopted does not compromise the risk-centered management criteria; T-Bank uses a new Basel II compliant Credit Scoring Model especially designed for SMEs and corporate/commercial businesses.

#### Score Card Model

The “Niche Banking” approach which T-Bank has adopted does not compromise the risk-centered management criteria; T-Bank uses a new Basel II compliant Credit Scoring Model especially designed for SMEs and corporate/commercial businesses. The model allows faster access to credit application documents and customer information, thus generating higher added-value in the credit processes. The score card model, which has proven decisive in making credit assessments, has allowed for the implementation of a more accurate credit analysis process.

#### Credit Policy

T-Bank’s credit policy is under constant review and modification with specific objectives.

The Credit Policy Manual is intended as a guide for the application of sound credit procedures and provides the Bank’s management with direction in formulating sound credit decisions. The manual also serves to communicate a standardized approach, at all levels in the Bank, including dealing with credit risk issues related to customers and other counterparties.

#### Industry Risk Asset Acceptance Criteria (RAACs)

The purpose of using Industry Risk Asset Acceptance Criteria (RAACs) is to convey T-Bank’s growth strategy to customer relationship teams. So they can develop their business in line with the Bank’s general expansion strategy and operating procedures. RAACs have already been applied to some of the major industries, while those for smaller segments are currently being prepared. Industry RAAC outlines the Bank’s risk appetite level and policies with respect to targeted industrial sectors in the market.

#### Treasury

As an important contributor to the Bank’s overall profitability, the Treasury Department carries out its transactions within the limits of both market and counterparty risks, as approved by the Board of Directors. The Treasury Department manages the Bank’s securities portfolio and the foreign exchange position, which together make a significant contribution to the Bank’s profitability.

The department’s main responsibilities include managing the Bank’s liquidity in foreign currency and Turkish lira, overseeing the Bank’s assets and liabilities in terms of maturity and interest rates and providing information to the Bank’s senior management on these issues. The conservative approach of the Bank’s main shareholders has been decisive in the setting

of market risk limits by the Treasury Department. Accordingly, T-Bank’s securities portfolio is limited to 25% of total assets. Customers’ needs for treasury products are met via the branch distribution channels.

#### Financial Institutions

##### Correspondent Banking and Foreign Trade Finance

The Financial Institutions (FI) Department monitors and expands relationships with correspondent banks and financial institutions. FI also works on originating the financing of foreign trade business as a diversification to the Bank’s funding base. T-Bank has been also able to secure substantial bank credit limits from international banks and export credit agencies to meet its own financing requirements, as well as those of its customers. In 2010, the volume of foreign trade transactions mediated by T-Bank reached US\$ 500 million; aside from letters of credit and letters of guarantee, the Bank secured cash facilities such as foreign trade finance and working capital from correspondent banks, in line with its customers’ needs.

#### Information Technology

The Information Technology Department puts technology to the service of the Bank in line with its strategies and policies and in the most efficient manner to enable more efficient, faster and higher quality banking services.

##### Effective System Architecture

The Core Banking System operates on three application servers, including two expandable, high-performance IBM P6 database servers and EMC Symetrix storage solutions located at the Head Office. The system has a multi-layer structure and provides a safe infrastructure.

The core banking software has been developed by an independent information technology company specialized in banking software. The main system server operates on a Unix system, whereas other servers and personal computers operate on Windows and Linux platforms. With respect to databases, the core banking system uses Oracle Server 10g while non-core systems use SQL Server software. Additional database servers, set to be real time with the active servers, coupled with backups of other critical services are located at our Disaster Recovery Center outside Istanbul for emergency purposes.

At T-Bank, Microsoft Active Directory is used for the computer system infrastructure. For this purpose, Cisco systems are used for the network connections in branches and the Head Office and IBM servers on the server side.

Lotus Notes is used for e-mail and the workflow systems infrastructure. Together with internal and external electronic communication, this system forms the infrastructure for auxiliary workflow software related to the Core Banking System and the workflow software necessary for office automation systems.

Another priority issue for the Information Technology Department is the security of operations. In this respect, the Bank uses Checkpoint as its firewall, Websense for content filtering and web security and Trend Micro and Cisco IRONPORT products for anti-virus protection and e-mail security. Security contracts are renewed each year to ensure that the most up-to-date information technology is appropriately used for data security.

#### 2010 Initiatives

In 2010, efforts began to update the Core Banking System, CRM (Customer Relationship Management), Treasury and Internet banking systems of the Bank. Dubbed "Project Future," this project uses a leading technology consultancy as its solution partner. In July 2010, it was also decided to implement a state-of-the-art solution, used worldwide and considered by independent audit companies to be the most reliable banking system software. The project is currently in the analysis phase and will be completed in the first quarter of 2012. T-Bank aims to strengthen its innovation initiatives, differentiate its goods and services, develop its customers' experience and attain even greater operational efficiency thanks to the new system designed according to the core banking, e-banking, treasury and asset management and CRM needs of retail, corporate and universal banks worldwide.

T-Bank plans on minimizing paper waste and incorrect use of electronic storage space; it will be dramatically decreasing error risk by digitizing the document management process via the Document Management project launched in 2010.

During 2010, T-Bank further strengthened its IT infrastructure and completed efforts to update Microsoft Active Directory server systems to the latest version and to replace the network infrastructure with lower cost lines.



The Information Technology Department puts technology to the service of the Bank in line with its strategies and policies and in the most efficient manner to enable more efficient, faster and higher quality banking services.

With its effective service network spanning 27 branches within Turkey, T-Bank offers its customers custom-made solutions for corporate, commercial and SME banking. T-Bank is empowered with the synergy gained from its main shareholders, Arab Bank and BankMed, and is able to offer high quality services and products for projects and commercial transactions for customers operating in the Middle East and North Africa regions.

## **SECTION II T-BANK MANAGEMENT AND CORPORATE GOVERNANCE IMPLEMENTATIONS**

## Board of Directors

### Nemeh Sabbagh

#### Chairman

Nemeh Sabbagh, currently the CEO of Arab Bank, is a graduate of International Economics at Johns Hopkins University and holds a Master's degree in Finance from the University of Chicago. He began his banking career at the World Bank in 1973. He served at various banks, including the National Bank of Kuwait for nineteen years as the CEO of the Arab National Bank for seven and a half years, and as Executive General Manager of BankMed for four years.

### Amin Rasheed Sa'id Hussein

#### Vice Chairman

Amin Hussein is a graduate of Physics at Yarmouk University, Jordan. He holds an MBA from Fort Hays State University, USA. He started his career at Arab Bank Plc and served as Executive Vice President and Head of Financial Institutions and Transactional Services. He was appointed as the Country Manager of Bahrain at Arab Bank Plc in 2010.

### Dinçer Alpman

#### Board Member and CEO

Dinçer Alpman is a graduate of Management Engineering at Istanbul Technical University. He started his banking career at Pamukbank in 1988 and went on to work at Marmara Bank, Tekfen İnşaat and Alternatif Bank. Before joining T-Bank, he spent ten years at DenizBank as Executive Vice President in charge of Retail Banking.

### Mohamed Ali Beyhum

#### Board Member

Mohamed Ali Beyhum is the Executive General Manager of BankMed. He is a graduate of Mechanical Engineering at the American University of Beirut, Lebanon. He also holds a Master of Science in Industrial Management from Columbia University. He has worked with Irving Trust Company and the Bank of New York in the USA, before moving to Lebanon where he served as Vice President and Senior Representative at the Bank of New York, Beirut office. In December 2005, he joined BankMed as Advisor to the Executive Office before assuming his current position as Executive General Manager of the bank.

### Henri Jacquand

#### Board Member

Henri Jacquand is a graduate of Ecole des Hautes Etudes Commerciales in France and holds a Master's degree in Business Administration from the University of Chicago. He served as Vice President at Citibank, New York, Executive Vice President at CIC Group and Executive Vice President at Rabobank. He is currently Advisor to the Chairman/General Manager of BankMed.

### Riad Burhan Taher Kamal

#### Board Member

Riad Kamal is a graduate of Civil Engineering and also holds a Master's degree in Structural Engineering from the University of London. He has worked at Arabtec Construction since 1974, where he currently serves as the Chairman and Managing Director.

**Faten Matar****Board Member**

Faten Matar is a graduate of Business Administration from the American University of Beirut. He started his banking career at Citibank in 1978 where he spent four years, before joining Universal Bank. In 1986, he returned to Citibank and worked for ten years. Between 1998 and 2000, he worked as the Vice General Manager of Byblos Bank. In the latter stage of his career, Mr. Matar respectively served as the General Manager of Banque de la Mediterranee Sal and Allied Bank Sal. He is currently Advisor to the Executive General Manager of BankMed.

**Nadya Nabil Tawfik Talhouni****Board Member**

Nadya Nabil Talhouni is a graduate of Economics holding a minor in Political Science from Bryn Mawr College in the USA. She has worked for Citibank NA as Financial Institutions Securities Business Manager before joining Arab Bank in July 2002 where she serves as Senior Vice President and the Global Head of Cash Management and Trade Finance.

**Mustafa Selçuk Tamer****Board Member**

Selçuk Tamer is a graduate of Business Administration at the Faculty of Political Sciences at University of Ankara. He started his banking career in 1976. Prior to his current position as a Member of the Board of Directors of T-Bank, he worked at various banks including Yapı ve Kredi Bankası A.Ş., where he spent 18 years and served as Vice Chairman.

**M. Behçet Perim****Board Member**

Behçet Perim is a graduate of Electrical and Electronic Engineering and also holds an MBA from Boğaziçi University. He started his banking career in 1991 at Interbank where he served for three years. He then continued his career at Bank Ekspres for three years before moving to Denizbank where he spent 10 years. His last position was as an Executive Vice President in charge of Risk Management and Internal Control.

## Executive Management

### Doruk Parman

#### Executive Vice President-Marketing and Sales

Doruk Parman is a graduate of Mechanical Engineering at Middle East Technical University. He received his MBA from Bilkent University and then earned a doctorate in Banking from Marmara University. Prior to his ten years at DenizBank, Parman worked at Interbank. His last position was Senior Vice President of Retail Banking Division.

### Hakkı Yıldırım

#### Executive Vice President-Human Resources

Hakkı Yıldırım is a graduate of Industrial Engineering at Middle East Technical University. He earned his MBA and PhD in Management and Organization from Yeditepe University. He started his banking career in 1993 at Türkiye İş Bankası and worked with İktisat Bankası, Alternatifbank and Denizbank. His last position held at Denizbank was as Alternative Distribution Channels Senior Vice President.

### İlhan Zeki Köroğlu

#### Executive Vice President-Operation and Information Technologies

İlhan Zeki Köroğlu is a graduate of Public Administration at Middle East Technical University. He acquired his business experience at Pamukbank, Körfezbank and Garanti Investment. His last position held at Alternatifbank was as Executive Vice President.

### Mehmet Özgüner

#### Executive Vice President-Financial Affairs

Mehmet Özgüner is a graduate of Mining Engineering at Middle East Technical University. He started his banking career in 1994 at the Banking School of Ziraat Bankası. He was an Internal Auditor on the Board of Internal Auditors at Osmanlı Bankası for six years. In 2002, he joined T-Bank's Board of Internal Auditors and one year later he was appointed President of the Board. He joined T-Bank one year later, where he now holds his present position.

### Münevver Eröz

#### Executive Vice President-Treasury and Financial Institutions

Münevver Eröz is a graduate of Business Administration Department at Boğaziçi University and also holds an MBA from Koç University. She joined the banking industry in 1987 at Saudi American Bank, serving in several managerial positions over a ten-year period. She joined T-Bank at its inception in 1997 and has been Executive Vice President since 2000.

### Yurdakul Özdoğan

#### Executive Vice President-Credit Allocation and Follow-up

Yurdakul Özdoğan is a graduate of Economics at the Faculty of Political Sciences at Ankara University. He has worked at Pamukbank, Toprakbank, İktisatbank and Finansbank. His last position was at Oyakbank where he served as Senior Vice President of Credit.

## Statutory Auditors

### Osman Baydoğan

#### Statutory Auditor

Osman Baydoğan is a graduate of the Business Administration Department at Ege University. He worked in the departments of Financial and Administrative Affairs of various leading construction companies between 1978 and 1985. Beginning in 1985, he spent 13 years at Albarakatürk Katılım Bankası where his last position was Risk Follow-up Manager. From 1998 to 2004, Baydoğan served as Financial Affairs Coordinator at Eksim Şirketler Grubu and is currently Executive Director at Inter Trade.

### Özgür Çelik

#### Statutory Auditor

Özgür Çelik is a graduate of Business Administration at Istanbul University and started his career in 1997 as a research intern. Çelik spent three years at KPMG, Istanbul as a Senior Accountant. He later worked as an Assistant Finance and Accounting Manager of an affiliate company of NEXT Plc, before joining Oger Telecom in 2007. He currently serves as Financial Controller at Oger Telekomunikasyon A.Ş. and Oger Telecom Yönetim Hizmetleri Ltd. Şti., a subsidiary of Oger Telecom in Turkey.

## Credit Committee and Other Committees

### Credit Committee

Henri Jacquand, Board Member

M. Selçuk Tamer, Board Member

Dinçer Alpman, CEO and Board Member

### T-Bank Executive Committee

Dinçer Alpman, CEO and Board Member

M. Selçuk Tamer, Board Member

M. Behçet Perim, Board Member

Doruk Parman, Executive Vice President

Hakkı Yıldırım, Executive Vice President

İlhan Zeki Köroğlu, Executive Vice President

Mehmet Özgüner, Executive Vice President

Münevver Eröz, Executive Vice President

Yurdakul Özdoğan, Executive Vice President

### T-Bank Assets and Liabilities Committee

Dinçer Alpman, CEO

M. Behçet Perim, Audit Committee Board Member in Charge of Risk Management Group, Internal Audit and Internal Control Center

Doruk Parman, Executive Vice President

İlhan Zeki Köroğlu, Executive Vice President

Mehmet Özgüner, Executive Vice President

Münevver Eröz, Executive Vice President

Yurdakul Özdoğan, Executive Vice President

Elif Ertemel, Director, Retail Banking  
 Engin Enver Cebeci, Director, SME Banking  
 Serhan Yazıcı, Director, Corporate Banking  
 Alper Üstündağ, Manager, Treasury  
 Elida Stupljanin, Manager, Financial Institutions  
 Gülgün F. Öztaş, Risk Management Group Head  
 İsmail Dokur, Manager, Budget Planning and Management Reporting  
 Veyis Fertekligil, Chief Economist, Economic Research

#### **Audit Committee**

Amin Rasheed Sa'id Husseini, Vice Chairman  
 Mohamed Ali Beyhum, Board Member  
 M. Behçet Perim, Board Member

#### **Corporate Governance Committee**

Nemeh Sabbagh, Chairman of Board  
 M. Behçet Perim, Board Member

#### **Risk Management Committees**

##### **• Executive Risk Committee**

Diñçer Alpman, CEO  
 M. Behçet Perim, Audit Committee Board Member in Charge of Risk Management Group, Internal Audit and Internal Control Center  
 Doruk Parman, Executive Vice President-Member  
 İlhan Zeki Köroğlu, Executive Vice President-Member  
 Mehmet Özgüner, Executive Vice President-Member  
 Münevver Eröz, Executive Vice President-Member  
 Yurdakul Özdoğan, Executive Vice President-Member  
 Gülgün F. Öztaş, Risk Management Group Head-Member

##### **• Operational Risk Committee**

Diñçer Alpman, CEO  
 M. Behçet Perim, Audit Committee Board Member  
 Doruk Parman, Executive Vice President-Member  
 İlhan Zeki Köroğlu, Executive Vice President-Member  
 Gülgün F. Öztaş, Risk Management Group Head-Member  
 Şehsuvar Erol, Department Head, Internal Control Center-Member  
 Yakup Akın, Department Head, Internal Audit-Member

##### **• Information Technologies Risk Committee**

Diñçer Alpman, CEO  
 M. Behçet Perim, Audit Committee Board Member  
 İlhan Zeki Köroğlu, Executive Vice President-Member  
 Gülgün F. Öztaş, Risk Management Group Head-Member  
 Şehsuvar Erol, Department Head, Internal Control Center-Member  
 Yakup Akın, Department Head, Internal Audit-Member

#### **Risk Management, Internal Control and Internal Audit Managers**

Chairman of the Risk Management Group, Chairman of the Internal Control Center and Deputy Head of the Internal Audit report to the Audit Committee.

#### **M. Behçet Perim**

##### **Audit Committee Board Member in Charge of Risk Management, Internal Control and Internal Audit**

Behçet Perim is a graduate of Electrical and Electronics Engineering and holds an MBA from Boğaziçi University. He started his banking career in 1991 at Interbank where he served for three years, followed by three years at Bank Ekspres. Prior to joining T-Bank, he spent ten years at DenizBank where he held various positions and the last being Executive Vice President in charge of Risk Management and Internal Control.

#### **Gülgün Figen Öztaş**

##### **Group Head, Risk Management Group**

Gülgün Figen Öztaş is a graduate of Business Administration at Marmara University, Faculty of Economics. She also holds a Master of Science in Financial Economics Quantitative Finance from Bilgi University. She began her career in the banking sector at Türkiye İş Bankası in 1994 as a Financial Analyst. Starting from 1995, she served as a Senior Analyst at TSKB and joined the Risk Management Group of T-Bank in 2005. Öztaş is a Certified Financial Risk Manager.

#### **Şehsuvar Erol**

##### **Department Head, Internal Control Center**

Şehsuvar Erol is a graduate of Economics at Istanbul University. He started his banking career at Koçbank in 1992 as an Assistant Auditor and has worked as a Senior Financial Analyst at TSKB. After serving at DenizBank for nine years, he joined the Internal Control Center of T-Bank in 2007.

#### **Yakup Akın**

##### **Department Head, Internal Audit**

Yakup Akın is a graduate of Business Administration at Ankara University. He started his career as an Assistant Auditor at Kentbank in 1998 and went on to work at Bayındırbank and Tekstilbank. He has served in the Internal Audit Department of T-Bank since 2004. Akın is a Certified Internal Auditor, Certified Information Systems Auditor and Certified Financial Services Auditor.

## **Attendance to the Board of Directors, Audit Committee and Other Committee Meetings**

All Board and Committee members attended all the meetings unless a valid excuse was presented.

## Summary Report of the Board of Directors to the General Assembly

During 2010, emerging markets and in particular Turkey, managed to shake off the repercussions of the 2008 global financial crisis. Turkish real GDP grew at an impressive 8.9% year-on-year making it one of the best performing economies in the world and the best in Europe. In this context, T-Bank continued to push ahead with its growth strategy without compromising its risk management framework.

Turkey's mix of fiscal and monetary policy played an important role in minimizing the impact of the global crisis on the real economy and the financial sector. At a time when the credit ratings of many countries were lowered, Turkey's rating was increased by international credit rating corporations such as Fitch and Moody's.

Throughout the year, T-Bank maintained its capital adequacy ratio well above the legal limit of 8% and closed 2010 at 14.03%. Despite unfavorable conditions within global financial markets, Fitch Ratings left the Bank's credit rating unchanged at BBB-, to which it was upgraded in November 2009. This achievement is an indicator of the trust inspired by the Bank's strong capital structure and prudent policies.

In 2010, the Bank's total assets rose 32% to TL 1.51 billion. The loan portfolio expanded by 36% to TL 1.02 billion; deposits also rose by 36% to TL 1.14 billion. The Bank finished 2010 with TL 219 million in shareholders' equity and profit levels reaching TL 2.5 million.

T-Bank maintained its focus on the small and medium sized enterprises (SME) banking portfolio and increased its total cash and non-cash loans by 37%, thus outperforming the sector average during the year. The Bank added over 10,000 SMEs to its customer portfolio over the past three years, diversifying the respective portfolio by a volume of US\$ 500 million.

In 2010, the Bank engaged a renowned broker to offer through the Bank's branches capital market brokerage services to all of the Bank's individual and corporate customers. During the year, the T-Bank embarked on a project of changing its Core Banking System to support the expansion of the bank. Furthermore, Customer Relations Management System, Treasury and Internet Banking System are being upgraded with a view to diversifying its products and services, enhancing customer experience and attaining an even greater operational competence.

With the opening of branches in Avclar and İzmit, the Bank brought its network of branches to a total of 27 and the number of employees increased from 464 in 2009 to 510 by the end of the year.

T-Bank is grateful to its clients for their continued support and loyalty. We would also like to express our gratitude to our employees, management, and shareholders for their contribution, commitment and support for the growth and success of the bank in the years to come.

**Nemeh Sabbagh**  
Chairman

**Dinçer Alpman**  
CEO

Thanks to consistent growth and a strong organizational structure, which allows employees to contribute in a proactive manner to T-Bank's performance.

## Human Resources

T-Bank considers its specialized, experienced and highly qualified human resources as a main strategic asset. Accordingly, it implements achievement-oriented and modern human resource policies and programs.

### Human Resources Practices

The aim of recruitment activities at T-Bank is to maximize employee performance by placing them in positions that will provide added professional and personal value. The goal of successful recruitment is matching the right person to the right position. Hiring is done according to the requirements of the position, thus experienced employees are hired and new graduates are trained and developed. The multi-phase recruitment process comprises of a diligent and selective evaluation of résumés, structured interviews, personality inventory applications and other means of assessment.

As a young dynamic bank within the sector, T-Bank assesses employees' performance using relevant and up-to-date methods such as performance reviews conducted by managers and matrix supervisors based on the qualifications required for each job.

Performance evaluation results are used to plan the employees' career and education goals. When an in-house/internal vacancy arises, the Promotion Committee endorses deserving T-Bank staff -who have succeeded at their current positions, maintained sustainable performance and demonstrated the qualities required- for promotion to higher positions.

Thanks to consistent growth and a strong organizational structure, which allows employees to contribute in a proactive manner to the Bank's performance, in 2010, the T-Bank team expanded its ranks with the recruitment of new management trainees; 28% of whom were employed in various positions at the Bank.

In order to allow more effective communication between T-Bank employees, the "30-Minute Break" practice was implemented in 2010. The aim of which is to bring employees and managers together with the Human Resources team and create an environment in which they can express criticism and expectations. Ideas and suggestions generated through this activity are implemented upon the approval of senior management.

Another of T-Bank's projects to enhance communication is the "Open Door". Those employees who feel the need to do so, may make an appointment with Human Resources executives face-to-face or via telephone to request support. The outcome of this project provides feedback to the Human Resources Department on various practices and allows executives to clearly see areas of progress and/or difficulty.

In 2010, the second edition of the Internal Customer Satisfaction questionnaire was implemented, in which the performance of all Head Office departments were evaluated by the branches and departments that they serve. The outcome was communicated to the relevant departments where they strive to improve the results of Internal Customer Satisfaction questionnaire with newly devised action plans. All these efforts allow T-Bank to continuously enhance its service quality.

### T-Suggestion

The T-Suggestion System, first implemented in 2008, to evaluate employee ideas and proposals; was re-launched in July 2010 to enhance employee participation in forging the organizational culture, as an important step in generating synergy and fostering a sense of mutual benefit within the organization. In 2010, management received 480 suggestions from employees, a nearly five-fold increase in the number of suggestions received previously. These suggestions paved the way for the undertaking of improvements in T-Bank's work processes and systems as well as its social practices. As is their due, T-Bank rewarded its 45 deserving employees for the suggestions they proposed.

### Departmental Service Durations

In April 2010, the Service Quality Monitoring Project was launched to identify services provided by Head Office departments. Through this project, all services delivered were identified and a consensus was reached on the time limit for the completion of each; the result was the Service Level Agreement (SLA). Services' delivery durations are periodically assessed and compliance with SLA terms and/or limits is monitored. The outcome allows for the reevaluation and improvement of the Bank's processes and the enhancement of service delivery, in terms of efficiency and quality.

T-Bank considers its specialized, experienced and highly qualified human resources as a main strategic asset.

### Training

T-Bank further increased the activities of the Training Department to serve the employees the most valuable assets of the Bank. A ladybird named "Eğit-Men" (Trainer) was selected by employees and used as the mascot of the training process. T-Bank's training programs feature regular orientation programs for the rapid adaptation of new recruits, Training Programs in Core Banking issues for employees lacking experience and Executive Development Training for executives.

For the first time, in 2010 the Training Department implemented the Catalogue project, which gave employees the opportunity to demand and participate in the training courses of their choice. Through this project, training programs dealing with technical banking issues and personal development were shared with employees allowing them to participate according to their needs and preferences. Catalogue training programs were delivered by leading training firms in the sector and experienced in-house trainers.

T-Bank also organizes first aid training as part of its corporate social responsibility undertakings enabling several employees to become Certified First Aid Experts approved by the Provincial Health Directorate. In addition to the above mentioned training programs, since 2007 T-Bank has invited prominent practitioners in the health, economics, politics, communication, media etc. domains to deliver seminars to its employees. Every week, the biography and work of a poet is shared with the employees as part of the "Poet's Quill" scheme.

### Looking Toward the Future

One of the most important factors behind T-Bank's success has been its human resources. Today, the Bank has a total of 27 branches and 510 employees within its resource pool.

With a highly competent team, functioning as a business partner to the branches and Head Office departments, the Human Resources Department plays an active role in the implementation of T-Bank's strategies.

<b>Number of Employees and Branches</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Head Office Employees	226	199	190	189	120
Branch Employees	284	265	267	201	146
Total Employees	510	464	457	390	266
Number of Branches	27	25	25	16	10
<b>Demographic Information</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Male (%)	53	51	51	49	49
Female (%)	47	49	49	51	51
Average Age of Employees	35	35	34	34	33
<b>Education Level of Staff (%)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Post-graduate Degree	8	7	7	7	5
Undergraduate Degree	66	64	63	63	62
High School Graduate	24	26	28	27	31
Primary School Graduate	2	3	2	3	2

Working at T-Bank has become a privilege not only from a career-management perspective, but also because of its social benefits.

## Internal Communication and T-Club

### Internal Communication

With various internal communication activities available, in addition to T-Club, T-Bank strives to strengthen, motivate, and enhance their employees interpersonal relationships; This helps to create a productive, efficient work environment while continuing to improve service quality.

T-Bank celebrates occasions with their employees by sending them sms/email/internal mail messages on their birthdays, recruitment anniversaries and birth announcements. Employees joining the T-Bank family are introduced to their new colleagues with e-mails featuring their photographs. Bank's internet portal Birlık-T is used as an active information-sharing portal which features information on promotions, T-Bank events and get-togethers as well as news covered in the press. Daily and weekly developments in the Bank and news on cultural activities can also be monitored via Birlık-T. The Bank obtains discounts exclusively for T-Bank employees at restaurants, hairdressing salons and health centers frequented by employees during lunch breaks; which are also publicized via this portal.

### T-Club

Working at T-Bank has become a privilege not only from a career-management perspective, but also because of its social benefits. Bank employees and their families are members of the T-Club, which organizes numerous activities that add value to their lives. In this respect, in 2010 a painting contest entitled "The World of My Dreams" was held. The award-winning paintings generated through the painting competition were displayed in the headquarters and were also featured in the Bank's 2011 desk-top calendars. Moreover, painting excursions have allowed employees to take photographs with experts in the field. Other social events held throughout the year include:

- Traditional Children's Festival
- Bowling Tournament (held twice a year)
- Online Backgammon Tournament for all employees
- Discount tickets for theater plays, exhibitions, performances, concerts, musicals and other cultural events
- Discounts on books
- Campaign for the donation of books and clothing
- Campaign to help animal shelters
- Support for a theatre play performed by the physically disabled

## Related Party Transactions

T-Bank's Group Risk Exposure by Sector (TL thousands)

	Cash Loans	Risk Share (%)	Non-cash Loans	Risk Share (%)	Total Loans	Risk Share (%)
Financial Institutions	52	0.07%	1,024	0.10%	1,076	0.05%
Communication	-	0.00%	3,196	0.30%	3,196	0.15%
Information Technologies	-	0.00%	3,978	0.37%	3,978	0.18%
<b>Total</b>	<b>52</b>	<b>0.07%</b>	<b>8,198</b>	<b>0.77%</b>	<b>8,250</b>	<b>0.38%</b>

## Persons and Companies That Provide Support Services

T-Bank receives support services as part of its main banking activity in compliance with “Implementing Regulation for Support Services Banks Can Receive and the Authorization of Support Service Organizations.” In accordance with business requirements, T-Bank has purchased software applications from various domestic and foreign companies. The Bank works in cooperation with Anadolu Kredi Kart Turizm ve Ticaret A.Ş. for credit card operations and Securverdi for cash-in-transit service.

Basing its consistent growth strategy on productive business cooperation and long-term relationships developed with its customers, T-Bank achieved a net profit of TL 2.5 million in 2010. Total deposits, a clear indicator of customer confidence, increased 36% in 2010 to total TL 1,143 million.

**SECTION III  
FINANCIAL  
INFORMATION AND  
RISK MANAGEMENT**

## Risk Management Policies

The T-Bank Risk Management Group was established in 2001 as an independent unit directly reporting to the Audit Committee member responsible for internal audit, internal control and risk management.

Quantification of credit, market, interest rate, liquidity and operational risk and determination of their limits and control processes are carried out by Risk Management. T-Bank views risk management as an integral part of the overall banking process. Therefore, it is of the utmost importance to increase awareness of risk management throughout all ranks in the organizational structure of T-Bank.

The Risk Management Group submits regular daily, weekly, monthly and quarterly reports to the executive management and the Audit Committee, where all risk, concentrations, statutory limits and the Bank's own limits are monitored. These reports include daily value at risk (VaR) analyses and weekly interest rate risk, economic capital calculation and market risk limit reports. Volatility and closing figures of several market risk instruments are closely monitored and reported daily.

In order to make a more detailed analysis of instruments subject to market risk and to measure their risk, a market risk program was installed during 2010. Quarterly stress testing and scenario analyses concerning economic capital, capital adequacy, reports and scenarios on liquidity and the probability of a default of T-Bank's credit portfolio compared with peer groups and a credit risk report on the development of the Bank's credit portfolio are presented to the Audit Committee. The management can track performance and limits using these detailed reports.

T-Bank's assets and liabilities management policy focuses on ensuring that the Bank has sufficient funds to meet the demand for loans from its customers as well as satisfying the necessary regulatory requirements. Issues related to the composition of assets and liabilities, financial ratios and maturities are discussed and resolved at the weekly Assets and Liabilities Committee (ALCO) meetings.

The Board limits economic capital to 50% of the shareholders' equity and market risk VaR to 2.5% of the shareholders' equity. The securities portfolio is limited to 25% of the Bank's assets. The Audit Committee and executive management are informed about the breaches of risk limits. In October 2010, new risk limits, prepared by the Risk Management Group and executive management, were approved by the Board of Directors.

The Risk Management Group has finalized the preliminary studies required for the most recent capital adequacy calculations. Furthermore, in coordination with other departments the Group has conducted infrastructure analyses needed for an effective risk management system.

### Credit Risk

Credit risk management forms the basis of T-Bank's sustainable growth policy. The Board of Directors plays a central role in setting a series of credit policies and closely monitors their implementation. It also provides guidance in setting limits on credit exposure to individual sectors, companies and groups via delegation of loan approval responsibilities.

The Credit Monitoring Department is primarily responsible for monitoring credit risk and identifying early warning signs of default. The capital requirement, resulting from the Bank's lending practices, is calculated according to the Banking Law and Banking Regulation and Supervision Agency (BRSA) regulations. In order to upgrade the rating system according to Basel II standards, a ratings committee, responsible for developing a new internal rating system according to Basel II rating criteria, was established in August 2007. Furthermore, a contract has been concluded with a major service provider to develop a new rating system as a reference for the allocation of commercial and SME loans. In the last quarter of 2010, a validation process was initiated to test the performance of the model installed.

Additionally, repo, derivative and money market transactions carried out by T-Bank's Treasury are closely monitored for risk emanating from the counterparty's default probability.

### Market Risk

Market risk is analyzed under two categories: trading risk and asset-liability mismatch risk. The Risk Management Group has been calculating the VaR on a daily basis using a one-day holding period and a 99% confidence level since November 2004. Both parametric and historical VaR methods are employed and parametric VaR results are used to calculate the capital requirement for trading risk.

The effectiveness of the VaR approach is tested using the back-testing method and the number of days where the actual losses are larger than the estimated VaR.

In addition, thanks to a market risk system purchased in late 2010, VaR is calculated by methods including possible non-linear moves in the market via advanced probability simulations and accordingly more detailed scenario analyses are carried out. The efficiency of the VaR method is tested through the “backtesting” method and the calculation of the number of days in which actual loss is higher than the calculated VaR.

### Interest Rate Risk

T-Bank maintains a policy of keeping risk exposure within conservative self-imposed limits and at levels consistent with internal policies. The Risk Management Group regularly prepares weekly interest rate GAP and Duration GAP analyses, as well as sensitivity analyses covering the entire balance sheet to adequately monitor interest rate exposure.

### Operational Risk

T-Bank's business units manage this risk through clearly defined policies, procedures and internal controls. At T-Bank, almost all operations are performed by the Central Operations Department at the Head Office level. Operation managers in the branches, who act independently from branch managers and report directly to the Central Operations Department, are responsible for the execution of all such operations.

The Risk Management Group calculates operational risk in line with the basic indicator approach included in Basel II directives. In 2008, the Risk Management Group initiated studies on Business Continuity Planning, which were completed in 2009. As a result the Business Continuity Plan, the Emergency Action and Crisis Management Plan and relevant teams were created to enable the Bank to protect its employees and assets during an emergency and resume operations in an expedient and controlled fashion. In 2010, the list of the critical personnel included in the Business Continuity Plan was updated.

Those components of operational risk related to the information technology system and data refer to information technology (IT) risk. Enterprises are increasingly dependent on the Internet and IT systems, making the risk within these systems worthy of executive-level attention and evaluation. In order to identify risk facing the Bank's IT systems and to keep this risk to a minimum, the Risk Management Group began monitoring risk, independent from operational risk. In 2008, two risk management committees were established for this purpose. Convening under the umbrella of the Risk Management Group, the IT Risk Management Sub-Committee calculates the likelihood and impact of IT risk on the Bank and annually updates the impacts and possibilities of IT risks. Results of the risk assessment process are reported to the IT Risk Committee, ensuring that actions are taken and monitored. Risk response strategies that may be adopted by the IT Risk Committee include reducing, accepting, transferring risk and investment model. In 2009, the IT Continuity and IT Risk Management Policy was completed and approved by the Board. In 2010, T-Bank focused further on IT risk studies and the minimization of operational risk; by monitoring all operational and IT risks systematically that could be faced by the Bank in line with Basel II standards. In addition, the installation of an operational risk system was initiated with the objective is of foreseeing the risks that the Bank can face in the future and also identifying the optimum capital requirement. The aim is to ensure the active usage of the operational risk system throughout the Bank by the first quarter of 2011.

## The Assessments of Audit Committee on Internal Systems

T-Bank's Audit Committee is responsible for monitoring the effectiveness and adequacy of the Bank's internal systems (Internal Control, Risk Management and Internal Audit Systems), the compliance of these systems, as well as of accounting and reporting systems- in line with relevant laws and legislation- as well as the cohesiveness of the information produced, on behalf of the Board of Directors.

At T-Bank, Internal Systems are under the responsibility of Internal Audit, Internal Control Center and the Risk Management Group; considered a component of macro level management policies.

At T-Bank, aside from Internal Systems, the Operational Risk Committee and the IT Risk Committee-originally formed to define, access and manage operational risk in a more competent way- also continued their activities in 2010. The committees held periodic meetings with the Internal System Group members and relevant senior managers, including the General Manager, for the purpose of conducting detailed analysis of the Bank's exposure to operational risk and the rapid implementation of action plans geared to minimize this risk.

Functioning under the Internal Systems Group, Internal Audit provides reasonable assurance that the Bank's activities comply with the law, other relevant legislation and the Bank's strategies, policies, procedures, principles and targets and that internal control and risk management systems are efficient and adequate. The ultimate goal is to enhance the Bank's activities and add value to them, allowing the organization to attain its objectives. No effort has been spared to ensure the adequacy and effectiveness of the in-house internal control and risk management environment and the tools utilized to facilitate their functions. The auditors' recommendations and conclusions are shared with the Bank's executive management and the Board Audit Committee and serve to guide decision-making processes across all divisions. Furthermore, actions based on the results of the auditing process are carefully implemented and systematically monitored.

The priority target set by the Audit Committee is that the Bank's audit operations remain in conformity with the highest international audit standards. Various initiatives to this end were taken in 2010 including updating risk control matrices centered on work processes utilizing international models, preparing audit steps and lists covering controls for most identified audit areas. This served as a significant step towards the standardization of auditing activities and also in assessing audit performances by

analytical audit scores which have been attained in all audited units. Units with below average audit scores are subject to special scrutiny during the annual audit plan preparation stage.

A software project was also launched to centralize all the audit activities of Internal Audit; for example, streamlining Internal Audit's assurance and consultancy activities in line with international professional standards, risk evaluation in 2010 for increasing efficiency of audit and decreasing audit risk, identifying samples, preparing control lists that indicate the control points in the process to be audited, creation of the audit report, collecting departments' opinions on the findings, monitoring of unresolved findings and the determination of the audit score. The effort is undertaken solely by internal resources and is expected to be used in audit activities as of the beginning of 2011.

In 2010, Internal Audit created frameworks and undertook other efforts regarding the audit of companies that provide support services, for the purpose of control auto-evaluation, audit quality assurance and improvement in these companies. Regulations on sampling and risk assessment were also updated according to international standards.

In an effort to increase the efficiency of internal audit and also save on general expenditures, starting from the last quarter of 2010, a large part of the audit activities in branches were started to be carried out by the Head Office.

Internal Audit attaches great importance to the professional development of auditors. Auditors have important certificates which increase the quality of their audit activities and also enhance compliance with international audit standards. Eight Internal Audit personnel hold seven internationally valid certificates: four Certified Internal Auditors, two Certified Information Systems Auditors and one Certified Financial Services Auditor. T-Bank is one of the leading banks in the sector in terms of its Internal Audit personnel's competence, with regard to the number of the certificates owned and the average years of experience.

Internal Control Center continues to ensure that the Bank's activities comply with the legislation in force as well as the Bank's own internal regulations, thus protecting the cohesion and reliability of T-Bank's accounting and reporting systems and designing internal control systems for activities and processes.

The Internal Control Center contributes to the attainment of the Bank's objectives in the following areas:

- Reliability and cohesion of information on financial and administrative issues,
- Productivity of activities,
- Correct and efficient use of resources
- Compliance with laws and regulations.

The Internal Control Center performs its functions through the Branches Internal Control Unit, the Head Office Internal Control Unit and the Compliance Unit. The internal control function is carried out in harmony with Bank objectives in terms of period, scope and methodology in a rapid, up-to-date and proactive manner. During control activities, state-of-the-art technology is used.

Internal Control Center strives to keep all transactions undertaken by the Bank under continuous control utilizing computer assisted audit techniques, especially Audit Command Language (ACL).

During central controls carried out by the Internal Control Center, the consistency of working methods of various business lines with IT applications, their reliability and the Bank's accounting processes were controlled; for the purpose of identifying areas which could pose operational risk and thus undertaking the necessary control activities.

The Branches Control Unit carried out controls across all branches in line with the audit plan prepared and all findings, evaluations and suggestions were presented regularly to senior management and the Audit Committee.

In line with the Program for Compliance with Obligations Regarding the Prevention of Laundering Crime Proceeds and Financing Terror, the Compliance Unit carried out controlling, monitoring and training activities regarding the Compliance Program on Anti Money-Laundering and Suppression of Terrorism Financing. Internal Control Center Compliance Unit assessed all of the Bank's work processes, procedures and newly devised products and services against possible risk, closely monitored the implementation process of transactions, attended meetings on processes and products and contributed to the development process of activities on behalf of Internal Control Systems.

Issues and major subjects that bear potential risk factors are discussed and reviewed by the Operational Risk Committee led by the General Manager. All issues are considered with due diligence and kept on the agenda until they are remedied.

The Risk Management Group at T-Bank is responsible for identifying risk faced by the Bank. They proceed by analyzing, measuring, reporting and monitoring this risk and then set up appropriate risk management policies to mitigate it. The two fundamental structures in the operation of the risk management system include the Risk Management Group established in 2001 and the Executive Risk Committee formed in 2002.

In 2010, limits for credit risk, market risk, economic capital and VaR were reviewed, and new stop-loss limits for Treasury positions were set by the Board of Directors. Economic capital calculations cover all types of risk classes, including credit, market and operational risk. All limits are calculated by the Risk Management Group and reported to executive management and the Audit Committee.

In order to control Operational Risk in a better and more systematic fashion, T-Bank established a new database and installed an Operational Risk System to calculate capital with the "Advanced Measurement Approach." To better analyze market risk, the Bank leased a market risk package. The newly rented market risk package allows the measurement of VaR and stress tests with new methods.

T-Bank considers its Internal Audit, Control and Risk Management Departments to be essential components of the Bank's organizational culture/structure. It has continued to invest in their development during 2010 to foster behavior that respects and values the role that these departments play, not only in augmenting the Bank's overall performance, but also in protecting the interests of the corporate stakeholders.

## Statutory Auditors' Report

To the Turkland Bank A. Ş. Shareholder General Assembly:

After analyzing the year 2010 transactions and accounts of Turkland Bank A.Ş. in view of the Turkish Banks Act, Turkish Commerce Law, other laws and regulations and the Bank's Articles of Association, we conclude that the Bank's Balance Sheet and Income Statement are in compliance with the accounting records and the documents are in compliance with the records.

Based on this conclusion, we recommend that the year 2010 Balance Sheet and Income Statement presented by the Board of Directors be approved.

AUDITOR  
**Özgür Çelik**

AUDITOR  
**Osman Baydoğan**



Güney Bağımsız Denetim ve  
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## ANNUAL ACTIVITY REPORT Compliance Opinion

We have audited the compliance and consistency of the financial information included in the annual report of Turkland Bank A.Ş. ("the Bank") as of December 31, 2010 with the audited financial statements and explanatory notes. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on compliance and consistency of the financial information included in the annual report with the audited financial statements and explanatory notes.

We conducted our audit in accordance with principles and procedures set out by the regulations on preparation and issuance of annual report in the Banking Act No.5411 and independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance whether the financial information included in the annual report is consistent with the audited financial statements and explanatory notes and free from material misstatement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial information included in the accompanying annual report presents fairly, in all material respects, the information regarding the financial position of Turkland Bank A.Ş. at December 31, 2010 in accordance with the principles and procedures set out by the regulations in conformity with article 40 of the Banking Act No.5411 and includes a summary of the Board of Directors' report and the convenience translation of independent auditor's report originally issued by us in Turkish and is consistent with the convenience translation of audited financial statements and explanatory notes originally issued in Turkish.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of **Ernst & Young Global Limited**

**Selim Elhadeif**  
Partner, SMMM

Istanbul,  
March 30, 2011



**SECTION III**

**TURKLAND BANK  
ANONİM ŞİRKETİ**

**INDEPENDENT AUDITOR’S REPORT,  
UNCONSOLIDATED  
FINANCIAL STATEMENTS AND  
NOTES FOR THE YEAR ENDED  
DECEMBER 31, 2010**





Güney Bağımsız Denetim ve  
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**To the Board of Directors of  
Turkland Bank A.Ş.  
İstanbul**

"Translated into English from the Original Turkish Report and Financial Statements"

**TURKLAND BANK ANONİM ŞİRKETİ  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR JANUARY 1, 2010- DECEMBER 31, 2010**

We have audited the accompanying balance sheet of Turkland Bank A.Ş. as at December 31, 2010, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Responsibility of the Bank's Board of Directors for the Financial Statements**

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the "Communiqué on Banks' Accounting Practice and Maintaining Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent Auditor's Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Turkland Bank A.Ş. as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article No: 37 of the Banking Act No: 5411, and other regulations, communiqués, circulars and pronouncements made by the BRSA in respect of accounting and financial reporting.

**Other Matters**

The financial statements of the Bank as of December 31, 2009 prepared in accordance with the prevailing accounting principles and standards set out as per the Article No: 37 of the Banking Act No: 5411 were audited by other independent auditors, who expressed an unqualified opinion in their report dated February 15, 2010.

**Additional Paragraph for English Translation**

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst&Young Global Limited

**Selim Elhadeif**  
Partner  
İstanbul, March 3, 2011

## The Unconsolidated Financial Report of Turklandbank A.Ş. For The Year Ended December 31, 2010

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 Telephone : (0 212) 368 34 34  
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 E-mail Address : [t-bank@turklandbank.com](mailto:t-bank@turklandbank.com)

The year end unconsolidated financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELEVANT PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in thousands of Turkish Lira, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.

March 3, 2011

**Nehme SABBAGH**

Chairman of the Board of Directors

**A. Dinçer ALPMAN**

General Manager

**Mehmet ÖZGÜNER**

Executive Vice President

**Gülçin SU**

Manager  
Financial Affairs

**Mehmet Behçet PERİM**

Member of Audit Committee

**Mohamed Ali BEYHUM**

Member of Audit Committee

**Amin Rasheed Sa'id HUSSEINI**

Member of Audit Committee

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title: Sevgi Üstün/Assistant Manager

Telephone Number: (0212) 368 37 24

Fax Number: (0212) 368 35 35

	Page Number
<b>SECTION ONE</b>	
<b>General Information</b>	
I. Bank's Incorporation Date, Beginning Statute, Changes in the Existing Statute	44
II. Explanations Regarding Bank's Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Bank	44
III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Their Shares and Areas of Responsibility in the Parent Bank	45
IV. Information about the Persons and Institutions that Have Qualified Shares	45
V. Summary on the Bank's Functions and Areas of Activity	45
<b>SECTION TWO</b>	
<b>Unconsolidated Financial Statements</b>	
I. Balance Sheet	46
II. Statement of Off Balance Sheet Contingencies and Commitments	48
III. Statement of Income	49
IV. Statement of Profit and Loss Accounted for Under Equity	50
V. Statement of Changes in Shareholders' Equity	51
VI. Statement of Cash Flows	53
VII. Profit Distribution Table	54
<b>SECTION THREE</b>	
<b>Accounting Principles</b>	
I. Basis of Presentation	55
II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions	55
III. Explanations on Forward and Option Contracts and Derivative Instruments	55
IV. Explanations on Interest Income and Expenses	56
V. Explanations on Fees and Commission Income and Expenses	56
VI. Explanations on Financial Assets	56
VII. Explanations on Impairment of Financial Assets	57
VIII. Explanations on Offsetting of Financial Assets and Liabilities	58
IX. Explanations on Sales and Repurchase Agreements and Lending of Securities	58
X. Explanations on Assets Held for Sale and Discontinued Operations	58
XI. Explanations on Goodwill and Other Intangible Assets	58
XII. Explanations on Tangible Fixed Assets	59
XIII. Explanations on Leasing Transactions	59
XIV. Explanations on Provisions and Contingent Liabilities	59
XV. Explanations on Liabilities Regarding Employee Benefits	60
XVI. Explanations on Taxation	60
XVII. Additional Explanations on Borrowings	61
XVIII. Explanations on Issued Share Certificates	61
XIX. Explanations on Acceptances	61
XX. Explanations on Government Incentives	61
XXI. Explanations on Segment Reporting	61
XXII. Explanations on Other Matters	61
<b>SECTION FOUR</b>	
<b>Information on Financial Structure</b>	
I. Explanations Related to the Capital Adequacy Standard Ratio	62
II. Explanations Related to Credit Risk	64
III. Explanations Related to Market Risk	69
IV. Explanations Related to Operational Risk	70
V. Explanations Related to Currency Risk	70
VI. Explanations Related to Interest Rate Risk	72
VII. Explanations Related to Liquidity Risk	75
VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value	78
IX. Explanations Related to Transactions Made on Behalf of Others and Fiduciary Transactions	79
<b>SECTION FIVE</b>	
<b>Explanations and Disclosures on Unconsolidated Financial Statements</b>	
I. Explanations and Disclosures Related to the Assets	80
II. Explanations and Disclosures Related to the Liabilities	93
III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments	95
IV. Explanations and Disclosures Related to the Statement of Income	103
V. Explanations and Disclosures Related to the Statement of Changes in Shareholders' Equity	108
VI. Explanations and Disclosures Related to the Statement of Cash Flows	108
VII. Explanations on the Risk Group of the Bank	109
VIII. Explanations on the Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches	110
IX. Explanations and Disclosures Related to Subsequent Events	111
<b>SECTION SIX</b>	
<b>Other Explanations</b>	
I. Other Explanations on the Operations of the Bank	111
<b>SECTION SEVEN</b>	
<b>Independent Auditor's Report</b>	
I. Explanations on the Independent Auditor's Report	111
II. Other Footnotes and Explanations Prepared by the Independent Auditors	111

(Translated into English from the Original Turkish Report and Financial Statements)

## **Turkland Bank Anonim Şirketi**

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

### **As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### **SECTION ONE**

#### **GENERAL INFORMATION**

##### **I. Bank's Incorporation Date, Beginning Statute, Changes in the Existing Statute**

Turkland Bank Anonim Şirketi ("the Bank"), was established in 1991 in İstanbul under the name of "Bahreyn ve Kuveyt Bankası Anonim Şirketi" (BB&K). Its name was changed as "Tasarruf ve Kredi Bankası Anonim Şirketi" with its acquisition by Doğuş Group in 1992. After the change in the name of the bank as "Garanti Yatırım ve Ticaret Bankası Anonim Şirketi" in 1994, Mehmet Nazif Günel (the main shareholder of MNG Group Companies) has acquired the Bank in 1997 and the name of the Bank has been changed as "MNG Bank Anonim Şirketi".

An agreement has been made with Arab Bank and BankMed for the sale of 91% of MNG Bank's shares in mid of 2006 and this agreement was approved by Banking Regulation and Supervision Agency (BRSA) on December 29, 2006. In this regard, while Arab Bank and BankMed purchasing 50% and 41% of MNG bank shares respectively, Mehmet Nazif Günel retained 9% of the shares. Transfer of the Bank was made on January 29, 2007. The title of the Bank was changed as "Turkland Bank Anonim Şirketi" with the amendment to the Articles of Association by the decision of the Extraordinary General Assembly at the meeting on March 22, 2007.

On April 3, 2007, "MNG BANK Anonim Şirketi" title of the bank was registered as "TURKLAND BANK Anonim Şirketi".

According to the Share Sale and Purchase Agreement and Board of Directors' Decision dated February 26, 2010 and July 15, 2010 respectively, Mehmet Nazif Günel's 153 million shares with TRY 15,300 Thousand nominal value were purchased by BankMed SAL. As of July 22, 2010 the share transfer was realized.

##### **II. Explanations Regarding Bank's Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Bank**

As of December 31, 2010 ,the shareholders' structure and their ownerships are summarized as follows:

<b>Name of shareholders</b>	<b>Share Amount</b>	<b>Share Ratios %</b>	<b>Paid up Shares</b>	<b>Unpaid Shares</b>
ARAB BANK PLC	84,999.99	%50	84,999.99	-
BANKMED, SAL	84,999.99	%50	84,999.99	-
OTHERS	<1	%0	<1	-
<b>Total</b>	<b>170,000.00</b>	<b>%100</b>	<b>170,000.00</b>	<b>-</b>

As of December 31, 2010 the nominal value of the Bank's paid-in-capital amounting to TRY 170,000 Thousand consists of 1,700 million shares.

According to the Share Sale and Purchase Agreement and Board of Directors' Decision dated February 26, 2010 and July 15, 2010 respectively, Mehmet Nazif Günel's 153 million shares with TRY 15,300 Thousand nominal value were purchased by BankMed SAL. As of July 22, 2010 the share transfer was realized.

(Translated into English from the Original Turkish Report and Financial Statements)

## **Turkland Bank Anonim Şirketi**

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

### **As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### **III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Their Shares and Areas of Responsibility in the Parent Bank**

<b>Title:</b>	<b>Name and Surname:</b>	<b>Responsibility</b>	<b>Education:</b>
Chairman of the Board of Directors	NEHME SABBAGH	Chairman	Master Degree
Members of the Board of Directors	AMIN RASHEED SA'ID HUSSEINI	Vice Chairman and Member of Audit Committee	Master Degree
	MOHAMED ALI BEYHUM	Member of Audit Committee	Master Degree
	MEHMET BEHÇET PERİM	Member of Audit Committee	Master Degree
	HENRI MARIE RENE JACQUAND	Member	Master Degree
	MUSTAFA SELÇUK TAMER	Member	Bachelor's Degree
	RIAD BURHAN TAHER KAMAL	Member	Master Degree
	NADYA NABİL TAWFİK TALHOUNI	Member	Bachelor's Degree
	FATEN MATAR	Member	Master Degree
General Manager and Member of the Board of Directors	A.DİNÇER ALPMAN	Chief Executive Officer	Bachelor's Degree
Assistant General Managers	MEHMET ÖZGÜNER	Finance	Bachelor's Degree
	MÜNEVVER ERÖZ	Treasury and Financial Institutions	Master Degree
	DORUK PARMAN	Marketing Sales	PHD Degree
	İLHAN ZEKİ KÖROĞLU	Operation and Information Technologies	Bachelor's Degree
	YURDAKUL ÖZDOĞAN	Credit & Follow up	Bachelor's Degree
	HAKKI YILDIRMAZ	Human Resources	PHD Degree
Statutory Auditors	ÖZGÜR ÇELİK	Auditor	Bachelor's Degree
	OSMAN BAYDOĞAN	Auditor	Bachelor's Degree

(\*) The above stated persons do not have Bank shares.

(\*\*) As of January 29, 2010, according to the resolution of the Extraordinary General Assembly, Faten MATAR has been assigned in place of Ghassan Hanna Suleiman TARAŽI whose term of office has been completed.

#### **IV. Information About The Persons and Institutions That Have Qualified Shares:**

Information about the persons and institutions that have qualified shares as of December 31, 2010:

<b>Name of shareholders</b>	<b>Share Amount</b>	<b>Share Ratios %</b>	<b>Paid up Shares</b>	<b>Unpaid Shares</b>
ARAB BANK PLC	84,999.99	%50	84,999.99	-
BANKMED, SAL	84,999.99	%50	84,999.99	-
<b>Total</b>	<b>169,999.98</b>	<b>%100</b>	<b>169,999.98</b>	<b>-</b>

#### **V. Summary on the Bank's Functions and Areas of Activity**

The Bank has 27 branches and 510 personnel. The Bank has no subsidiaries in the financial sector. (December 31, 2009: 25 branches, 464 personnel)

The Bank was established with private capital, has the authority to accept deposits and its operations are mostly based on retail and corporate banking transactions. As it is indicated in Articles of Association, the Bank is mainly dealing in the transactions below:

- Acceptance of Deposit
- Corporate and Retail Banking
- Foreign Trade
- Capital Market Transactions
- Bank Assurance

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi****Balance Sheets****As of December 31, 2010 And 2009**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**SECTION TWO**  
**UNCONSOLIDATED FINANCIAL STATEMENTS**

<b>I. BALANCE SHEET - ASSETS (STATEMENT OF FINANCIAL POSITION)</b>							
		Audited Current Period 31.12.2010			Audited Prior Period 31.12.2009		
	Note Ref (Section Five)	TRY	FC	Total	TRY	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>I-1</b>	<b>48,291</b>	<b>65,119</b>	<b>113,410</b>	<b>17,125</b>	<b>53,444</b>	<b>70,569</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	<b>I-2</b>	<b>432</b>	<b>12</b>	<b>444</b>	<b>964</b>	<b>39</b>	<b>1,003</b>
2.1 Financial assets held for trading		432	12	444	964	39	1,003
2.1.1 Public sector debt securities		432	-	432	964	-	964
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		-	12	12	-	39	39
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	<b>I-3</b>	<b>22</b>	<b>79,914</b>	<b>79,936</b>	<b>4</b>	<b>67,241</b>	<b>67,245</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>14,003</b>	<b>-</b>	<b>14,003</b>	<b>77,514</b>	<b>-</b>	<b>77,514</b>
4.1 Interbank money market placements		-	-	-	77,514	-	77,514
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		14,003	-	14,003	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>I-4</b>	<b>181,199</b>	<b>38,915</b>	<b>220,114</b>	<b>138,435</b>	<b>82</b>	<b>138,517</b>
5.1 Share certificates		75	-	75	75	-	75
5.2 Public sector debt securities		181,124	38,915	220,039	138,360	82	138,442
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	<b>I-5</b>	<b>799,095</b>	<b>204,127</b>	<b>1,003,222</b>	<b>551,034</b>	<b>171,184</b>	<b>722,218</b>
6.1 Loans and receivables		776,105	204,127	980,232	545,050	171,184	716,234
6.1.1 Loans to risk group of the Bank		-	-	-	-	-	-
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		776,105	204,127	980,232	545,050	171,184	716,234
6.2 Non-performing loans		40,136	-	40,136	33,778	-	33,778
6.3 Specific provisions (-)		(17,146)	-	(17,146)	(27,794)	-	(27,794)
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	<b>I-6</b>	<b>47,882</b>	<b>-</b>	<b>47,882</b>	<b>39,209</b>	<b>-</b>	<b>39,209</b>
8.1 Public sector debt securities		47,882	-	47,882	39,209	-	39,209
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>I-7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		-	-	-	-	-	-
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	<b>I-8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)</b>	<b>I-9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Accounted for under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>	<b>I-10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	<b>I-11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	<b>I-12</b>	<b>14,070</b>	<b>-</b>	<b>14,070</b>	<b>13,331</b>	<b>-</b>	<b>13,331</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	<b>I-13</b>	<b>864</b>	<b>-</b>	<b>864</b>	<b>1,702</b>	<b>-</b>	<b>1,702</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		864	-	864	1,702	-	1,702
<b>XVI. INVESTMENT PROPERTY (Net)</b>	<b>I-14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. TAX ASSET</b>	<b>I-15</b>	<b>780</b>	<b>-</b>	<b>780</b>	<b>4,140</b>	<b>-</b>	<b>4,140</b>
17.1 Current tax asset		-	-	-	1,952	-	1,952
17.2 Deferred tax asset		780	-	780	2,188	-	2,188
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>I-16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Held for sale		-	-	-	-	-	-
18.2 Discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>I-17</b>	<b>14,850</b>	<b>199</b>	<b>15,049</b>	<b>8,869</b>	<b>194</b>	<b>9,063</b>
<b>TOTAL ASSETS</b>		<b>1,121,488</b>	<b>388,286</b>	<b>1,509,774</b>	<b>852,327</b>	<b>292,184</b>	<b>1,144,511</b>

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

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi****Balance Sheets****As of December 31, 2010 And 2009**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**I. BALANCE SHEET - LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)**

		Audited Current Period 31.12.2010			Audited Prior Period 31.12.2009		
	Note Ref (Section Five)	TRY	FC	Total	TRY	FC	Total
<b>I. DEPOSITS</b>	<b>II-1</b>	<b>659,358</b>	<b>483,723</b>	<b>1,143,081</b>	<b>486,850</b>	<b>355,100</b>	<b>841,950</b>
1.1 Deposits from risk group of the Bank		10,540	394	10,934	675	57	732
1.2 Other		648,818	483,329	1,132,147	486,175	355,043	841,218
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>II-2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>III. FUNDS BORROWED</b>	<b>II-3</b>	<b>15,469</b>	<b>76,795</b>	<b>92,264</b>	<b>9,930</b>	<b>38,948</b>	<b>48,878</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>17</b>	<b>-</b>	<b>17</b>	<b>15</b>	<b>-</b>	<b>15</b>
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements	II-4	17	-	17	15	-	15
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. SUNDRY CREDITORS</b>		<b>9,060</b>	<b>519</b>	<b>9,579</b>	<b>3,916</b>	<b>373</b>	<b>4,289</b>
<b>VIII. OTHER LIABILITIES</b>	<b>II-5</b>	<b>22,542</b>	<b>925</b>	<b>23,467</b>	<b>13,049</b>	<b>422</b>	<b>13,471</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. FINANCE LEASE PAYABLES (Net)</b>	<b>II-6</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>917</b>	<b>917</b>
10.1 Finance lease payables		-	10	10	-	947	947
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	(30)	(30)
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	<b>II-7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	<b>II-8</b>	<b>17,146</b>	<b>851</b>	<b>17,997</b>	<b>16,751</b>	<b>-</b>	<b>16,751</b>
12.1 General loan loss provisions		9,713	-	9,713	6,520	-	6,520
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		3,649	-	3,649	2,354	-	2,354
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		3,784	851	4,635	7,877	-	7,877
<b>XIII. TAX LIABILITY</b>	<b>II-9</b>	<b>4,103</b>	<b>-</b>	<b>4,103</b>	<b>2,956</b>	<b>-</b>	<b>2,956</b>
13.1 Current tax liability		4,103	-	4,103	2,956	-	2,956
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	<b>II-10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	<b>II-11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>II-12</b>	<b>218,998</b>	<b>258</b>	<b>219,256</b>	<b>215,284</b>	<b>-</b>	<b>215,284</b>
16.1 Paid-in capital		170,000	-	170,000	170,000	-	170,000
16.2 Supplementary capital		32,920	258	33,178	31,669	-	31,669
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund		7,488	258	7,746	6,237	-	6,237
16.2.4 Tangible assets revaluation differences		-	-	-	-	-	-
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-	-	-
16.2.8 Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		25,432	-	25,432	25,432	-	25,432
16.3 Profit reserves		13,615	-	13,615	11,261	-	11,261
16.3.1 Legal reserves	II-13	666	-	666	666	-	666
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves	II-14	10,203	-	10,203	10,369	-	10,369
16.3.4 Other profit reserves		2,746	-	2,746	226	-	226
16.4 Profit or loss		2,463	-	2,463	2,354	-	2,354
16.4.1 Prior years' income/(losses)		-	-	-	-	-	-
16.4.2 Current year income/(loss)		2,463	-	2,463	2,354	-	2,354
16.5 Minority shares	II-15	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>946,693</b>	<b>563,081</b>	<b>1,509,774</b>	<b>748,751</b>	<b>395,760</b>	<b>1,144,511</b>

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

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi****Statements of Off-Balance Sheet Contingencies and Commitments****As of December 31, 2010 and 2009**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS**

	Note Ref (Section Five)	Audited Current Period 31.12.2010			Audited Prior Period 31.12.2009		
		TRY	FC	Total	TRY	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>5,351,853</b>	<b>468,966</b>	<b>5,820,819</b>	<b>540,697</b>	<b>264,396</b>	<b>805,093</b>
<b>I. GUARANTEES</b>	<b>III-1</b>	<b>613,456</b>	<b>362,445</b>	<b>975,901</b>	<b>471,272</b>	<b>238,233</b>	<b>709,505</b>
1.1 Letters of guarantee		613,267	146,926	760,213	471,272	133,207	604,479
1.1.1 Guarantees subject to State Tender Law		39,058	10,377	49,435	28,164	14,951	43,115
1.1.2 Guarantees given for foreign trade operations		-	68,268	68,268	-	12,452	12,452
1.1.3 Other letters of guarantee		574,229	68,281	642,510	443,108	105,804	548,912
1.2 Bank loans		-	17,310	17,310	-	9,525	9,525
1.2.1 Import letter of acceptance		-	17,310	17,310	-	9,525	9,525
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	107,318	107,318	-	72,819	72,819
1.3.1 Documentary letters of credit		-	107,318	107,318	-	72,819	72,819
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		169	90,891	91,060	-	22,682	22,682
1.9 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>III-1</b>	<b>4,738,038</b>	<b>106,159</b>	<b>4,844,197</b>	<b>69,425</b>	<b>12,214</b>	<b>81,639</b>
2.1 Irrevocable commitments		86,213	106,159	192,372	69,425	12,214	81,639
2.1.1 Forward asset purchase and sales commitments		850	106,159	107,009	32,343	12,214	44,557
2.1.2 Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		26,748	-	26,748	10,528	-	10,528
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		57,043	-	57,043	24,846	-	24,846
2.1.8 Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9 Commitments for credit card expenditure limits		1,572	-	1,572	1,708	-	1,708
2.1.10 Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		-	-	-	-	-	-
2.2 Revocable commitments		4,651,825	-	4,651,825	-	-	-
2.2.1 Revocable loan granting commitments		4,651,825	-	4,651,825	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>III-2</b>	<b>359</b>	<b>362</b>	<b>721</b>	<b>-</b>	<b>13,949</b>	<b>13,949</b>
3.1 Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2 Held for trading transactions		359	362	721	-	13,949	13,949
3.2.1 Forward foreign currency buy/sell transactions		359	362	721	-	-	-
3.2.1.1 Forward foreign currency transactions-buy		-	362	362	-	-	-
3.2.1.2 Forward foreign currency transactions-sell		359	-	359	-	-	-
3.2.2 Swap transactions related to foreign currency, and interest rates		-	-	-	-	13,949	13,949
3.2.2.1 Foreign currency swaps-buy		-	-	-	-	6,994	6,994
3.2.2.2 Foreign currency swaps-sell		-	-	-	-	6,955	6,955
3.2.2.3 Interest rate swaps-buy		-	-	-	-	-	-
3.2.2.4 Interest rate swaps-sell		-	-	-	-	-	-
3.2.3 Foreign currency, interest rate and securities options		-	-	-	-	-	-
3.2.3.1 Foreign currency options-buy		-	-	-	-	-	-
3.2.3.2 Foreign currency options-sell		-	-	-	-	-	-
3.2.3.3 Interest rate options-buy		-	-	-	-	-	-
3.2.3.4 Interest rate options-sell		-	-	-	-	-	-
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>4,780,302</b>	<b>951,361</b>	<b>5,731,663</b>	<b>3,216,258</b>	<b>909,793</b>	<b>4,126,051</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>298,293</b>	<b>39,383</b>	<b>337,676</b>	<b>229,583</b>	<b>25,951</b>	<b>255,534</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Investment securities held in custody		26,925	226	27,151	78,686	404	79,090
4.3 Checks received for collection		267,969	33,802	301,771	144,017	22,907	166,924
4.4 Commercial notes received for collection		3,399	3,734	7,133	6,880	2,359	9,239
4.5 Other assets received for collection		-	336	336	-	281	281
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	1,285	1,285	-	-	-
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>4,482,009</b>	<b>911,978</b>	<b>5,393,987</b>	<b>2,986,675</b>	<b>883,842</b>	<b>3,870,517</b>
5.1 Marketable securities		-	-	-	-	-	-
5.2 Guarantee notes		5,553	4,727	10,280	7,754	5,329	13,083
5.3 Commodities		-	-	-	-	-	-
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		1,271,140	188,298	1,459,438	824,453	205,105	1,029,558
5.6 Other pledged items		3,205,316	718,953	3,924,269	2,154,468	673,408	2,827,876
5.7 Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>10,132,155</b>	<b>1,420,327</b>	<b>11,552,482</b>	<b>3,756,955</b>	<b>1,174,189</b>	<b>4,931,144</b>

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

(Translated into English from the Original Turkish Report and Financial Statements)

## Turkland Bank Anonim Şirketi

### Statements of Income for the Periods

Ended December 31, 2010 and December 31, 2009

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### III. STATEMENT OF INCOME

	Note Ref. (Section Five)	Audited Current Period 01.01-31.12.2010	Audited Prior Period 01.01-31.12.2009
<b>I. INTEREST INCOME</b>	<b>IV-1</b>	<b>115,129</b>	<b>125,481</b>
1.1 Interest on loans		91,577	98,782
1.2 Interest received from reserve deposits		1,008	1,513
1.3 Interest received from banks		179	399
1.4 Interest received from money market placements		1,101	3,844
1.5 Interest received from marketable securities portfolio		21,022	20,632
1.5.1 Held-for-trading financial assets		57	166
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		16,324	16,162
1.5.4 Investments held-to-maturity		4,641	4,304
1.6 Finance lease income		-	-
1.7 Other interest income		242	311
<b>II. INTEREST EXPENSE</b>	<b>IV-2</b>	<b>(62,387)</b>	<b>(60,944)</b>
2.1 Interest on deposits		(56,493)	(51,761)
2.2 Interest on funds borrowed		(2,845)	(8,716)
2.3 Interest on money market borrowings		(13)	(46)
2.4 Interest on securities issued		-	-
2.5 Other interest expense		(3,036)	(421)
<b>III. NET INTEREST INCOME (I-II)</b>		<b>52,742</b>	<b>64,537</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>16,472</b>	<b>12,729</b>
4.1 Fees and commissions received		17,291	13,486
4.1.1 Non-cash loans		9,543	7,413
4.1.2 Other	IV-12	7,748	6,073
4.2 Fees and commissions paid		(819)	(757)
4.2.1 Non-cash loans		(43)	(43)
4.2.2 Other	IV-12	(776)	(714)
<b>V. DIVIDEND INCOME</b>	<b>IV-3</b>	<b>2</b>	<b>7</b>
<b>VI. NET TRADING INCOME</b>	<b>IV-4</b>	<b>8,445</b>	<b>10,309</b>
6.1 Securities trading gains/(losses)		8,853	9,178
6.2 Gains/(losses) from derivative financial instruments		(10,762)	(3,010)
6.3 Foreign exchange gains/ (losses)		10,354	4,141
<b>VII. Foreign exchange gains/(losses)</b>	<b>IV-5</b>	<b>29,396</b>	<b>2,122</b>
<b>VIII. OTHER OPERATING INCOME</b>		<b>107,057</b>	<b>89,704</b>
<b>IX. NET OPERATING INCOME (III+IV+V+VI+VII)</b>	<b>IV-6</b>	<b>(17,068)</b>	<b>(22,625)</b>
<b>X. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>IV-7</b>	<b>(85,523)</b>	<b>(64,005)</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>		<b>4,466</b>	<b>3,074</b>
<b>XII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>			
<b>XIII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIV. PROFIT/(LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD</b>		-	-
<b>XV. GAIN/(LOSS) ON NET MONETARY POSITION</b>	<b>IV-8</b>	<b>4,466</b>	<b>3,074</b>
<b>XVI. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>IV-9</b>	<b>(2,003)</b>	<b>(720)</b>
16.1 TAX PROVISION FOR CONTINUED OPERATIONS (±)		(972)	(3,240)
16.2 Provision for current income taxes		(1,031)	2,520
<b>XVII. Provision for deferred taxes</b>	<b>IV-10</b>	<b>2,463</b>	<b>2,354</b>
<b>XVIII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>		-	-
18.1 INCOME ON DISCONTINUED OPERATIONS		-	-
18.2 Income on assets held for sale		-	-
18.3 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
<b>XIX. Income on other discontinued operations</b>		-	-
19.1 LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.2 Loss from assets held for sale		-	-
19.3 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
<b>XX. Loss from other discontinued operations</b>	<b>IV-8</b>	-	-
<b>XXI. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-
21.1 TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.2 Provision for current income taxes		-	-
<b>XXII. Provision for deferred taxes</b>	<b>IV-10</b>	-	-
<b>XXIII. NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	<b>IV-11</b>	<b>2,463</b>	<b>2,354</b>
23.1 NET PROFIT/(LOSS) (XVII+XXII)		-	-
23.2 Group's profit/loss		-	-
Minority shares		-	-
Earnings per share		-	-

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

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi****Statements of Profit Loss Accounted for Under Equity****For the Periods Ended December 31, 2010 and December 31, 2009**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY**

	Audited Current Period 01.01-31.12.2010	Audited Prior Period 01.01-31.12.2009
I. Additions to marketable securities revaluation differences for available for sale financial assets	10,580	16,828
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign exchange differences for foreign currency transactions	-	-
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-	-
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted for under equity due to TAS	-	-
IX. Deferred tax of valuation differences	(377)	(1,407)
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	10,203	15,421
XI. Profit/Loss	(6,231)	(7,438)
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	(8,694)	(9,792)
1.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Statement of Income	-	-
1.3 Transfer hedge of net investments in foreign operations to Statement of Income	-	-
1.4 Other	-	-
	2,463	2,354
XII. Total Profit/Loss accounted for in the period (X±XI)	3,972	7,983

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

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi****Statements of Changes In Shareholders' Equity****For the Periods Ended December 31, 2010 and December 31, 2009**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Audited	Note (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital and Other Comprehensive Reserves	Share Premium	Share Contribution	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Income (Loss)	Prior Period Income (Loss)	Marketable Securities Value Increase (Decrease)	Tangible and Intangible Assets Revaluation Differences	Bonus shares Obtained from Associates	Hedging Funds	Asc. Val. diff. from Assets Held for Sale and from Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
<b>Prior Period - 01.01.-31.12.2009</b>																			
I	Beginning Balance - 31.12.2008	170,000	25,433	-	-	624	-	9,790	11	836	-	608	-	-	-	-	207,302	-	207,302
<b>II. Corrections according to TAS 8</b>																			
2.1	The effect of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	The effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. New Balance (I+II)</b>																			
III.	New Balance (I+II)	170,000	25,433	-	-	624	-	9,790	11	836	-	608	-	-	-	-	207,302	-	207,302
<b>IV. Changes in the period</b>																			
<b>IV. Increase/Decrease related to merger</b>																			
<b>V. Marketable securities valuation differences (V-a)</b>																			
<b>VI. Hedging Funds (Effective Portion)</b>																			
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Tangible assets revaluation differences</b>																			
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Intangible assets revaluation differences</b>																			
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint ventures)</b>																			
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint ventures)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Foreign exchange differences</b>																			
X.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. The disposal of assets</b>																			
XI.	The disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. The reclassification of assets</b>																			
XII.	The reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. The effect of change in associates' equity</b>																			
XIII.	The effect of change in associates' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Capital increase</b>																			
XIV.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Share premium</b>																			
XV.	Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Share cancellation profits</b>																			
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Inflation adjustment to paid-in capital</b>																			
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVIII. Other</b>																			
XVIII.	Other	-	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	(1)
<b>XIX. Period net income/(loss)</b>																			
XIX.	Period net income/(loss)	-	-	-	-	-	-	-	-	2,354	-	-	-	-	-	-	2,354	-	2,354
<b>XX. Profit distribution</b>																			
XX.	Profit distribution	-	-	-	-	42	-	579	215	(836)	-	-	-	-	-	-	-	-	-
20.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves	-	-	-	-	42	-	579	215	(836)	-	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance (III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)</b>																			
	Closing Balance (III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)	170,000	25,432	-	-	666	-	10,369	226	2,354	-	6,237	-	-	-	-	215,284	-	215,284

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

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi****Statements of Changes In Shareholders' Equity****For the Periods Ended December 31, 2010 and December 31, 2009**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Audited	Current Period - 01.01-31.12.2010	Note Ref. (Section Five)	Paid-in Capital	Effect of Inflation Accounting on Capital and Reserves	Share Cancellation Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Income/ Loss	Prior Period Income/ Loss	Marketable Securities Increase Fund	Tangible and Intangible Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. diff from Assets Held from Op.	Total Equity Minority Shares	Total Equity
I.	Prior period balance - 31.12.2009		170,000	25,432	-	-	666	-	10,369	226	2,354	-	6,237	-	-	-	-	215,284	215,284
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences (V-a)		-	-	-	-	-	-	-	-	-	-	1,509	-	-	-	-	1,509	1,509
IV.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint ventures)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Period net income/loss		-	-	-	-	-	-	-	-	2,463	-	-	-	-	-	-	2,463	2,463
XVIII.	Profit distribution		-	-	-	-	-	-	(166)	2,520	(2,354)	-	-	-	-	-	-	-	-
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	-	-	(166)	2,520	(2,354)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (III+IV+V+VI+VII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)		170,000	25,432	-	-	666	-	10,203	2,746	2,463	-	7,746	-	-	-	-	219,256	219,256

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

(Translated into English from the Original Turkish Report and Financial Statements)

## Turkland Bank Anonim Şirketi

### Statements of Cash Flows for the Periods Ended December 31, 2010 and 2009

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### VI. STATEMENT OF CASH FLOWS

	Note Ref (Section Five)	Audited Current Period 01.01-31.12.2010	Audited Prior Period 01.01-31.12.2009
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>(1,306)</b>	<b>20,407</b>
1.1.1 Interest received		111,588	140,049
1.1.2 Interest paid		(62,666)	(63,997)
1.1.3 Dividend received		2	7
1.1.4 Fees and commissions received		17,424	13,486
1.1.5 Other income		23,148	15,441
1.1.6 Collections from previously written off loans		6,521	2,358
1.1.7 Payments to personnel and service suppliers		(42,687)	(33,882)
1.1.8 Taxes paid		(412)	(5,192)
1.1.9 Others	VI-1	(54,224)	(47,863)
<b>1.2 Changes in operating assets and liabilities</b>		<b>60,734</b>	<b>(42,953)</b>
1.2.1 Net (increase) decrease in financial assets held for trading		465	(3,049)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(17,793)	-
1.2.4 Net (increase) decrease in loans		(279,541)	(160,650)
1.2.5 Net (increase) decrease in other assets	VI-1	(6,306)	8,842
1.2.6 Net increase (decrease) in bank deposits		4,707	595
1.2.7 Net increase (decrease) in other deposits		296,917	263,478
1.2.8 Net increase (decrease) in funds borrowed		43,175	(151,698)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	VI-1	19,110	(471)
<b>I. Net cash provided from banking operations</b>		<b>59,428</b>	<b>(22,546)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>(86,862)</b>	<b>(44,414)</b>
2.1 Cash paid for purchase of jointly controlled entities, associates and subsidiaries		-	-
2.2 Cash obtained from sale of jointly controlled entities, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(4,315)	(1,299)
2.4 Fixed assets sales		1,344	109
2.5 Cash paid for purchase of financial assets available for sale		(366,261)	(528,993)
2.6 Cash obtained from sale of financial assets available for sale		290,474	491,136
2.7 Cash paid for purchase of investment securities		(26,212)	(37,178)
2.8 Cash obtained from sale of investment securities		18,499	32,140
2.9 Others		(391)	(329)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>(880)</b>	<b>(1,108)</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		(880)	(1,108)
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	VI-1	<b>2,842</b>	<b>(1,908)</b>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>		<b>(25,472)</b>	<b>(69,976)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	VI-2	<b>179,453</b>	<b>249,429</b>
<b>VII. Cash and cash equivalents at end of the period</b>	VI-2	<b>153,981</b>	<b>179,453</b>

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

(Translated into English from the Original Turkish Report and Financial Statements)

## Turkland Bank Anonim Şirketi

### Profit Distribution Tables for the Periods Ended December 31, 2010 and 2009

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### VII. PROFIT DISTRIBUTION TABLE

		Audited Current Period 31.12.2010 (*)	Audited Prior Period 31.12.2009
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	CURRENT YEAR INCOME	4,466	3,074
1.2	TAXES AND DUTIES PAYABLE (-)	(2,003)	(720)
1.2.1	Corporate tax (Income tax)	(972)	(3,240)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties(**)	(1,031)	2,520
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>2,463</b>	<b>2,354</b>
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	(2,520)
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A-1.3+1.4+1.5)]</b>	<b>-</b>	<b>(166)</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of preferred shares	-	-
1.6.3	To owners of preferred shares (preemptive rights)	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of preferred shares	-	-
1.9.3	To owners of preferred shares (preemptive rights)	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	(166)
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>		
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of preferred shares	-	-
2.3.3	To owners of preferred shares (preemptive rights)	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PREFERRED SHARES	-	-
3.4	TO OWNERS OF PREFERRED SHARES (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PREFERRED SHARES	-	-
4.4	TO OWNERS OF PREFERRED SHARES (%)	-	-

(\*) Profit distribution is decided by the General Assembly. General Assembly is not held as of the date of this report.

(\*\*) Deferred Tax Credit/Expense amounts shown in other taxes and duties are not subject to profit distribution.

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

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**SECTION THREE**  
**ACCOUNTING PRINCIPLES**

**I. Basis of Presentation**

The Bank prepares financial statements and notes according to Communiqué on Banks' Accounting Practice and Maintaining Documents (published in the Official Gazette numbered 26333 dated November 1, 2006), Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures (published in the Official Gazette numbered 26430 dated February 10, 2007), Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS), other regulations, communiques, circulars and pronouncements made by Banking Regulation and Supervision Agency (BRSA) in respect of accounting and financial reporting.

The accounting policies adopted in the preparation of the Bank's financial statements are consistent with the accounting policies adopted for financial statements dated December 31, 2009 and changes of TAS/TFRS (TFRS 2 'Group Cash Settled Share Based Payment Transactions'; TFRS 3, 'Business Combinations' and TAS 27, 'Consolidated and Separate Financial Statements'; TAS 39 Financial Instruments: Recognition and Measurement - 'Eligible Hedged Items'; TFRIC 17 'Distributions of Non-cash Assets to Owners' and improvements to TFRS) that have come into effect as from January 1, 2010 do not have any effect on the accounting policies, financial position and performance of the Bank. These accounting policies and valuation principles are explained in Notes II to XXII.

Except for trading and available for sale assets that are shown at fair values, financial statements are prepared based on historical cost.

**II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions**

The Bank focuses its activities in corporate banking. The primary objective of the Bank is to sustain liquidity while fulfilling customer needs. Thus, the Bank places approximately 21.93% of its resources in liquid assets, while the Bank also aims for the highest yield possible with effective maturity management.

Besides its principle activity, the main financial instruments of the Bank are money market placements, treasury bills and government bonds.

Marketable securities comprising 17.77% of total assets are assets with low risk and high yield. Placements in domestic banks and abroad are 5.29% of the total assets and these assets provide liquidity with low risk and yield.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of the risk management strategy of the Bank, the management of risk bearing short positions of currency, interest or price movements is performed only by the Treasury and using the limits defined by the Board of Directors.

**III. Explanations on Forward and Option Contracts and Derivative Instruments**

The Bank's derivative instruments consist of foreign currency swaps and forward foreign currency buy/sell transactions. Derivative instruments are accounted for at their fair values as of the contract date and subsequently valued at fair value. Certain derivative instruments, although economical hedges, are accounted as trading transactions since they are not qualified to be a hedging instrument as per "Financial Instruments: Recognition and Measurement" ("TAS 39"). Realized gains or losses on these instruments are reflected in the statement of income. Unrealized gains or losses arising from the change in the fair value are recorded in disallowable expenses or income according to the current tax legislation.

Contract amounts of derivatives are recorded in off the balance sheet contingencies and commitments.

There are no embedded derivatives separated from the host contract or that are designated as hedging instruments as of the balance sheet date.

(Translated into English from the Original Turkish Report and Financial Statements)

## **Turkland Bank Anonim Şirketi**

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

### **As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### **IV. Interest Income and Expenses**

Interest income and expenses are recognized in the income statement on an accrual basis using the effective interest method. In accordance with the regulation on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves published in the Official Gazette numbered 26333 dated November 1, 2006, interest accruals of the non-performing loans are reversed and interest income related to these loans is recorded as interest income only when collected.

#### **V. Fees and Commission Income and Expenses**

Fees for various banking services are recorded as income when collected.

#### **VI. Explanations on Financial Assets**

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects. Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities and operations of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date. The settlement date is the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The methods and assumptions used in the recognition and measurement of financial instruments are mentioned below.

#### **Cash, Banks, and Other Financial Institutions**

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash and are carried at amortized cost. The book values of these assets approximate their fair values.

#### **Financial Assets at Fair Value Through Profit and Loss**

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost (which represents the fair value at the time). The positive difference between the cost and fair value of such securities in the accounts is accounted for as interest and income accrual, and the negative difference is accounted for as "Impairment Provision on Marketable Securities".

#### **Held to Maturity Investments, Financial Assets Available for Sale and Loans**

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability and excluding loans and receivables.

Held to maturity investments are initially recorded at cost including transactions costs. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Financial Assets Available for Sale**

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

The marketable securities are initially recognized at cost including the transaction costs (which represents the fair value at the time).

After the initial recognition, available for sale securities are measured at fair value and the unrealized gains/losses originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices. In the absence of prices formed in an active market, fair values of these securities are determined by using other valuation methods stated in TAS.

The Bank has an equity investment with participation rate of 0.0025% in the available for sale financial assets portfolio. Since this equity investment does not have fair value, it is carried at cost.

The Bank classifies its securities as referred to above at the acquisition date of related assets.

**Loans**

Loans are non-derivative financial assets which have fixed or determinable payments and are not traded.

The Bank initially records loans and receivables at fair value. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

Foreign currency indexed loans are converted into TRY from the foreign currency rate as of the opening date and followed in TRY accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

Foreign exchange gains and losses on the foreign currency indexed loans are presented under foreign exchange gains and losses.

**VII. Explanations on Impairment of Financial Assets**

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event ("loss event") after the first journalization of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not journalized.

Specific reserves are provided for non performing loans in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 26333 dated November 1, 2006 which was amended with communiqué published in the Official Gazette No. 27119 dated January 23, 2009. In this context, the management estimates are determined, on the basis of the Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture. These provisions are reflected in the income statement under "Provision and Impairment Expenses-Special Provision Expense".

The collections made related to loans for which provision is made in the current period are reversed from the "Provision for Loans and Other Receivables" account in the income statement. The collections made related to loans written off or provisioned in prior years are recorded to "Collections Related to the Prior Period Expenses" under "Other Operating Income" account and related interest income is credited to the "Interest Received from Non-performing Loans" account.

(Translated into English from the Original Turkish Report and Financial Statements)

## **Turkland Bank Anonim Şirketi**

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

### **As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; Bank records general loan loss provisions for loans and other receivables. Bank calculated the general loan provision as 0.5% for cash loans and other receivables, and 0.1% for non-cash loans until November 1, 2006. Subsequent to the change in the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 26333 dated November 1, 2006; Bank started to book general loan loss provision of 1% for cash loans and other receivables; and 0.2% for non-cash loans on the increase in the cash and non-cash loan portfolio as compared to their October 31, 2006 balances whereas allocating 0.5% general loan loss provision for cash loans and other receivables, and 0.1% for non-cash loans for the balances as of October 31, 2006. Together with the change in the same regulation made on February 6, 2008, the Bank started to book general loan loss provision of 2% for cash loans under watch-list and 0.4% for non-cash loans under watch-list. On January 23, 2009 the Article 7 of the regulation has been amended such that the specified rates are applied at one fourth for payment commitments for checks related to checkbooks extended five years ago or earlier.

#### **VIII. Explanations on Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

#### **IX. Explanations on Sales and Repurchase Agreements and Lending of Securities**

The sales and purchase of government securities under repurchase agreements made with the customers are being recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities. These transactions are short-term and consist of domestic public sector debt securities.

The income and expenses from these transactions are reflected to the "Interest Income on Marketable Securities" and "Interest Expense on Money Market Borrowings" accounts in the income statement.

As of December 31, 2010, the Bank has TRY 14,003 Thousand of reverse repo transactions. (December 31, 2009: None).

As of December 31, 2010, the Bank does not have any marketable securities lending transaction. (December 31, 2009: None).

#### **X. Explanations on Assets Held for Sale and Discontinued Operations**

Assets held for sale with high probability of sale, are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

The Bank does not have any assets held for sale as of December 31, 2010 (December 31, 2009: None).

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately. The Bank does not have any discontinued operations.

#### **XI. Explanations on Goodwill and Other Intangible Assets**

There is no goodwill regarding the investments in associates and subsidiaries.

Other intangible assets are accounted for at cost less accumulated amortization. Other intangible assets are amortized with straight-line method based on their economic lives. There is no change in the amortization method in the current period.

The intangible assets comprising purchased softwares are in the other intangible fixed assets. As of the balance sheet date, all softwares are purchased and there are no completed or continuing software development projects by the Bank.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**XII. Explanations on Tangible Fixed Assets**

Tangible fixed assets are accounted for at acquisition cost less accumulated depreciation. Tangible fixed assets are depreciated with straight-line method. While those acquired before January 1, 2004 are depreciated with the rates valid in prior periods, the fixed assets acquired after January 1, 2004 are depreciated with the rates determined by the Ministry of Finance based on useful economic lives.

Depreciation of assets held less than one year as of the balance sheet date is accounted for proportionately. Depreciation method is not changed in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

	%
Motor vehicles	20
Furniture, fixtures and office equipment and others	3 - 50

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Normal maintenance and repair cost of the properties are expensed.

There is no pledge, mortgage, or any other lien on tangible fixed assets.

**XIII. Explanations on Leasing Transactions**

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS No:17. In accordance with this standard, the leasing transactions, which consist only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira with the Bank's period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, the Bank records depreciation expense for the depreciable leased assets in each period.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

As of the balance sheet date, the Bank does not have authorization for any financial leasing transactions as lessor.

**XIV. Explanations on Provisions and Contingent Liabilities**

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

According to the legal department of the Bank; the total number of ongoing cases against the Bank is 77. The total amount of those cases consists of TRY 351 Thousand, USD 627 Thousand and EURO 299 Thousand. There is a provision of TRY 641 Thousand in the accompanying financial statements for these cases.(December 31, 2009: TRY 998 Thousand).

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**XV. Explanations on Liabilities Regarding Employee Benefits**

**Defined Benefit Plans**

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

The Bank has no retirement fund or foundation that the employees are the member of.

**Defined Contribution Plans**

The Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

**Short-term Employee Benefits**

In accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits"; defined liabilities that arise from unused leave payments are accrued in the related period and are not discounted.

**XVI. Explanations on Taxation**

**Corporate tax**

According to the Article 32 of the Corporate Tax Law No 5520, accepted in the meeting of Grand National Assembly of Turkey (TBMM) on June 13, 2006 and announced in the Official Gazette dated June 21, 2006, the corporate tax rate has been decreased from 30% to 20%, effective from January 1, 2006 as per the Article 37 of the Corporate Tax Law.

The tax legislation, requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. Such advance taxes calculated and paid are offset against the final tax liability for the year.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities. Corporate tax provision in current period is TRY 972 Thousand before net off with the prepaid temporary taxes. (December 31, 2009: TRY 3,240 Thousand).

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Deferred Tax Liability/Asset**

The Bank calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

In accordance with TAS No: 12 "Turkish Accounting Standard on Income Taxes" and the circular of BRSA numbered BDDK. DZM.2/13/1-a-3 dated December 8, 2004, the Bank calculates deferred tax asset on all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are reflected in the accompanying financial statements on a net basis.

The deferred tax resulting from differences related to items that are debited or credited directly to equity is netted with these accounts.

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax charge stated under the tax provision amounted to TRY 1,031 Thousand in the income statement (December 31, 2009: TRY 2,520 Thousand deferred tax benefit).

**XVII. Additional Explanations on Borrowings**

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

The Bank has not issued convertible bonds.

**XVIII. Explanations on Issued Share Certificates**

The Bank does not have any issued debt securities. As of the date of approval of these financial statements, there is no subsequent dividend announcement of the Bank.

**XIX. Explanations on Acceptances**

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

**XIX. Explanations on Acceptances**

There are no government incentives utilized by the Bank.

**XXI. Explanations on Segment Reporting**

Since the Bank is not listed, disclosure requirements of IFRS 8 are not applicable for the Bank.

**XXII. Explanations on Other Matters**

None, other than above explanations.

**Explanation for convenience translation to English**

The accounting principles used in the preparation of the accompanying financial statements differ from International Financial Reporting Standards (IFRS). The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the accompanying financial statements.

(Translated into English from the Original Turkish Report and Financial Statements)

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### As of December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### SECTION FOUR

#### INFORMATION ON FINANCIAL STRUCTURE

##### I. Explanations Related to the Capital Adequacy Standard Ratio

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published on November 1, 2006 in the Official Gazette numbered 26333 and the Communiqué on "The Amendment in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks" which was published on October 10, 2007 in the Official Gazette numbered 26669. The Bank's unconsolidated capital adequacy ratio in accordance with the related communiqué is 14.03%. (December 31, 2009: 19.32%)

In the computation of capital adequacy standard ratio, information prepared in accordance with statutory accounting requirements are used. Additionally, the market risk amount is calculated in accordance with the communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

The values deducted from the capital base in the shareholders' equity computation are excluded while calculating risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and impairment among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

While calculating the basis of non-cash loans subject to credit risk, the net receivable amount from the counter parties net of provision amount set in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" is multiplied by the loan conversion rates presented in the Article 5, the Clause 1 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

Receivables from counter parties from derivative foreign currency and interest rate transactions are multiplied by the loan conversion rates presented in the Article 5, the Clause 2 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

##### Information related to the capital adequacy ratio:

	Risk Weight						
	0%	10%	20%	50%	100%	150%	200%
<b>Risk Weighted Assets, Liabilities and Non-Cash Loans</b>							
Balance Sheet items (Net)							
Cash	15,301	-	-	-	-	-	-
Matured Marketable Securities	-	-	-	-	-	-	-
Due From Central Bank of Turkey	44,750	-	-	-	-	-	-
Due From Domestic Banks, Foreign Banks, Branches and Head Office Abroad	-	-	79,879	-	52	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Receivables From Reverse Repo Transactions	14,000	-	-	-	-	-	-
Reserve Deposits	53,360	-	-	-	-	-	-
Loans	22,711	-	132	350,475	593,033	-	-
Non-performing loans (Net)	-	-	-	-	22,990	-	-
Financial Lease Receivables	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	-	-	-	-	75	-	-
Held to Maturity Investments	44,891	-	-	-	-	-	-
Receivables From Installment Sales of Assets	-	-	-	-	-	-	-
Sundry Debtors	-	-	-	-	653	-	-
Interest and Income Accruals	3,114	-	27	4,439	9,308	-	-
Subsidiaries, Associates and Jointly Controlled Entities (Net)	-	-	-	-	-	-	-
Tangible Assets	-	-	-	-	7,407	-	-
Other Assets	11,244	-	-	-	2,906	-	-
Off-Balance Sheet Items							
Guarantees and Commitments	9,651	-	12,541	28,799	540,377	-	-
Derivative Financial Instruments	-	-	-	-	7	-	-
Non Risk Weighted Accounts	-	-	-	-	-	-	-
<b>Total Value at Risk</b>	<b>219,022</b>	<b>-</b>	<b>92,579</b>	<b>383,713</b>	<b>1,176,808</b>	<b>-</b>	<b>-</b>
<b>Total Risk Weighted Assets</b>	<b>-</b>	<b>-</b>	<b>18,516</b>	<b>191,857</b>	<b>1,176,808</b>	<b>-</b>	<b>-</b>

(Translated into English from the Original Turkish Report and Financial Statements)

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### As of December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### Summary information related to the capital adequacy ratio:

	December 31, 2010	December 31, 2009
Total Risk Weighted Assets (TRWA)	1,387,181	980,352
Amount Subject to Market Risk (ASMR)	34,213	13,900
Amount Subject to Operational Risk (ASOR) (*)	116,047	85,990
Shareholders' Equity	215,750	208,753
Shareholders' Equity/(TRWA + ASMR + ASOR) *100	14.03%	19.32%

(\*) Operational risk is calculated using the Basic Indicator Approach.

#### Information related to the components of shareholders' equity:

	December 31, 2010	December 31, 2009
<b>CORE CAPITAL</b>		
Paid-in capital	170,000	170,000
Nominal capital	170,000	170,000
Capital commitments (-)	-	-
Paid-in capital indexation difference	25,432	25,432
Share premium	-	-
Cancellation profits	-	-
Legal reserves	666	666
First legal reserve (Turkish Commercial Code 466/1)	666	666
Second legal reserve (Turkish Commercial Code 466/2)	-	-
Other legal reserve per special legislation	-	-
Statutory reserves	-	-
Extraordinary reserves	12,949	10,595
Reserves allocated by the General Assembly	10,203	10,369
Retained earnings	2,746	226
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
Indexation differences of legal, statutory and extraordinary reserves	-	-
Profit	2,463	2,354
Current period net profit	2,463	2,354
Prior years' profits	-	-
Provision for possible losses up to 25% of the Core Capital	-	-
Gains on sale of associates and subsidiaries and properties to be added to capital	-	-
Primary subordinated loans up to 15% of the Core Capital	-	-
Losses that cannot be covered by reserves (-)	-	-
Net current period loss	-	-
Prior years' losses	-	-
Leasehold improvements (-)	(6,433)	(6,212)
Prepaid expenses (-)	(1,432)	(1,466)
Intangible assets (-)	(864)	(1,702)
Deferred tax asset exceeding 10% of the Core Capital (-)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-	-
<b>Total Core Capital</b>	<b>202,781</b>	<b>199,667</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>13,199</b>	<b>9,327</b>
General loan loss reserves	9,713	6,520
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint ventures)	-	-
Primary subordinated loans excluded in the calculation of the Core Capital	-	-
Secondary subordinated loans	-	-
Marketable securities value increase fund	3,486	2,807
Associates and subsidiaries	-	-
Available for sale securities	3,486	2,807
Indexation differences for capital reserves, profit reserves and retained earnings (Except indexation differences for legal reserves, statutory reserves and extraordinary reserves)	-	-
<b>Total Supplementary Capital</b>	<b>13,199</b>	<b>9,327</b>
<b>TIER III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>215,980</b>	<b>208,994</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>(230)</b>	<b>(241)</b>
Shareholdings of banks and financial institutions (Domestic, Foreign) from which the Bank keeps ten percent or more of capitals	-	-
Shareholdings of unconsolidated banks and financial institutions (Domestic, Foreign) from which the Bank keeps less than ten percent of capitals which exceed the ten Percent of Bank's Core and Supplementary Capital	-	-
Secondary subordinated loans granted to Banks and Financial Institutions (Domestic, Foreign) or Qualified Shareholders and placements that possess the nature of their Primary or Secondary Subordinated Debt	-	-
Loans granted being non-compliant with the Articles 50 and 51 of the Banking Law	-	-
The net book value of properties exceeding fifty percent of equity and properties held for sale and properties and commodity to be disposed, acquired in exchange of loans and receivables according to the Article 57 of the Banking Law and have not been disposed yet after 5 years after foreclosure	(230)	(241)
Other	-	-
<b>Total Shareholders' Equity</b>	<b>215,750</b>	<b>208,753</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**II. Explanations Related to Credit Risk**

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and cause to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

Risks and limits related to treasury activities and customer based commercial activities are monitored daily. Moreover, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

The credit worthiness of the debtors of the loans and other receivables is monitored regularly as prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and acquisitions related to forward transactions is normally realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries whose investment level is rated by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

As of December 31, 2010, the receivables of the Bank from its top 100 cash loan customers amount to TRY 500,765 Thousand (December 31, 2009: TRY 420,858 Thousand) with a share of 49.08% in the total cash loans (December 31, 2009: 56.11%).

As of December 31, 2010, the receivables of the Bank from its top 100 non-cash loan customers amount to TRY 572,590 Thousand (December 31, 2009: TRY 489,774 Thousand) with a share of 53.95% in the total non-cash loans (December 31, 2009: 65.60%).

The share of cash and non-cash receivables of the Bank from its top 100 customers in total balance sheet and non-cash risk is 32.27 % as of December 31, 2010 (December 31, 2009: 38.75%).

As of December 31, 2010, the general loan loss provision related with the credit risk is TRY 9,713 Thousand (December 31, 2009: TRY 6,520 Thousand).

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Credit risk by types of borrowers and geographical concentration:**

	Loans to Real Person and Legal Entities		Loans to Banks and Other Financial Institutions		Marketable Securities(**)		Other Loans(**)	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Loans according to borrowers</b>	<b>1,002,576</b>	<b>744,591</b>	<b>17,792</b>	<b>5,421</b>	<b>268,428</b>	<b>178,690</b>	<b>94,675</b>	<b>67,946</b>
Private Sector	985,376	736,080	17,472	5,242	-	-	736	701
Public Sector	-	-	-	-	268,353	178,615	-	-
Banks	-	-	320	179	-	-	93,939	67,245
Retail	17,200	8,511	-	-	-	-	-	-
Share Certificates	-	-	-	-	75	75	-	-
<b>Information according to geographical concentration</b>	<b>1,002,576</b>	<b>744,591</b>	<b>17,792</b>	<b>5,421</b>	<b>268,428</b>	<b>178,690</b>	<b>94,675</b>	<b>67,946</b>
Domestic	1,002,576	744,512	17,472	5,421	268,428	178,690	90,216	50,207
European Union Countries	-	6	232	-	-	-	3,869	2,630
OECD Countries (***)	-	-	-	-	-	-	219	1,024
Off-shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	73	88	-	-	-	361	14,075
Other Countries	-	-	-	-	-	-	10	10
<b>Total</b>	<b>1,002,576</b>	<b>744,591</b>	<b>17,792</b>	<b>5,421</b>	<b>268,428</b>	<b>178,690</b>	<b>94,675</b>	<b>67,946</b>

(\*) Includes marketable securities designated at fair value through profit or loss, available-for-sale and held-to-maturity.

(\*\*) Includes the on balance sheet transactions classified in the Uniform Chart of Accounts except the ones in the first three categories and the transactions defined as loan in the Article 48 of the Banking Act No: 5411.

(\*\*\*) OECD countries other than European Union countries, USA and Canada.

**Information according to geographical concentration:**

	Assets	Liabilities	Non-Cash Loans	Equity Investments	Net Income/Loss
<b>December 31, 2010</b>					
Domestic	1,504,920	1,163,019	965,401	75	2,463
European Union Countries	4,101	86,028	44	-	-
OECD Countries (*)	219	569	7	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	449	504	-	-	-
Other Countries	10	40,398	10,449	-	-
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
<b>Total</b>	<b>1,509,699</b>	<b>1,290,518</b>	<b>975,901</b>	<b>75</b>	<b>2,463</b>
<b>December 31, 2009</b>					
Domestic	1,126,610	831,964	702,844	75	2,354
European Union Countries	2,644	78,012	2,750	-	-
OECD Countries (*)	1,024	407	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	14,148	746	-	-	-
Other Countries	10	18,098	3,911	-	-
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-
<b>Total</b>	<b>1,144,436</b>	<b>929,227</b>	<b>709,505</b>	<b>75</b>	<b>2,354</b>

(\*) OECD countries other than EU countries, USA and Canada.

(\*\*) Assets and liabilities that cannot be allocated on a coherent basis

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Sector concentrations for cash loans:**

	December 31, 2010				December 31, 2009			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	15,518	1.90	5,865	2.87	9,211	1.59	668	0.39
Farming and Raising Livestock	11,611	1.42	5,865	2.87	7,949	1.37	668	0.39
Forestry, Wood and Paper	3,701	0.45	-	0.00	1,262	0.22	-	-
Fishery	206	0.03	-	0.00	-	-	-	-
Manufacturing	447,858	54.87	113,532	55.62	312,365	53.97	79,365	46.36
Mining and Quarry	99,137	12.15	5,536	2.71	53,813	9.30	2,305	1.35
Production	343,717	42.11	107,996	52.91	258,131	44.60	77,060	45.01
Electricity, Gas and Water	5,004	0.61	-	0.00	421	0.07	-	-
Construction	102,970	12.62	3,617	1.77	74,191	12.82	-	-
Services	204,468	25.05	79,807	39.09	163,795	28.30	91,069	53.20
Wholesale and Retail Trade	101,149	12.39	10,690	5.24	98,204	16.97	1,618	0.95
Hotel, Tourism, Food and Beverage Services	10,911	1.34	54,337	26.62	18,765	3.24	50,378	29.43
Transportation and Communication	17,553	2.15	13,967	6.84	15,389	2.66	39,073	22.82
Financial Institutions	17,560	2.15	232	0.11	5,733	0.99	-	-
Real Estate and Renting Services	29,043	3.56	-	0.00	16,129	2.79	-	-
Self-Employment Services	10,177	1.25	581	0.28	6,963	1.20	-	-
Education Services	84	0.01	-	0.00	144	0.02	-	-
Health and Social Services	17,991	2.20	-	0.00	2,468	0.43	-	-
Other	45,427	5.56	1,306	0.65	19,266	3.32	82	0.05
<b>Total</b>	<b>816,241</b>	<b>100.00</b>	<b>204,127</b>	<b>100.00</b>	<b>578,828</b>	<b>100.00</b>	<b>171,184</b>	<b>100.00</b>

The table below shows the maximum exposure to credit risk for the components of the financial statements:

<b>Gross Maximum Exposure</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Due from banks	79,936	67,245
Due from money market transactions	14,003	77,514
Financial assets held for trading	432	964
Derivative financial instruments	12	39
Financial assets available-for-sale	220,114	138,517
Held to maturity investment	47,882	39,209
Loans	1,003,222	722,218
<b>Total</b>	<b>1,365,601</b>	<b>1,045,706</b>
Contingent liabilities	975,901	709,505
Commitments	192,372	81,639
<b>Total</b>	<b>1,168,273</b>	<b>791,144</b>
<b>Total credit risk exposure</b>	<b>2,533,874</b>	<b>1,836,850</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

Credit quality per class of financial assets as of December 31, 2010 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	79,936	-	79,936
Financial assets designated at fair value through profit or loss	444	-	444
Loans to customers			
Corporate lending	620,415	29,245	649,660
Small business lending	318,549	22,209	340,758
Retail loans	12,332	472	12,804
Other	-	-	-
<b>Total</b>	<b>951,296</b>	<b>51,926</b>	<b>1,003,222</b>
Financial investments			
Quoted on a stock exchange- <i>domestic public sector debt securities</i>	267,921	-	267,921
Quoted on a stock exchange- <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
<b>Total</b>	<b>267,921</b>	<b>-</b>	<b>267,921</b>
<b>Total</b>	<b>1,299,597</b>	<b>51,926</b>	<b>1,351,523</b>

The above distribution has been made based on the business lines and the distributions on the note 5b under the 5th Section 1st Part has been made based on the account codes.

Credit quality per class of financial assets as of December 31, 2009 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	67,245	-	67,245
Financial assets designated at fair value through profit or loss	1,003	-	1,003
Loans to customers			
Corporate lending	478,398	25,774	504,172
Small business lending	199,646	14,732	214,378
Retail loans	3,210	458	3,668
Other	-	-	-
<b>Total</b>	<b>681,254</b>	<b>40,964</b>	<b>722,218</b>
Financial investments			
Quoted on a stock exchange- <i>domestic public sector debt securities</i>	177,651	-	177,651
Quoted on a stock exchange- <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
<b>Total</b>	<b>177,651</b>	<b>-</b>	<b>177,651</b>
<b>Total</b>	<b>927,153</b>	<b>40,964</b>	<b>968,117</b>

The above distribution has been made based on the business lines and the distributions on the note 5b under the 5th Section 1st Part has been made based on the account codes.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

	Internal Rating Grade	December 31, 2010	(%)	December 31, 2009	(%)
High					
Risk rating class 1	A+ Excellent	17,510	1.79	2,633	0.37
Risk rating class 2	A-Excellent	49,530	5.05	32,495	4.54
Good					
Risk rating class 3	B+ Very Good	132,610	13.53	70,791	9.88
Risk rating class 4	B-Very Good	146,494	14.94	130,348	18.20
Standard					
Risk rating class 5	C+ Good	188,234	19.20	97,845	13.66
Risk rating class 6	C-Good	230,261	23.49	146,943	20.52
Substandard					
Risk rating class 7	D+ Ordinary	99,479	10.15	131,639	18.38
Risk rating class 8	D-Ordinary	96,254	9.82	57,694	8.06
Risk rating class 9	E Bad	5,777	0.59	38,466	5.37
Risk rating class 10	F Very Bad	241	0.02	1,095	0.15
Unrated		13,842	1.42	6,285	0.87
<b>Total</b>		<b>980,232</b>	<b>100.00</b>	<b>716,234</b>	<b>100.00</b>

The Bank uses 3 main factors for internal credit rating system. These are financial data, non-financial data and specialist decisions. Financial data consist of liquidity, financial structure, profitability, growth ratios and turnover rate. Non financial data consist of loan client business, relation with finance sector and sector analysis. The Bank measures the credit rating of companies by making comparisons regarding the financial data and non financial-data.

In the existing rating system, the collateral assigned to loans are not taken into account in the rating. The information about customers with F, E and D-rating is shown below.

**“F” rating;**

Number of clients with F rating is 3 with O/S TRY 241 Thousand (December 31,2009: TRY 1,095 Thousand; 6 client).

One of these clients with is granted against mortgage with O/S risk of TRY 81 Thousand and covers 33% of total “F” Rating Risk (December 31,2009: 4 client; 84%).

**“E” rating;**

Number of clients with E rating is 17 and total O/S is TRY 5,777 Thousand (December 31,2009: TRY 38,466 Thousand; 30 client).

5 of these clients are granted against mortgage with O/S risk of TRY 3,640 Thousand and covers 63% of total “E” Rating Risk. (December 31,2009: TRY 27,660 Thousand; 12 client; 72%).

5 of these clients are granted against Customer Check/Note with O/S risk of TRY 914 Thousand and covers 16% of total “E” Rating Risk (December 31,2009: TRY 1,925 Thousand; 4 client; 5%).

**“D-” rating;**

Number of clients with D-rating is 89 and total O/S is TRY 96,254 Thousand (December 31, 2009: TRY 57,694 Thousand; 97 client).

36 of these clients are granted against mortgage with O/S risk of TRY 51,643 Thousand and covers 54% of “D-” Rating risk. (December 31,2009:TRY 36,760 Thousand; 30 client; 64%).

21 of these clients are granted against Customer Check/Note with O/S risk of TRY 15,435 Thousand and covers 16% of “D-” Rating risk (December 31,2009: TRY 6,485 Thousand; 20 client; 11%).

Parent companies of 5 clients that have TRY 6, 143 Thousand risk have “C-” and better ratings. (6%).

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

Recorded amount of financial assets whose terms or maturities have been renegotiated:

	December 31, 2010	December 31, 2009
Due from banks	-	-
Financial assets designated at fair value through profit or loss	-	-
Loans and advances to customers	1,323	1,330
Corporate lending	1,323	1,330
Small business lending	-	-
Consumer lending	-	-
Other	-	-
<b>Total</b>	<b>1,323</b>	<b>1,330</b>

**III. Explanations Related to Market Risk**

The Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" issued in the Official Gazette dated November 1, 2006 numbered 26333.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to VAR calculated by using the standard method (summarized below) is taken into consideration. Beside the standard method, market risk (VAR) is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by two different methods which are historic simulation and parametric method, and these results are also reported daily to the management.

**a) Information Related to Market Risk**

	Amount
(I) Capital Requirement to be Employed For General Market Risk-Standard Method	2,667
(II) Capital Requirement to be Employed For Specific Risk-Standard Method	-
(III) Capital Requirement to be Employed For Currency Risk - Standard Method	70
(IV) Capital Requirement to be Employed For Commodity Risk - Standard Method	-
(V) Capital Requirement to be Employed For Settlement Risk-Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options-Standard Method	-
(VII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(VIII) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	2,737
<b>(IX) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x VII)</b>	<b>34,213</b>

**b) Average market risk table calculated at the end of the months during the period:**

	December 31, 2010			December 31, 2009		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	2,420	2,701	2,130	1,574	2,859	803
Common Stock Risk	-	-	-	-	-	-
Currency Risk	88	215	34	136	207	84
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
<b>Total Value Subject to Risk</b>	<b>31,350</b>	<b>36,450</b>	<b>27,050</b>	<b>21,375</b>	<b>38,325</b>	<b>11,088</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Other price risks:**

The Bank does not invest in share certificates quoted on a stock exchange hence it is not subject to share price risk.

**IV. Explanations Related to Operational Risk**

- a) The Bank calculates amount subject to Operational risk by using the "Basic Indicator Approach" in accordance with the "Communiqué of Measurement and Assessment of Capital Adequacy of Banks", which was published on November 1, 2006 in the Official Gazette numbered 26333, fourth part "Amount subject to Operational Risk Calculation" which was published on September 1, 2007. Amount subject to Operational Risk is TRY 116,047 Thousand by using the year end gross revenue of prior 3 years 2007, 2008 and 2009. (December 31, 2009: TRY 85,990 Thousand)
- b) The Bank does not use the Standard Approach.

**V. Explanations Related to Currency Risk**

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions and stop losses which are followed up daily. Any possible changes in the foreign currency transactions in the Bank's positions are also monitored.

The announced current foreign exchange buying rates of the Bank at December 31, 2010 and the previous five working days in full TRY are as follows (Bank's FC evaluation rates):

	December 24, 2010	December 27, 2010	December 28, 2010	December 29, 2010	December 30, 2010	December 31, 2010
<b>USD</b>	1,5437	1,5446	1,5551	1,5591	1,5480	1,5442
<b>CHF</b>	1,6048	1,6044	1,6333	1,6382	1,6493	1,6556
<b>GBP</b>	2,3836	2,3807	2,3925	2,4061	2,3910	2,4087
<b>100 JPY</b>	1,8622	1,8644	1,8953	1,8997	1,8938	1,9010
<b>EURO</b>	2,0245	2,0311	2,0436	2,0468	2,0581	2,0687

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before December 31, 2010 are as follows:

	Monthly Average Foreign Exchange Rate
<b>USD</b>	1,5190
<b>CHF</b>	1,5674
<b>GBP</b>	2,3685
<b>100 JPY</b>	1,8235
<b>EURO</b>	2,0089

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Information on the foreign currency risk of the Bank:**

<b>December 31, 2010</b>	<b>EUR</b>	<b>USD</b>	<b>YEN</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>Assets</b>					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	26,882	37,906	-	331	65,119
Banks	3,561	75,835	109	409	79,914
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-	-
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	-	38,915	-	-	38,915
Loans (*)	183,115	195,788	-	-	378,903
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets	-	199	-	-	199
<b>Total Assets</b>	<b>213,558</b>	<b>348,643</b>	<b>109</b>	<b>740</b>	<b>563,050</b>
<b>Liabilities</b>					
Bank Deposits	1,660	3,923	-	31	5,614
Foreign Currency Deposits	141,008	336,755	1	345	478,109
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	69,333	7,462	-	-	76,795
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	249	267	-	3	519
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities	79	1,959	1	5	2,044
<b>Total Liabilities</b>	<b>212,329</b>	<b>350,366</b>	<b>2</b>	<b>384</b>	<b>563,081</b>
<b>Net Balance Sheet Position</b>	<b>1,229</b>	<b>(1,723)</b>	<b>107</b>	<b>356</b>	<b>(31)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(2,120)</b>	<b>1,651</b>	<b>-</b>	<b>-</b>	<b>(469)</b>
Financial Derivative Assets (**)	6,051	46,975	-	-	53,026
Financial Derivative Liabilities (***)	(8,171)	(45,324)	-	-	(53,495)
Non-Cash Loans (**)	97,363	263,587	400	1,095	362,445
<b>December 31, 2009</b>					
<b>Total Assets (*) (****)</b>	<b>167,826</b>	<b>226,141</b>	<b>261</b>	<b>1,652</b>	<b>395,880</b>
<b>Total Liabilities</b>	<b>158,966</b>	<b>235,966</b>	<b>3</b>	<b>825</b>	<b>395,760</b>
Net Balance Sheet Position	8,860	(9,825)	258	827	120
Net Off-Balance Sheet Position	(7,704)	7,745	-	-	41
Financial Derivative Assets (**)	2,675	10,427	-	-	13,102
Financial Derivative Liabilities (***)	(10,379)	(2,682)	-	-	(13,061)
Non-Cash Loans (**)	82,272	155,836	-	125	238,233

(\*) Foreign currency indexed loans amounting to TRY 174,776 Thousand (December 31, 2009: TRY 103,735 Thousand) are included in the loan portfolio.

(\*\*) There are no effects on the net off-balance sheet position.

(\*\*\*) It includes also TRY 52,664 Thousand and TRY 53,495 Thousand forward asset purchase & sale commitments (December 31, 2009: TRY 6,108 Thousand and TRY 6,106 Thousand, respectively).

(\*\*\*\*) TRY 12 Thousand asset from derivative financial instruments is not included (December 31, 2009: TRY 39 Thousand)

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Foreign currency sensitivity:**

The Bank holds EUR and USD currencies positions mainly.

The following table details the Bank's sensitivity to a 10% increase or decrease in the TRY against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. Positive/(Negative) number indicates a change in profit or loss and other equity where USD and EUR increase %10 against TRY.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
USD	10	(7)	(208)	26	-
EURO	10	(89)	116	-	-

**VI. Explanations Related to Interest Rate Risk**

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

Risk Department performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank does not permit maturity mismatches or imposes limits on mismatch, a significant interest rate risk exposure is not expected.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non- interest bearing	Total
<b>December 31, 2010</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	-	-	-	-	-	113,410	113,410
Banks	78,254	-	-	-	-	1,682	79,936
Financial Assets at Fair Value Through Profit and Loss	118	141	185	-	-	-	444
Money Market Placements	14,003	-	-	-	-	-	14,003
Available-For-Sale Financial Assets	13,908	88,956	48,657	22,210	46,308	75	220,114
Loans (*)	716,845	46,969	110,449	105,881	-	88	980,232
Held-To-Maturity Investments	2,126	1,978	22,771	21,007	-	-	47,882
Other Assets (**)	-	-	-	-	-	53,753	53,753
<b>Total Assets</b>	<b>825,254</b>	<b>138,044</b>	<b>182,062</b>	<b>149,098</b>	<b>46,308</b>	<b>169,008</b>	<b>1,509,774</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	5,749	5,749
Other Deposits	776,217	244,417	5,619	-	-	111,079	1,137,332
Money Market Borrowings	17	-	-	-	-	-	17
Sundry Creditors	-	-	-	-	-	9,579	9,579
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	7,871	23,894	44,742	15,740	-	17	92,264
Other Liabilities (***)	1,084	182	6	-	-	263,561	264,833
<b>Total Liabilities</b>	<b>785,189</b>	<b>268,493</b>	<b>50,367</b>	<b>15,740</b>	<b>-</b>	<b>389,985</b>	<b>1,509,774</b>
Balance Sheet Long Position	40,065	-	131,695	133,358	46,308	-	351,426
Balance Sheet Short Position	-	(130,449)	-	-	-	(220,977)	(351,426)
Off-Balance Sheet Long Position	-	-	-	-	-	53,876	53,876
Off-Balance Sheet Short Position	-	-	-	-	-	(53,854)	(53,854)
<b>Total Position</b>	<b>40,065</b>	<b>(130,449)</b>	<b>131,695</b>	<b>133,358</b>	<b>46,308</b>	<b>(220,955)</b>	<b>22</b>

(\*) Up to 1 month column consist of revolving loans and corporate FC indexed loans.

(\*\*) The other assets line in the non-interest bearing column consist of tangible assets amounting to TRY 14,070 Thousand, intangible assets amounting to TRY 864 Thousand, tax asset amounting to TRY 780 Thousand, net non performing loans amounting to TRY 22,990 Thousand, clearing account amounting to TRY 9,816 Thousand, prepaid expenses amounting to TRY 1,432 Thousand and other assets amounting to TRY 3,801 Thousand.

(\*\*\*) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TRY 219,256 Thousand, TRY 4,103 Thousand tax liabilities, TRY 17,997 Thousand provisions and TRY 22,205 Thousand other liabilities.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Average interest rates applied to monetary financial instruments:**

	EURO %	USD %	YEN %	TRY %
<b>December 31, 2010</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	-	-	-	-
Banks	0.22	0.32	-	4.01
Financial Assets At Fair Value Through Profit And Loss	-	-	-	7.58
Money Market Placements	-	-	-	6.41
Available-For-Sale Financial Assets	-	5.51	-	6.41
Loans	7.39	5.89	-	13.12
Held-To-Maturity Investments	-	-	-	10.69
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	3.21	3.15	-	9.13
Money Market Borrowings	-	-	-	7.60
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	3.66	2.95	-	8.63

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
<b>December 31, 2009</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	14,155	-	-	-	-	56,414	70,569
Banks	62,804	-	-	-	-	4,441	67,245
Financial Assets at Fair Value Through Profit and Loss	39	215	544	205	-	-	1,003
Money Market Placements	77,514	-	-	-	-	-	77,514
Available-For-Sale Financial Assets	18,330	46,558	10,315	63,157	82	75	138,517
Loans(*)	552,146	26,274	75,101	62,640	-	73	716,234
Held-To-Maturity Investments	-	-	19,817	19,392	-	-	39,209
Other Assets (**)	-	-	-	-	-	34,220	34,220
<b>Total Assets</b>	<b>724,988</b>	<b>73,047</b>	<b>105,777</b>	<b>145,394</b>	<b>82</b>	<b>95,223</b>	<b>1,144,511</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	1,044	1,044
Other Deposits	541,628	215,068	2,278	72	-	81,860	840,906
Money Market Borrowings	15	-	-	-	-	-	15
Sundry Creditors	-	-	-	-	-	4,289	4,289
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	18,337	5,699	24,814	-	-	28	48,878
Other Liabilities (***)	450	233	587	10	-	248,099	249,379
<b>Total Liabilities</b>	<b>560,430</b>	<b>221,000</b>	<b>27,679</b>	<b>82</b>	<b>-</b>	<b>335,320</b>	<b>1,144,511</b>
Balance Sheet Long Position	164,558	-	78,098	145,312	82	-	388,050
Balance Sheet Short Position	-	(147,953)	-	-	-	(240,097)	(388,050)
Off-Balance Sheet Long Position	-	-	-	-	-	14,507	14,507
Off-Balance Sheet Short Position	-	-	-	-	-	(43,999)	(43,999)
<b>Total Position</b>	<b>164,558</b>	<b>(147,953)</b>	<b>78,098</b>	<b>145,312</b>	<b>82</b>	<b>(269,589)</b>	<b>(29,492)</b>

(\*) Up to 1 month column consist of revolving loans and corporate FC indexed loans.

(\*\*) The other assets line in the non-interest bearing column consist of tangible assets amounting to TRY 13,331 Thousand, intangible assets amounting to TRY 1,702 Thousand, tax asset amounting to TRY 4,140 Thousand, net non performing loans amounting to TRY 5,984 Thousand, clearing account amounting to TRY 6,302 Thousand, prepaid expenses amounting to TRY 1,466 Thousand and other assets amounting to TRY 1,295 Thousand.

(\*\*\*) The other liabilities line in the non-interest bearing column consists of shareholders' equity amounting to TRY 215,284 Thousand, tax liability amounting to TRY 2,956 Thousand, provisions amounting to TRY 16,751 Thousand and other liabilities amounting to 13,108 Thousand.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Average interest rates applied to monetary financial instruments**

	EURO %	USD %	YEN %	TL %
<b>December 31, 2009</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) And Balances With The Central Bank Of Turkey	-	-	-	7.35
Banks	0.42	0.31	-	10.38
Financial Assets At Fair Value Through Profit And Loss	-	-	-	16.15
Money Market Placements	-	-	-	10.44
Available-For-Sale Financial Assets	-	7.15	-	13.04
Loans	9.52	8.73	-	20.32
Held-To-Maturity Investments	-	-	-	13.82
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	3.98	3.97	-	12.19
Money Market Borrowings	-	-	-	7.79
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	5.39	3.99	-	12.05

**Interest rate sensitivity:**

If interest rates had been increased by 0.5% in TRY and by 0.5% in FC and all other variables were held constant, the Bank's:

- Net profit would decrease by TRY 703 Thousand. The main reason of this is change in TRY and FC deposits (December 31, 2009: TRY 43 Thousand).
- There is no effect on the Bank's equity.

**VII. Explanations Related to Liquidity Risk**

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TRY and foreign currency assets and liabilities on the balance sheet and their costs. In this sense, various crisis scenarios which are prepared by risk management group are presented to management and audit committee.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Presentation of assets and liabilities according to their remaining maturities:**

December 31, 2010	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey (****)	60,050	34,166	13,698	3,961	1,535	-	-	113,410
Banks	1,682	78,254	-	-	-	-	-	79,936
Financial Assets at Fair Value Through Profit and Loss	-	118	44	185	97	-	-	444
Money Market Placements	-	14,003	-	-	-	-	-	14,003
Available-For-Sale Financial Assets	-	838	10,028	13,000	130,327	65,846	75	220,114
Loans (**)	-	716,933	46,969	110,449	105,881	-	-	980,232
Held-To-Maturity Investments	-	2,126	1,978	21,586	21,007	1,185	-	47,882
Other Assets	-	9,825	-	-	-	-	43,928	53,753
<b>Total Assets</b>	<b>61,732</b>	<b>856,263</b>	<b>72,717</b>	<b>149,181</b>	<b>258,847</b>	<b>67,031</b>	<b>44,003</b>	<b>1,509,774</b>
<b>Liabilities</b>								
Bank Deposits	5,749	-	-	-	-	-	-	5,749
Other Deposits	111,079	776,217	244,417	5,619	-	-	-	1,137,332
Funds Provided From Other Financial Institutions	-	7,888	23,894	44,742	15,740	-	-	92,264
Money Market Borrowings	-	17	-	-	-	-	-	17
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	9,579	-	-	-	-	-	9,579
Other Liabilities (**)	-	26,440	182	6	-	-	238,205	264,833
<b>Total Liabilities</b>	<b>116,828</b>	<b>820,141</b>	<b>268,493</b>	<b>50,367</b>	<b>15,740</b>	<b>-</b>	<b>238,205</b>	<b>1,509,774</b>
<b>Liquidity Gap</b>	<b>(55,096)</b>	<b>36,122</b>	<b>(195,776)</b>	<b>98,814</b>	<b>243,107</b>	<b>67,031</b>	<b>(194,202)</b>	<b>-</b>
<b>December 31, 2009</b>								
Total Assets	39,437	733,598	39,392	99,032	209,926	82	23,044	1,144,511
Total Liabilities	82,904	580,811	221,000	27,679	82	-	232,035	1,144,511
Liquidity Gap	(43,467)	152,787	(181,608)	71,353	209,844	82	(208,991)	-

(\*) The assets which are necessary to provide banking services and can not be liquidated in the short term, such as tangible assets, investments in subsidiaries and associates and non-performing loans are classified under undistributed.

(\*\*) Shareholders' equity is shown under other liabilities in undistributed column.

(\*\*\*). Rotative loans are classified in up to 1 month column.

(\*\*\*\*) Reserve requirement distribution is based on maturity distribution of liabilities on which the reserve is calculated.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Analysis of financial liabilities by remaining contractual maturities**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments (*)	Total
<b>As of December 31, 2010</b>							
Bank Deposits	5,749	-	-	-	-	-	5,749
Other deposits	888,877	246,552	5,762	-	-	(3,859)	1,137,332
Funds provided from other financial institutions	7,931	24,105	45,967	16,836	-	(2,575)	92,264
Money market borrowings	17	-	-	-	-	-	17
<b>Total</b>	<b>902,574</b>	<b>270,657</b>	<b>51,729</b>	<b>16,836</b>	<b>-</b>	<b>(6,434)</b>	<b>1,235,362</b>
<b>As of December 31, 2009</b>							
Bank Deposits	1,044	-	-	-	-	-	1,044
Other deposits	624,596	217,143	2,334	73	-	(3,240)	840,906
Funds provided from other financial institutions	18,396	5,777	25,609	-	-	(904)	48,878
Money market borrowings	15	-	-	-	-	-	15
<b>Total</b>	<b>644,051</b>	<b>222,920</b>	<b>27,943</b>	<b>73</b>	<b>-</b>	<b>(4,144)</b>	<b>890,843</b>

(\*) Interest to be paid until maturity.

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>As of December 31, 2010</b>						
Gross settled	359	-	-	-	-	359
Foreign exchange forward contracts	359	-	-	-	-	359
Currency swaps	-	-	-	-	-	-
<b>Total</b>	<b>359</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>359</b>
<b>As of December 31, 2009</b>						
Gross settled	6,955	-	-	-	-	6,955
Foreign exchange forward contracts	-	-	-	-	-	-
Currency swaps	6,955	-	-	-	-	6,955
<b>Total</b>	<b>6,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,955</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value**

Presentation of the Bank's financial assets and liabilities at fair value is shown below:

	Book Value		Fair Value	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Financial Assets</b>	<b>1,365,157</b>	<b>1,038,719</b>	<b>1,362,313</b>	<b>1,040,173</b>
Money Market Placements	14,003	77,514	14,003	77,514
Banks	79,936	67,245	79,936	67,245
Available-For-Sale Financial Assets (*)	220,114	138,517	220,114	138,517
Held-To-Maturity Investments	47,882	39,209	48,350	40,292
Loans	1,003,222	716,234	999,910	716,605
<b>Financial Liabilities</b>	<b>1,244,924</b>	<b>895,117</b>	<b>1,245,407</b>	<b>895,272</b>
Bank Deposits	5,749	1,044	5,749	1,044
Other Deposits	1,137,332	840,906	1,137,567	841,061
Funds Borrowed From Other Financial Institutions	92,264	48,878	92,512	48,878
Marketable Securities Issued	-	-	-	-
Sundry Creditors	9,579	4,289	9,579	4,289

(\*) Unquoted stocks amounting to TRY 75 Thousand have not been considered in fair value calculation.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

**i. Financial assets:**

Money market placements and banks are carried at amortised cost values on the face of the financial statements and due to their short term nature, their fair values are considered to approximate their respective carrying values. The discount rate used to calculate the fair value of held to maturity investments and loans and receivables as of December 31, 2010 is the market rates available for the loan and security types.

**ii. Financial liabilities:**

The fair value of bank deposits and sundry creditors are considered to approximate their respective carrying values amortised cost values due to their short term nature. The discount rate used to calculate the fair value of other deposits and funds borrowed as of December 31, 2010 is the market rates available for the borrowing and deposits types.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market, and those where the valuation techniques involves the use of non observable inputs.

December 31, 2010	Level 1 (Quoted)	Level 2 (Valuation techniques - market observable)	Level 3 (Valuation techniques - non market observable)	Fair value not available
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	432	12	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	220,039	-	-	75
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
<b>Financial Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
<b>December 31, 2009</b>	<b>Level 1 (Quoted)</b>	<b>Level 2 (Valuation techniques - market observable)</b>	<b>Level 3 (Valuation techniques - non market observable)</b>	<b>Fair value not available</b>
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	964	39	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	138,442	-	-	75
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
<b>Financial Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-

**IX. Explanations Related To Transactions Made on Behalf of Others and Fiduciary Transactions**

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off Balance Sheet Contingencies and Commitments.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**SECTION FIVE**  
**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and Disclosures Related to the Assets**

**1. a) Information on Cash and Balances with the Central Bank of Turkey:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Cash in Vault/Foreign Currency	4,351	10,949	2,960	17,275
Balances with the Central Bank of Turkey	43,940	54,170	14,165	36,169
Other	-	-	-	-
<b>Total</b>	<b>48,291</b>	<b>65,119</b>	<b>17,125</b>	<b>53,444</b>

**b) Information related to the account of the Central Bank of Turkey:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Unrestricted demand deposits	43,940	810	14,165	598
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
FC Reserve Deposits	-	53,360	-	35,571
<b>Total</b>	<b>43,940</b>	<b>54,170</b>	<b>14,165</b>	<b>36,169</b>

**c) Explanations related to reserve deposits:**

In accordance with "Communiqué regarding the reserve requirements" issued by the Central Bank of Republic of Turkey (CBRT), the banks operating in Turkey are required to place reserves at CBRT at a rate of 6% for their TL liabilities and 11% as USD and/or EUR for their foreign currency liabilities. As of October 1, 2010 interest for reserve deposits was abolished.

**2. Information on financial assets at fair value through profit and loss (net):**

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None.

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements:

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Government bonds	20	-	18	-
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
Bank bonds and bank guaranteed bonds	-	-	-	-
Asset backed securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>20</b>	<b>-</b>	<b>18</b>	<b>-</b>

Net book value of unrestricted financial assets at fair value through profit and loss is TRY 412 Thousand. (December 31, 2009: TRY 946 Thousand).

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

b) Positive differences related to derivative financial assets held-for-trading:

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Forward Transactions	-	12	-	-
Swap Transactions	-	-	-	39
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>39</b>

3.a) Information on banks:

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Banks				
Domestic	22	75,455	4	49,502
Foreign	-	4,459	-	17,739
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>22</b>	<b>79,914</b>	<b>4</b>	<b>67,241</b>

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
European Union Countries	3,869	2,630	-	-
USA and Canada	361	14,075	-	-
OECD Countries (*)	219	1,024	-	-
Off-shore banking regions	-	-	-	-
Other	10	10	-	-
<b>Total</b>	<b>4,459</b>	<b>17,739</b>	<b>-</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada.

**4. Information on financial assets available-for-sale:**

a.1) Information on financial assets available-for-sale given as collateral or blocked:

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	23,074	-	4,264	-
Other	-	-	-	-
<b>Total</b>	<b>23,074</b>	<b>-</b>	<b>4,264</b>	<b>-</b>

Available-for-sale securities given as collateral for Stock Exchange and Foreign Exchange Markets are TRY 12,515 Thousand and TRY 10,559 Thousand respectively.

a.2) Information on financial assets available for sale subject to repurchase agreements: None (December 31, 2009: None).

Net book value of unrestricted financial assets available-for-sale is TRY 197,040 Thousand (December 31, 2009: TRY 134,253 Thousand) and there are unquoted stocks amounting TRY 75 Thousand (December 31, 2009: TRY 75 Thousand).

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**b) Information on financial assets available for sale portfolio:**

	December 31, 2010	December 31, 2009
Debt securities	220,039	138,442
Quoted on a stock exchange	220,039	138,442
Not quoted	-	-
Share certificates	75	75
Quoted on a stock exchange	-	-
Not quoted	75	75
Impairment provision(-)/(+)	-	-
<b>Total</b>	<b>220,114</b>	<b>138,517</b>

In line with the accounting policy of the Bank all unquoted available for sale equities are recorded at fair value except for the Bank's investment of TRY 75 Thousand which is recorded at cost since its fair value cannot be reliably estimated (December 31, 2009: TRY 75 Thousand).

**5. Information on loans:**

**a) Information on all types of loans or advances given to shareholders and employees of the Bank:**

	December 31, 2010		December 31, 2009	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct loans granted to shareholders	10	1,024	9	-
Corporate shareholders	10	1,024	9	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	682	1,493	677	959
<b>Total</b>	<b>692</b>	<b>2,517</b>	<b>686</b>	<b>959</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:**

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Cash Loans</b>				
Non-specialized loans	951,296	-	27,613	1,323
Discount notes	232	-	-	-
Export loans	223,162	-	3,734	-
Import loans	-	-	-	-
Loans given to financial sector	8,496	-	-	-
Foreign loans	88	-	-	-
Consumer loans	16,708	-	492	-
Credit cards	58	-	-	-
Precious metals loans	-	-	-	-
Other	702,552	-	23,387	1,323
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>951,296</b>	<b>-</b>	<b>27,613</b>	<b>1,323</b>

**c) Loans according to their maturity structure:**

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Cash Loans</b>				
Short-term loans and other receivables	734,583	-	13,843	-
Non-specialized loans	734,583	-	13,843	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	216,713	-	13,770	1,323
Non-specialized loans	216,713	-	13,770	1,323
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>951,296</b>	<b>-</b>	<b>27,613</b>	<b>1,323</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:**

	Short Term	Medium and Long Term	Total
<b>Consumer Loans-TRY</b>	<b>1,669</b>	<b>14,354</b>	<b>16,023</b>
Housing Loans	-	7,767	7,767
Car Loans	-	288	288
General Purpose Loans	1,380	2,934	4,314
Other	289	3,365	3,654
<b>Consumer Loans -Indexed to FC</b>	<b>-</b>	<b>325</b>	<b>325</b>
Housing Loans	-	264	264
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	61	61
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TRY</b>	<b>16</b>	<b>-</b>	<b>16</b>
With Installments	-	-	-
Without Installments	16	-	16
<b>Individual Credit Cards-FC</b>	<b>1</b>	<b>-</b>	<b>1</b>
With Installments	-	-	-
Without Installments	1	-	1
<b>Personnel Loans-TRY</b>	<b>286</b>	<b>192</b>	<b>478</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	286	192	478
Other	-	-	-
<b>Personnel Loans-Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	<b>41</b>	<b>-</b>	<b>41</b>
With Installments	-	-	-
Without Installments	41	-	41
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TRY(Real Persons) (*)</b>	<b>373</b>	<b>-</b>	<b>373</b>
<b>Overdraft Accounts-FC(Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,386</b>	<b>14,871</b>	<b>17,257</b>

(\*) Overdraft Accounts includes TRY 131 Thousand personnel loans.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**e) Information on commercial loans with installments and corporate credit cards:**

	Short Term	Medium and Long Term	Total
<b>Commercial loans with installment facility-TRY</b>	<b>12,696</b>	<b>106,478</b>	<b>119,174</b>
Business Loans	-	1,018	1,018
Car Loans	50	3,751	3,801
General Purpose Loans	-	5,456	5,456
Other	12,646	96,253	108,899
<b>Commercial loans with installment facility-Indexed to FC</b>	<b>11,512</b>	<b>61,995</b>	<b>73,507</b>
Business Loans	78	-	78
Car Loans	269	21,651	21,920
General Purpose Loans	-	271	271
Other	11,165	40,073	51,238
<b>Commercial loans with installment facility -FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TRY</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TRY(Legal Entities)</b>	<b>9,134</b>	<b>-</b>	<b>9,134</b>
<b>Overdraft Accounts-FC(Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>33,342</b>	<b>168,473</b>	<b>201,815</b>

**f) Loans according to borrowers:**

	December 31, 2010	December 31, 2009
Public	-	-
Private	980,232	716,234
<b>Total</b>	<b>980,232</b>	<b>716,234</b>

**g) Domestic and foreign loans:**

	December 31, 2010	December 31, 2009
Domestic loans	979,912	716,155
Foreign loans	320	79
<b>Total</b>	<b>980,232</b>	<b>716,234</b>

**h) Loans granted to subsidiaries and associates:** None.

**i) Specific provisions provided against loans:**

	December 31, 2010	December 31, 2009
Specific provisions		
Loans and receivables with limited collectability	148	-
Loans and receivables with doubtful collectability	373	-
Uncollectible loans and receivables	16,625	27,794
<b>Total</b>	<b>17,146</b>	<b>27,794</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**j) Information on non-performing loans (Net):**

j.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>December 31, 2010</b>			
(Gross amount before specific provision)	-	144	266
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	144	266
<b>December 31, 2009</b>			
(Gross amount before specific provision)	-	-	901
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	901

j.2) The movement of non-performing loans:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>December 31, 2009</b>	-	-	<b>33,778</b>
Additions (+)	17,331	364	11,850
Transfers from other categories of non-performing loans (+)	-	14,708	11,254
Transfers to other categories of non-performing loans (-)	(14,065)	(11,224)	(673)
Collections (-)	(434)	(895)	(5,192)
Write-offs (-) (*)	-	(1,024)	(15,642)
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
<b>December 31, 2010</b>	<b>2,832</b>	<b>1,929</b>	<b>35,375</b>
Specific provision (-)	(148)	(373)	(16,625)
<b>Net Balances on Balance Sheet</b>	<b>2,684</b>	<b>1,556</b>	<b>18,750</b>

(\*) Based on the Board of Directors decision numbered 488 and dated October 21, 2010 non performing loan portfolio with principal amounts of TRY 16,666 Thousand and loans that were previously written-off amounting to TRY 1,092 Thousand are sold to Girişim Varlık Yönetim A.Ş for an amount of TRY 1,675 Thousand. The collection of the proceeds was realized as of October 28, 2010.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

j.3) Information on foreign currency non-performing loans and other receivables: None.

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>December 31, 2010 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	2,832	1,929	35,375
Specific provision (-)	(148)	(373)	(16,625)
Loans to Real Persons and Legal Entities (Net)	2,684	1,556	18,750
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>December 31, 2009 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	-	-	33,778
Specific provision (-)	-	-	(27,794)
Loans to Real Persons and Legal Entities (Net)	-	-	5,984
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

**k) Main principles of liquidation policies of nonperforming loans and receivables:**

According to the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published on Official Gazette No. 26333 dated November 1, 2006; legal action is carried on considering firms, guarantors and existing collaterals and provisions are made for non-performing loans in accordance with the relevant decree.

**l) Explanations on write-off policy:**

Upon the request of internal legal counsel and credit department for those doubtful loans that have no proven change of recovery, write off is evaluated according to the authority delegated by the Board of Directors. For the year ended December 31, 2010 there is no write-off amount evaluated according to the Board of Directors decision. (December 31, 2009: TRY 372 Thousand)

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**m) Other explanations and disclosures:**

<b>December 31, 2010</b>	<b>Corporate</b>	<b>Small Business</b>	<b>Retail</b>	<b>Other</b>	<b>Total</b>
Neither past due nor impaired	620,415	318,549	12,332	-	951,296
Past due not impaired	10,342	16,862	409	-	27,613
Restructured loans	1,323	-	-	-	1,323
Individually impaired	31,237	8,681	218	-	40,136
Total gross	663,317	344,092	12,959	-	1,020,368
Less: allowance for individually impaired loans	(13,657)	(3,334)	(155)	-	(17,146)
Total net	649,660	340,758	12,804	-	1,003,222

<b>December 31, 2009</b>	<b>Corporate</b>	<b>Small Business</b>	<b>Retail</b>	<b>Other</b>	<b>Total</b>
Neither past due nor impaired	477,068	199,646	3,210	-	679,924
Past due not impaired	22,172	12,510	298	-	34,980
Restructured loans	1,330	-	-	-	1,330
Individually impaired	24,468	8,296	1,014	-	33,778
Total gross	525,038	220,452	4,522	-	750,012
Less: allowance for individually impaired loans	(20,866)	(6,074)	(854)	-	(27,794)
Total net	504,172	214,378	3,668	-	722,218

A reconciliation of the allowance for impairment losses is as follows;

	<b>Total</b>
At January 1, 2010	27,794
Additions in the period	9,774
Non-performing loan sales	(16,393)
The effect of collections in the period	(4,019)
Write off	(10)
<b>At December 31, 2010</b>	<b>17,146</b>

The fair value of collaterals that the Bank holds relating to loans individually determined to be impaired as of December 31, 2010 is TRY 41,617 Thousand. (December 31, 2009: TRY 13,819 Thousand).

TRY 1,761 Thousand amount of properties are transferred to the ownership of the Bank in 2010 period and in the same period TRY 571 Thousand amount of it has been sold. There are no other credit enhancements obtained during the period (December 31, 2009: None).

Aging analysis of past due but not impaired loans per class of financial instruments is as follows:

<b>December 31, 2010</b>	<b>Less than 30 days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>More than 91 Days</b>	<b>Total</b>
Loans and advances to customers					
Corporate lending	7,666	2,448	1,551	-	11,665
Small business lending	16,282	409	171	-	16,862
Consumer lending	216	193	-	-	409
Other	-	-	-	-	-
<b>Total</b>	<b>24,164</b>	<b>3,050</b>	<b>1,722</b>	<b>-</b>	<b>28,936</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

December 31, 2009	Less than 30 days	31-60 Days	61-90 Days	More than 91 Days	Total
Loans and advances to customers					
Corporate lending	21,686	486	-	22,172	
Small business lending	12,299	201	10	-	12,510
Consumer lending	267	9	22	-	298
Other	-	-	-	-	-
<b>Total</b>	<b>34,252</b>	<b>696</b>	<b>32</b>	<b>-</b>	<b>34,980</b>

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank held as of December 31, 2010 is TRY 53,252 Thousand (December 31, 2009: TRY 71,399 Thousand) for the total aggregate amount of gross past due but not yet impaired loans and advances to customers.

Loans and advances amounting to TRY 646,415 Thousand are revolving loans that have maturity up to one month and floating interest rates (December 31, 2009: TRY 477,990 Thousand) and the remaining TRY 333,817 Thousand have fixed interest rates. (December 31, 2009: TRY 238,244 Thousand).

**6. Information on held-to-maturity investments:**

**a.1) Information on held-to-maturity investments given as collateral or blocked:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	25,690	-	39,209	-
Other	-	-	-	-
<b>Total</b>	<b>25,690</b>	<b>-</b>	<b>39,209</b>	<b>-</b>

Held to maturity investments with carrying values of TRY 6,621 Thousand, TRY 3,092 Thousand and TRY 15,977 Thousand are provided as collateral for Stock Exchange, Foreign Exchange Market and Interbank Money Market; respectively.

**a.2) Held-to-maturity investments subject to repurchase agreements:** None (December 31, 2009: None).

Book value of held to maturity investments classified as unrestricted financial assets is TRY 22,192 Thousand. (December 31, 2009: None)

**b) Information on public sector debt investments held-to-maturity:**

	December 31, 2010	December 31, 2009
Government bonds	47,882	39,209
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>47,882</b>	<b>39,209</b>

**c) Information on held-to-maturity investments:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Debt securities				
Quoted on a stock exchange	47,882	-	39,209	-
Not quoted on a stock exchange	-	-	-	-
Provision for impairment (-)	-	-	-	-
<b>Total</b>	<b>47,882</b>	<b>-</b>	<b>39,209</b>	<b>-</b>

**d) Movement of held-to-maturity investments:**

	December 31, 2010	December 31, 2009
Beginning balance	39,209	29,764
Foreign currency differences on monetary assets (*)	960	(2,000)
Purchases during year	26,212	37,178
Disposal through sales and redemptions	(18,499)	(25,733)
Impairment provision (-)	-	-
<b>Closing Balance</b>	<b>47,882</b>	<b>39,209</b>

(\*) Accruals of Held-to maturity investments are reflected in foreign currency differences on monetary assets line.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**7. Information on associates (Net):**

The Bank has no associates in the current period

**8. Information on subsidiaries (Net):**

The Bank has no subsidiaries in the current period.

**9. Information on jointly controlled entities:**

The Bank has no jointly controlled entities in the current period.

**10. Information on finance lease receivables (Net):**

The Bank has no lease receivables in the current period.

**11. Information on derivative financial assets for hedging purposes:**

The Bank has no financial assets for hedging purposes in the current period.

**12. Information on tangible assets (Net):**

	Closing Balance December 31, 2009	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2010
Cost:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	5,958	7	-	-	-	5,965
Vehicles	-	-	-	-	-	-
Other	21,247	6,074	(1,743)	-	-	25,578
<b>Total Cost</b>	<b>27,205</b>	<b>6,081</b>	<b>(1,743)</b>	<b>-</b>	<b>-</b>	<b>31,543</b>
	Closing Balance December 31, 2009	Period Charge	Disposals	Other	Change in estimate	Ending Balance December 31, 2010
Accumulated Depreciation:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	(4,087)	(650)	-	-	-	(4,737)
Vehicles	-	-	-	-	-	-
Other	(9,787)	(3,348)	399	-	-	(12,736)
<b>Total Accumulated Depreciation</b>	<b>(13,874)</b>	<b>(3,998)</b>	<b>399</b>	<b>-</b>	<b>-</b>	<b>(17,473)</b>
<b>Net Book Value</b>	<b>13,331</b>	<b>2,083</b>	<b>(1,344)</b>			<b>14,070</b>

**a) If impairment amount on individual asset recorded or reversed in the current period is material for the overall financial statements:**

a.1) Events and conditions for recording or reversing impairment: None.

a.2) Amount of recorded or reversed impairment in the financial statements: None.

**b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.**

**c) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.**

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**13. Information on intangible assets:**

	Closing Balance December 31, 2009	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2010
Cost:						
Software cost	7,527	391	-	-	-	7,918
Other intangible assets	-	-	-	-	-	-
<b>Total Cost</b>	<b>7,527</b>	<b>391</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,918</b>
	Closing Balance December 31, 2009	Period Charge	Disposals	Other	Change in estimate	Ending Balance December 31, 2010
Accumulated Depreciation:						
Software cost	(5,825)	(1,229)	-	-	-	(7,054)
Other intangible assets	-	-	-	-	-	-
<b>Total Accumulated Depreciation</b>	<b>(5,825)</b>	<b>(1,229)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,054)</b>
<b>Net Book Value</b>	<b>1,702</b>	<b>(838)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>864</b>

- a) Disclosures for book value, description and remaining depreciation time for a specific intangible fixed asset that is material to the financial statements: None.
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.
- d) The book value of intangible fixed assets that are pledged or restricted for use: None.
- e) Amount of purchase commitments for intangible fixed assets: None.
- f) Information on revalued intangible assets according to their types: None.
- g) Varsa, dönem içinde gider kaydedilen araştırma geliştirme giderlerinin toplam tutarı: Bulunmamaktadır.
- g) Amount of total research and development expenses recorded in income statement within the period if any: None.
- h) Positive or negative consolidation goodwill on entity basis: None.
- i) Information on goodwill: None.
- j) Movements on goodwill in the current period: None.

**14. Investment Property (Net):** None.

**15. Explanations on deferred tax asset:**

- a) As of December 31, 2010, there are no carried forward tax losses and tax deductions or exemptions over which deferred tax asset has been computed (December 31, 2009: None). Deferred tax asset computed on the other temporary differences is TRY 780 Thousand (December 31, 2009: TRY 2,188 Thousand deferred tax asset).
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

d) Movement of deferred tax:

	December 31, 2010	December 31, 2009
<b>At January 1,</b>	<b>2,188</b>	<b>1,075</b>
Effect of change in tax rate	-	-
Deferred tax (charge)/benefit	(1,031)	2,520
<b>Deferred tax (charge)/benefit (Net)</b>	<b>(1,031)</b>	<b>2,520</b>
Deferred tax accounted for under Shareholders' Equity	(377)	(1,407)
<b>Deferred Tax Asset</b>	<b>780</b>	<b>2,188</b>

	December 31, 2010		December 31, 2009	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Reserve for Employee Benefits	3,649	730	2,354	471
Provisions	1,702	341	6,707	1,342
Net Book Value and Tax Value Differences of Assets				
Tangible Fixed Assets	385	77	598	120
Financial Assets	468	94	1,083	217
Other	485	97	350	70
<b>Deferred Tax Asset</b>		<b>1,339</b>		<b>2,220</b>
Net Book Value and Tax Value Differences of Assets				
Tangible Fixed Assets	2,393	479	120	24
Financial Assets	399	80	39	8
<b>Deferred tax Liability (-)</b>		<b>559</b>		<b>32</b>
<b>Deferred tax Asset (Net)</b>		<b>780</b>		<b>2,188</b>

16. Information on assets held for sale and discontinued operations: None.

17. Information on other assets:

a) Breakdown of other assets:

	December 31, 2010	December 31, 2009
Prepaid Expenses	1,432	1,466
Advances Given	200	357
Settlement Accounts	9,816	6,302
Other	3,601	938
<b>Total</b>	<b>15,049</b>	<b>9,063</b>

b) Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**II. Explanations and Disclosures Related to the Liabilities**

**1. Information on maturity structure of deposits:**

a.1) December 31, 2010:

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year And over	Accumulated Deposits	Total
Saving deposits	19,648	-	43,909	344,910	2,192	29	-	-	410,688
Foreign currency deposits	41,440	-	139,665	271,990	24,757	186	71	-	478,109
Residents in Turkey	36,130	-	103,710	262,941	24,696	175	-	-	427,652
Residents abroad	5,310	-	35,955	9,049	61	11	71	-	50,457
Public sector deposits	2,199	-	-	-	-	-	-	-	2,199
Commercial deposits	47,643	-	88,044	89,094	7,058	119	-	-	231,958
Other institutions deposits	149	-	326	13,898	3	-	2	-	14,378
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	5,749	-	-	-	-	-	-	-	5,749
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	7	-	-	-	-	-	-	-	7
Foreign Banks	5,742	-	-	-	-	-	-	-	5,742
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>116,828</b>	<b>-</b>	<b>271,944</b>	<b>719,892</b>	<b>34,010</b>	<b>334</b>	<b>73</b>	<b>-</b>	<b>1,143,081</b>

a.2) December 31, 2009:

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year And over	Accumulated Deposits	Total
Saving deposits	4,449	-	25,386	308,600	25,856	2,096	-	-	366,387
Foreign currency deposits	39,161	-	27,346	282,214	5,075	234	535	-	354,565
Residents in Turkey	38,731	-	27,114	231,167	4,846	177	263	-	302,298
Residents abroad	430	-	232	51,047	229	57	272	-	52,267
Public sector deposits	2,563	-	-	-	-	-	-	-	2,563
Commercial deposits	35,435	-	41,172	37,613	769	20	-	-	115,009
Other institutions deposits	252	-	1,466	663	-	-	1	-	2,382
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	1,044	-	-	-	-	-	-	-	1,044
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	7	-	-	-	-	-	-	-	7
Foreign Banks	1,037	-	-	-	-	-	-	-	1,037
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>82,904</b>	<b>-</b>	<b>95,370</b>	<b>629,090</b>	<b>31,700</b>	<b>2,350</b>	<b>536</b>	<b>-</b>	<b>841,950</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

b.1) Information on saving deposits under the guarantee of saving deposits insurance:

**i. Information on saving deposits:**

Saving Deposits(*)	Under the Guarantee of Insurance		Exceeding the Limit of Insurance	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Saving deposits	98,445	85,936	309,972	276,967
Foreign currency saving deposits	26,856	27,731	216,456	120,062
Other deposits in the form of saving deposits	120	165	2,084	2,934
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	125,421	113,832	528,512	399,963
<b>Total</b>				

(\*) According to the BRSA's circular no 1584 dated February 23, 2005, accruals are included in the saving deposit amount.

**ii. Deposit amounts not under the guarantee of saving deposit:**

Deposits of real persons not under the guarantee of saving deposit insurance:

	December 31, 2010	December 31, 2009
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman, members of the Board of Directors, general manager and assistant general managers and their close families	885	850
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

**2. Information on derivative financial liabilities:**

**a) Negative differences table related to derivative financial liabilities held-for-trading:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Forward Transactions	-	-	-	-
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	-	-	-	-

**3. a) Information on banks and other financial institutions:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	10,607	14,860	7,019	3,932
From Foreign Banks, Institutions and Funds	4,862	61,935	2,911	35,016
<b>Total</b>	<b>15,469</b>	<b>76,795</b>	<b>9,930</b>	<b>38,948</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**b) Maturity analysis of borrowings:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Short-term	15,469	59,484	9,930	38,948
Medium and long-term	-	17,311	-	-
<b>Total</b>	<b>15,469</b>	<b>76,795</b>	<b>9,930</b>	<b>38,948</b>

**c) Additional explanations related to the concentrations of the Bank's major liabilities:**

Bank diversifies its funding resources by customer deposits and foreign borrowings.

98% of bank deposits and 42% of other deposits are composed of foreign currency deposits.

**4. Information on funds provided from repurchase agreement transactions:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
<b>From domestic transactions</b>	<b>17</b>	<b>-</b>	<b>15</b>	<b>-</b>
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	17	-	15	-
<b>From foreign transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>Total</b>	<b>17</b>	<b>-</b>	<b>15</b>	<b>-</b>

**5. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:** None.

**6. Explanations on lease obligations (Net):**

**a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:**

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Code.

**b) The explanation on modifications in agreements and new obligations resulting from such modifications:** None.

**c) Explanation on finance lease payables:**

	31 Aralık 2010		31 Aralık 2009	
	Gross	Net	Gross	Net
Less than 1 Year	9	9	937	907
Between 1-4 Years	1	1	10	10
More than 4 Years	-	-	-	-
<b>Total</b>	<b>10</b>	<b>10</b>	<b>947</b>	<b>917</b>

**d) Explanations regarding operational leases:**

Head-Office and all branch premises of the Bank are leased under operational leases. During 2010, operational lease expenses amounting to TRY 7,060 Thousand have been recorded in the profit and loss accounts. (December,31 2009: TRY 6,624 Thousand). The lease periods vary between 5 and 10 years.

**e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms:** None.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**7. Information on derivative financial liabilities for hedging purposes:** None.

**8. Information on provisions:**

**a) Information on general provisions:**

	December 31, 2010	December 31, 2009
General Provisions		
Provisions for First Group Loans and Receivables	7,548	4,803
Provisions for Second Group Loans and Receivables	544	677
Provisions for Non-Cash Loans	1,621	1,040
Other	-	-
<b>Total</b>	<b>9,713</b>	<b>6,520</b>

General provision movement for first, second group of loans and receivables and non-cash loans is as follows:

	First Group Loans and Receivables	Second Group Loans and Receivables	Non-Cash Loans
<b>December 31, 2009</b>	<b>4,803</b>	<b>677</b>	<b>1,040</b>
Additions	6,281	-	590
Disposals	(3,536)	(133)	(9)
<b>December 31, 2010</b>	<b>7,548</b>	<b>544</b>	<b>1,621</b>

**b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables:** Provision for foreign currency indexed loans amounting to TRY 602 Thousand (December 31, 2009: TRY 1,257 Thousand) is netted off from loans on the balance sheet.

**c) The specific provisions of TRY 2,082 Thousand (December 31, 2009: TRY 1,169 Thousand) were provided for unindemnified non cash loans.**

**d) Information on employee termination benefits and unused vacation accrual:**

The Bank has calculated the reserve for employee termination benefits by using actuarial valuation methods as set out in the TAS No:19 and reflected this in the financial statements.

**d.1) Movement of employee termination benefits:**

	December 31, 2010	December 31, 2009
As of January 1	1,400	962
Service cost	355	303
Interest cost	142	105
Actuarial gain/(loss)	459	122
Benefits paid	(190)	(92)
Additional indemnities or expenses/(income)	7	-
<b>End of period</b>	<b>2,173</b>	<b>1,400</b>

**d.2) Provision for employee benefits table:**

	December 31, 2010	December 31, 2009
Employee termination benefit provision	2,173	1,400
Unused vacation provision	1,476	954
<b>Total of provision for employee benefits</b>	<b>3,649</b>	<b>2,354</b>

In accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits"; total benefit is calculated for each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**e) Information on other provisions:**

e.1) Provisions for possible losses: None.

e.2) The breakdown of the sub accounts if other provisions exceed 10% of the grand total of provisions:

	December 31, 2010	December 31, 2009
Specific provisions provided for unindemnified non cash loans	2,082	1,169
Settlement date provision	851	-
Other provisions(*)	1,702	6,708
<b>Total</b>	<b>4,635</b>	<b>7,877</b>

Provision movement for unindemnified non cash loans and other provisions is as follows:

	Specific provisions provided for unindemnified non cash loans	Other provisions(*)
<b>December 31, 2009</b>	<b>1,169</b>	<b>6,708</b>
Additions (**)	1,142	562
Disposals	(229)	(5,568)
<b>December 31, 2010</b>	<b>2,082</b>	<b>1,702</b>

(\*) Other provisions include TRY 42 Thousand of unpaid bonus provisions from 2009, TRY 1,019 Thousand of loan provisions, TRY 641 Thousand of litigation provisions. The Bank has not provided any bonus accrual since there has been no decision taken related to bonus payment related to 2010 performance as of December 31, 2010. (December 31, 2009: TRY 2,200 bonus provision, TRY 3,511 Thousand of loan related provision, TRY 997 Thousand of legal claim provision).

(\*\*) TRY 562 Thousand of additions in "other provisions" includes TRY 547 Thousand of additional provision for loans and TRY 15 Thousand of other provisions classified under other operating expense.

**f) Liabilities on pension rights:** None.

f.1) Liabilities for pension funds established in accordance with "Social Security Institution": None.

f.2) Liabilities resulting from all kinds of pension funds, foundations etc, which provide post retirement benefits for the employees: None.

**9. Explanations on taxes payable:**

**a) Information on current tax liability:**

**a.1) Corporate taxes:**

As of December 31, 2010, corporate tax liability after prepaid taxes are netted off:

	December 31, 2010	December 31, 2009
Current period tax payable	972	3,240
Prepaid Tax	(415)	(5,192)
<b>Total</b>	<b>557</b>	<b>(1,952)</b>

**a.2) Information on taxes payable:**

	December 31, 2010	December 31, 2009
Corporate Tax Payable	557	-
Payroll Tax	684	797
Taxation on Securities	933	547
Property Tax	171	187
Banking and Insurance Transaction Tax (BITT)	947	758
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	118	83
Stamp Tax	18	20
Other	29	24
<b>Total</b>	<b>3,457</b>	<b>2,416</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

a.3) Information on premiums:

	December 31, 2010	December 31, 2009
Social Security Premiums-Employee	242	202
Social Security Premiums-Employer	355	296
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	16	14
Unemployment Insurance-Employer	33	28
Other	-	-
<b>Total</b>	<b>646</b>	<b>540</b>

b) Explanations on deferred tax liabilities, if any: None.

10. Information on liabilities regarding assets held for sale and discontinued operations: None.

11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Bank does not have subordinated loans.

12. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

As of December 31, 2010 the Bank's nominal paid-in-capital amounting to TRY 170,000 Thousand consists of 1,700 million shares.

	December 31, 2010	December 31, 2009
Common stock(*)	170,000	170,000
Preferred stock	-	-

(\*) Nominal Capital

b) The Bank does not apply registered share capital system.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period: None

d) Information on share capital increases from revaluation funds in the current period: None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

Prior year income, profitability and liquidity of the Bank is closely monitored by the Financial Reporting Department and reported to the Board of Directors, Asset and Liability Committee. Risk Management tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for Bank's future interest income via simulations of net interest income and scenario analysis.

g) Information on preferred shares: None.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**h) Information on marketable securities value increase fund:**

	December 31, 2010	December 31, 2009
From Associates, Subsidiaries, and Jointly Controlled Entities (Joint Vent.)	-	-
Valuation Difference	7,746	6,237
Foreign Exchange Difference	-	-
<b>Total</b>	<b>7,746</b>	<b>6,237</b>

**13. Information on legal reserves:**

	December 31, 2010	December 31, 2009
First legal reserves	666	666
Second legal reserves	-	-
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>666</b>	<b>666</b>

**14. Information on extraordinary reserves:**

	December 31, 2010	December 31, 2009
Reserves appropriated by the General Assembly	-	-
Retained earnings	10,203	10,369
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
<b>Total</b>	<b>10,203</b>	<b>10,369</b>

**15. Information on minority shares:** None.

**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments**

**1. Information on off-balance sheet liabilities:**

**a) Nature and amount of irrevocable loan commitments:**

	December 31, 2010	December 31, 2009
Credit card expenditure limit commitments	1,572	1,708
Loan granting commitments	26,748	10,528
Payment commitments for checks	57,043	24,846
Forward asset purchase and sales commitments	107,009	44,557
<b>Total</b>	<b>192,372</b>	<b>81,639</b>

**b) Possible losses and commitments related to off-balance sheet items including items listed below:**

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

**b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letters of credits:**

	December 31, 2010	December 31, 2009
Bank acceptance loans	17,310	9,525
Letters of credit	107,318	72,819
Other guarantees	91,060	22,682
<b>Total</b>	<b>215,688</b>	<b>105,026</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

## b.2) Guarantees, suretyships, and similar transactions:

	December 31, 2010	December 31, 2009
Definite letters of guarantees	547,390	448,688
Temporary letters of guarantees	105,301	61,475
Surety ships and similar transactions	-	-
Other Letter of Guarantees	107,522	94,316
<b>Total</b>	<b>760,213</b>	<b>604,479</b>

## c) c.1) Total amount of non-cash loans:

	December 31, 2010	December 31, 2009
Non-cash loans given against achieving cash loans	64,209	17,772
With maturity of 1 year or less than 1 year	150	471
With maturity of more than 1 year	64,059	17,301
Other non-cash loans	911,692	691,733
<b>Total</b>	<b>975,901</b>	<b>709,505</b>

c.2) Information on sectoral risk breakdown of non-cash loans and irrevocable loan commitments (excluding forward asset sales and purchase commitments):

	December 31, 2010				December 31, 2009			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	7,791	1.11	2,316	0.64	8,184	1.61	1,012	0.42
Farming and raising livestock	6,811	0.97	2,316	0.64	7,636	1.50	1,012	0.42
Forestry	915	0.13	-	0.00	538	0.11	-	-
Fishery	65	0.01	-	0.00	10	-	-	-
Manufacturing	202,169	28.93	178,914	49.36	144,054	28.34	116,375	48.85
Mining	65,575	9.38	22,715	6.27	50,363	9.91	25,250	10.60
Production	136,425	19.52	156,186	43.09	93,469	18.39	91,125	38.25
Electric, gas and water	169	0.02	13	0.00	222	0.04	-	-
Construction	248,577	35.57	95,928	26.47	160,714	31.61	80,403	33.75
Services	199,024	28.48	80,934	22.33	176,227	34.66	34,320	14.40
Wholesale and retail trade	90,006	12.88	36,347	10.03	62,909	12.38	15,494	6.50
Hotel, food and beverage services	5,667	0.81	484	0.13	1,494	0.29	287	0.12
Transportation and telecommunication	18,166	2.60	8,560	2.36	41,497	8.16	6,677	2.80
Financial institutions	48,715	6.97	20,546	5.67	45,639	8.98	8,269	3.47
Real estate and renting services	2,949	0.42	5,494	1.52	368	0.07	-	-
Self-employment services	19,767	2.83	9,503	2.62	14,130	2.78	3,593	1.51
Education services	118	0.02	-	0.00	20	-	-	-
Health and social services	13,636	1.95	-	0.00	10,170	2.00	-	-
Other	41,257	5.90	4,354	1.20	19,175	3.77	6,123	2.57
<b>Total</b>	<b>698,818</b>	<b>100.00</b>	<b>362,446</b>	<b>100.00</b>	<b>508,354</b>	<b>100.00</b>	<b>238,233</b>	<b>100.00</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

c.3) Information on I st and II nd Group non-cash loans:

Non-cash loans	I st Group (*)		II nd Group	
	TRY	FC	TRY	FC
Letters of guarantee	598,227	142,913	15,060	4,013
Bank acceptances	-	17,310	-	-
Letters of credit	-	107,318	-	-
Endorsements	-	-	-	-
Securities issue purchase and guarantees	-	-	-	-
Other commitments and contingencies	169	90,891	-	-
<b>Total</b>	<b>598,396</b>	<b>358,432</b>	<b>15,060</b>	<b>4,013</b>

(\*) Includes III rd, IV th and V th Groups as well.

The Bank provided a reserve of TRY 2,082 Thousand for non-cash loans not yet indemnified amounting to TRY 5,129 Thousand.

**2. Information related to derivative financial instruments:**

	Derivative transactions according to purposes			
	Trading		Hedging	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Types of trading transactions</b>				
Foreign currency related derivative transactions (I):				
Forward transactions	721	-	-	-
Swap transactions	-	13,949	-	-
Futures transactions	-	-	-	-
Option transactions	-	-	-	-
Interest related derivative transactions (II):				
Forward rate transactions	-	-	-	-
Interest rate swap transactions	-	-	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	-	-	-	-
Other derivative transactions for trade (III)	-	-	-	-
A. Total trading derivative transactions (I+II+III)	721	13,949	-	-
<b>Types of hedging transactions</b>				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Net investment hedges	-	-	-	-
B.Total hedging related derivatives	-	-	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>721</b>	<b>13,949</b>	<b>-</b>	<b>-</b>

Forward foreign exchange and swap transactions are for protection from currency fluctuations. According to TAS, they do not qualify as hedging instruments but trading and are remeasured at fair value.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

As of December 31, 2010 breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TRY equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Future Buy	Future Sell
December 31, 2010								
TRY	-	359	-	-	-	-	-	-
USD	-	-	-	-	-	-	-	-
EURO	362	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>362</b>	<b>359</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
December 31, 2009								
TRY	-	-	-	-	-	-	-	-
USD	-	-	6,994	-	-	-	-	-
EURO	-	-	-	6,955	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6,994</b>	<b>6,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**3. Explanations on contingent liabilities and assets:**

a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.

a.2) Share of jointly controlled entity (joint venture) in its own contingent liabilities: None.

a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in jointly controlled entities (joint ventures): None.

**b) Accounting and presentation of contingent assets and liabilities in the financial statements:**

b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes. As of December 31, 2010 there are no contingent assets that need to be explained.

b.2) A provision is made for contingent liabilities, if realization is probable and the amount can reliably be determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes: Contingent liabilities as of December 31, 2010 are explained in section 3 part XIV "Explanations on Provisions and Contingent Liabilities".

**4. Custodian and intermediary services:**

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off Balance Sheet Contingencies and Commitments.

**5. The information on the Bank's rating by in the international rating introductions:**

The results of the rating performed by Fitch Ratings are shown below:

<b>Fitch Ratings: December 2010</b>	
<b>Foreign Currency Commitments</b>	
Long term	BBB-
Short term	F3
View	Stable
<b>Turkish Lira Commitments</b>	
Long term	BBB-
Short term	F3
View	Stable
National	AAA(tur)
View	Stable
<b>Individual Rating</b>	<b>D</b>
<b>Support Points</b>	<b>2</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**IV. Explanations and Disclosures Related to the Income Statement**

**1. a) Information on interest on loans:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Interest on loans (*)				
Short term loans	58,906	9,332	67,208	14,400
Medium and long term loans	19,830	3,062	17,071	14
Interest on non-performing loans	447	-	89	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>79,183</b>	<b>12,394</b>	<b>84,368</b>	<b>14,414</b>

(\*) Includes fees and commissions obtained from cash loans.

**b) Information on interest received from banks:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	-	-	1
Domestic banks	29	27	39	60
Foreign banks	-	123	8	291
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>29</b>	<b>150</b>	<b>47</b>	<b>352</b>

**c) Interest received from marketable securities portfolio:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Trading securities	57	-	166	-
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	14,423	1,901	15,146	1,016
Held-to-maturity securities	4,641	-	4,304	-
<b>Total</b>	<b>19,121</b>	<b>1,901</b>	<b>19,616</b>	<b>1,016</b>

**d) Information on interest income received from associates and subsidiaries:** None.

**2. a) Information on interest on funds borrowed:**

	December 31, 2010		December 31, 2009	
	TRY	FC	TRY	FC
Interest on funds borrowed (*)				
Banks	1,218	1,627	1,128	7,588
The Central Bank of Turkey	-	-	-	-
Domestic banks	782	288	772	225
Foreign banks	436	1,339	356	7,363
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
<b>Total</b>	<b>1,218</b>	<b>1,627</b>	<b>1,128</b>	<b>7,588</b>

(\*) Includes fees and commission expenses for borrowings.

**b) Information on interest expense to associates and subsidiaries:** None

**c) Information on interest expense to marketable securities issued:** None.

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**d) Distribution of interest expense on deposits based on maturity of deposits:**

December 31, 2010								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
<b>TRY</b>								
Bank deposits	-	2	-	-	-	-	-	2
Saving deposits	-	5,201	26,015	1,047	224	-	-	32,487
Public sector deposits	-	8	-	-	-	-	-	8
Commercial deposits	-	5,976	5,078	103	2	-	-	11,159
Other deposits	-	187	898	14	-	-	-	1,099
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>11,374</b>	<b>31,991</b>	<b>1,164</b>	<b>226</b>	-	-	<b>44,755</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	3,037	7,999	691	6	5	-	11,738
Bank deposits	-	-	-	-	-	-	-	-
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>3,037</b>	<b>7,999</b>	<b>691</b>	<b>6</b>	<b>5</b>	-	<b>11,738</b>
<b>Grand Total</b>	-	<b>14,411</b>	<b>39,990</b>	<b>1,855</b>	<b>232</b>	<b>5</b>	-	<b>56,493</b>

December 31, 2009								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
<b>TRY</b>								
Bank deposits	-	6	-	-	-	-	-	6
Saving deposits	-	4,572	27,691	536	156	4	-	32,959
Public sector deposits	-	2	2	-	-	-	-	4
Commercial deposits	5	4,689	2,560	40	1	-	-	7,295
Other deposits	-	130	123	-	-	-	-	253
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5</b>	<b>9,399</b>	<b>30,376</b>	<b>576</b>	<b>157</b>	<b>4</b>	-	<b>40,517</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	2,224	8,885	97	12	26	-	11,244
Bank deposits	-	-	-	-	-	-	-	-
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>2,224</b>	<b>8,885</b>	<b>97</b>	<b>12</b>	<b>26</b>	-	<b>11,244</b>
<b>Grand Total</b>	<b>5</b>	<b>11,623</b>	<b>39,261</b>	<b>673</b>	<b>169</b>	<b>30</b>	-	<b>51,761</b>

**3. Information on dividend income:**

	December 31, 2010	December 31, 2009
Trading securities	-	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	2	7
Other	-	-
<b>Total</b>	<b>2</b>	<b>7</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**4. Information on net trading income:**

	December 31, 2010	December 31, 2009
<b>Income</b>	<b>922,848</b>	<b>796,181</b>
Gains on capital market operations	8,871	9,187
Gains on derivative financial instruments	6,858	869
Foreign exchange gains	907,119	786,125
<b>Losses (-)</b>	<b>(914,403)</b>	<b>(785,872)</b>
Losses on capital market operations	(18)	(9)
Losses on derivative financial instruments	(17,620)	(3,879)
Foreign exchange losses	(896,765)	(781,984)

**5. Information on other operating income:**

	December 31, 2010	December 31, 2009
Provisions for communication expense collected from customers	75	100
Provisions for expenditure collected from customers	32	41
Reversal of specific provision (*)(**)	19,163	829
Reversal of general loan loss provision	3,678	730
Income from operational leases	22	58
Income from sales of assets written off	562	1
Other (***)	5,864	363
<b>Total</b>	<b>29,396</b>	<b>2,122</b>

(\*) In accordance with the Board of Directors decision dated October 21, 2010, due to the sale of non-performing loans, TRY 15,916 Thousand provision related prior years has been reversed.

(\*\*) Includes TRY 229 Thousand Specific provisions reversed for unindemnified non cash loans.

(\*\*\*) Includes TRY 5,568 Thousand reversal of provision for possible losses.

**6. Provision expenses of banks for loans and other receivables:**

	December 31, 2010	December 31, 2009
Specific provisions for loans and other receivables	8,296	16,719
III. Group Loans and Receivables	4,010	2,686
IV. Group Loans and Receivables	1,452	4,244
V. Group Loans and Receivables	2,834	9,789
General loan loss provision expenses	6,871	1,941
Provision expenses for possible losses	547	3,509
Marketable securities impairment losses	212	151
Financial assets at fair value through profit and loss	-	-
Investment securities available for sale	212	151
Impairment provision expense on investments	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities	-	-
Investments held to maturity	-	-
Other	1,142	305
<b>Total</b>	<b>17,068</b>	<b>22,625</b>

(Translated into English from the Original Turkish Report and Financial Statements)

## **Turkland Bank Anonim Şirketi**

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

#### **As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### **7. Information on other operating expenses:**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Personnel expenses	39,782	33,884
Reserve for employee termination benefits	773	438
Taxes and duties	2,175	690
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	3,977	3,687
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	1,229	1,183
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	21	27
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	19,952	21,190
Rent expenses	7,060	6,624
Maintenance expenses	1,491	898
Advertisement expenses	366	263
Other expenses(*)	11,035	13,405
Loss on sales of assets (***)	15,023	10
Other(**)	2,591	2,896
<b>Total</b>	<b>85,523</b>	<b>64,005</b>

(\*) Included in other operating expenses; vehicle expenses are TRY 2,905 Thousand, communication expenses are TRY 1,828 Thousand, cleaning expenses are TRY 1,188 Thousand, heating-lighting expenses are TRY 915 Thousand, non-deductible expenses TRY 493 Thousand, stationery expenses are TRY 500 Thousand, computer usage expenses are TRY 938 Thousand, insurance expenses are TRY 314 Thousand and other expenses are TRY 1,954 Thousand (December 31, 2009: TRY 2,789 Thousand vehicle; TRY 1,852 Thousand communication, TRY 934 Thousand cleaning, TRY 798 Thousand heating-lighting; TRY 1,094 Thousand non deductible expenses; TRY 370 Thousand stationery; TRY 2,200 Bonus provisions; TRY 635 legal provisions and TRY 2,733 Thousand other expenses).

(\*\*) Included in other; the premiums paid to Saving Deposit Insurance Fund is TRY 713 Thousand, assurance and financial services expenses are TRY 992 Thousand and other expenses are TRY 522 Thousand unused vacation and TRY 364 Thousand other expenses. (December 31, 2009: TRY 692 Thousand premiums paid to Saving Deposit Insurance Fund; TRY 1,594 Thousand assurance and financial consultancy expenses; TRY 234 Thousand unused vacation and TRY 376 Thousand other expenses).

(\*\*\*) According to the Board of Directors decision numbered 488 and dated October 21, 2010, non - performing loans with a principal amount of TRY 16,667 Thousand are sold for an amount of TRY 1,675 Thousand. The difference between the principal and the sale amount is TRY 14,992 Thousand loss and TRY 15,916 Thousand provision related to prior years and TRY 477 Thousand provision related to current year have been reversed.

#### **8. Information on profit/(loss) from continued and discontinued operations before taxes:**

The Bank has TRY 3,074 Thousand profit before tax as of December 2009 and TRY 4,466 Thousand profit before tax as of December 2010. Compared to the prior year, the total of Bank's provision expenses for loans and other receivables and operating expense excluding the effect of loss on sale of assets increased by 1% and fees and commission income increased by 29%.

#### **9. Information on tax provision for continued and discontinued operations:**

- As of December 31, 2010, current tax charge is TRY 972 Thousand (December 31, 2009: TRY 3,240 Thousand); deferred tax charge is 1,031 Thousand (December 31, 2009: TRY 2,520 Thousand deferred tax benefit)
- Deferred tax charge on temporary differences except carried forward tax losses is TRY 1,031 Thousand. (December 31, 2009: TRY 2,520 Thousand deferred tax benefit)
- Deferred tax charge for temporary differences on carried forward tax losses or tax exemptions or deductions which is included in the current year statement of income: None (December 31, 2009: None).

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

d) Tax reconciliation:

	December 31, 2010	December 31, 2009
<b>Profit before tax</b>	<b>4,466</b>	<b>3,074</b>
Tax at the domestic income tax rate of 20% (2009: 20%)	(893)	(615)
Disallowables and other, net	(1,110)	(105)
<b>Tax calculated</b>	<b>(2,003)</b>	<b>(720)</b>

**10. Information on net profit/(loss) from continued and discontinued operations:**

The Bank has TRY 2,354 Thousand net profit as of December 2009 and TRY 2,463 Thousand net profit as of December 2010.

**11. Explanations on net income/loss for the period:**

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the understanding of the Bank's performance for the period:

According to Board of Directors decision dated October 21, 2010 the Bank has booked net TRY 1,401 Thousand income due to sale of its non performing loan portfolio, that has TRY 274 Thousand book value, for an amount of TRY 1,675 Thousand to Girişim Varlık Yönetim A.Ş.

- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.

- c) Profit or loss attributable to minority shares: None.

**12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:**

	December 31, 2010	December 31, 2009
Other fees and commissions received		
Expertise fees collected from customers	253	302
Transfer commissions	405	337
Collection note commissions	80	80
Insurance commissions	104	73
Import letters of credit commissions	187	190
Credit cards commissions and fees	8	20
Other banking operations income	6,711	5,071
<b>Total</b>	<b>7,748</b>	<b>6,073</b>

	December 31, 2010	December 31, 2009
Other fees and commissions given		
Commissions given to banks	476	432
Money market Commissions	69	57
EFT expenses	73	52
Other	158	173
<b>Total</b>	<b>776</b>	<b>714</b>

(Translated into English from the Original Turkish Report and Financial Statements)

## **Turkland Bank Anonim Şirketi**

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

#### **As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### **V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity**

- a) Increase resulting from revaluation of financial assets available for sale: TRY 1,509 Thousand (December 31, 2009: TRY 5,629 Thousand)
- b) Increase in cash flow risk hedging items: None.
- b.1) Reconciliation of beginning and ending balances: None.
- b.2) Amount recorded in the current period if a gain or loss from a cash flow hedging derivative or non-derivative financial asset is accounted for under shareholders' equity: None.
- c) The reconciliation related with foreign currency translation reserves at the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not yet been conducted as of the date the accompanying financial statements are authorized for issue.
- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date the financial statements are authorized for issue.
- g) Amounts transferred to legal reserves: None. (December 31, 2009: TRY 42 Thousand)
- h) Information on shares issued:

The Bank does not have any issued debt securities. As of the date of approval of these financial statements, there is no subsequent dividend announcement of the Bank after the balance sheet date.

#### **VI. Explanations and Disclosures Related To Statement Of Cash Flows**

##### **1. The effects of the other items stated in the statement of cash flows and the changes in foreign currency exchange rates on cash and cash equivalents:**

"Other items" amounting to TRY 54,224 Thousand in "Operating profit before changes in operating assets and liabilities" in essence consist of fees and commissions paid, other operating expenses, gain/losses from derivative financial instruments and other operating expenses except for personnel expenses, leasing expenses, reserve for employee termination benefits, depreciation expenses and taxes paid.

"Net increase/decrease in other liabilities" amounting to TRY 19,110 Thousand in "Changes in operating assets and liabilities" in essence consists of changes in sundry creditors, other liabilities tax liability and provisions. "Net increase/decrease in other assets" amounting to TRY 6,306 Thousand consists mainly of changes in sundry debtors and other assets.

The effect of the change in the foreign exchange rate on the cash and cash equivalents is calculated as approximately 2,842 Thousands TL and it represents the effect of the change in the foreign exchange rates over the foreign currency cash and cash equivalents.

##### **2. Cash and cash equivalents at beginning and end of periods:**

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the statement of cash flow:

Beginning of the period	December 31, 2010	December 31, 2009
<b>Cash</b>		
Cash in TRY/Foreign Currency	20,234	11,024
Central Bank	14,475	19,771
Other	-	-
<b>Cash equivalents</b>		
Banks	67,244	95,334
Money market placements	77,500	123,300
<b>Total cash and cash equivalents</b>	<b>179,453</b>	<b>249,429</b>

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

End of the period	December 31, 2010	December 31, 2009
<b>Cash</b>		
Cash in TRY/Foreign Currency	15,300	20,234
Central Bank	44,750	14,475
Other	-	-
<b>Cash equivalents</b>		
Banks	79,931	67,244
Money market placements	14,000	77,500
<b>Total cash and cash equivalents</b>	<b>153,981</b>	<b>179,453</b>

**VII. Explanations on the Risk Group of the Bank**

**1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:**

**a) December 31, 2010:**

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	9	-	28	38,799
Balance at end of period	-	-	10	1,024	42	7,254
Interest and commission income	-	-	55	6	2	103

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contains foreign bank accounts amounting to TRY 10 Thousand.

**b) December 31, 2009:**

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	8	3,975	-	16,573
Balance at end of period	-	-	9	-	28	38,799
Interest and commission income	-	-	113	4	6	50

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contains foreign bank accounts amounting to TRY 9 Thousand.

**c.1) Information on related party deposits balances:**

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Deposits</b>						
Balance at beginning of period	-	-	107	56	625	51,681
Balance at end of period	-	-	93	107	10,841	625
Interest on deposits	-	-	-	-	134	1,256

In addition, the Bank has "Funds Borrowed" at an amount of TRY 30,802 Thousand used from risk group of the Bank (December 31, 2009: TRY 15,055 Thousand) and TRY 913 Thousand interest expense from funds borrowed in 2010 (December 31, 2009: TRY 867 Thousand).

c.2) Information on forward and option agreements and other similar agreements made with related parties: None.

(Translated into English from the Original Turkish Report and Financial Statements)

## **Turkland Bank Anonim Şirketi**

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

### **As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

- d) As of December 31, 2010, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 4,641 Thousand (December 31, 2009: TRY 3,896 Thousand).

#### **2. Disclosures for related parties:**

- a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various business transactions with related parties.

- b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	Amount	% Compared to the Amounts in the Financial Statements
Cash loans	-	-
Banks and other receivables	52	0,06
Non-cash loans	8,278	0,78
Deposits	10,934	0,96
Other financial institutions	30,802	33,38

These transactions are priced in accordance with the general pricing policies of the Bank.

- c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: Explained in b).
- d) Transactions accounted under the equity method: None.
- e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts:

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 0.39%. Details of these loans are explained in 1a above.

#### **VIII. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches**

##### **1. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches:**

	Number	Employees			
Domestic branches	27	510			
			Country		
Rep-offices abroad	-	-	-	Total Assets	Capital
Branches abroad	-	-	-	-	-
Off-shore branches	-	-	-	-	-

(Translated into English from the Original Turkish Report and Financial Statements)

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**As of December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**2. Explanations on Branch and Agency Openings or Closings of the Bank:**

2 branches were opened in the first quarter of 2010 (December 31, 2009: None).

**IX. Explanations and disclosures related to subsequent events:**

As announced in the official gazette numbered 27825 and dated January 24, 2011 based on the "Communiqué on Amendments to be made on Communiqué on Required Reserves", reserve deposit rates applied to TRY liabilities has changed as follows:

Demand Dep., Call Accounts, Private Current Accounts	Deposits/ Participation Acc. up to 1-Month Maturity	Deposits/ Participation Acc. up to 3-Month Maturity	Deposits/ Participation Acc. up to 6-Month Maturity	Deposits/ Participation Acc. up to 1-Year Maturity	Deposits/ Partic. Accounts with 1-Year or Longer Maturity, Accumulating Dep./Partic. Acc	Special Fund Pools
%12	%10	%9	%7	%6	%5	Based on Ratios for corresponding maturities

**SECTION SIX**  
**OTHER EXPLANATIONS**

**I. Other Explanations on the Operations of the Bank:**

In accordance with the Board of Directors decision numbered 488 and dated October 21, 2010 non performing loan portfolio with TRY 274 Thousand book value are sold to Girişim Varlık Yönetim A.Ş. for an amount of TRY 1,675 Thousand. The Bank has booked net TRY 1,401 Thousand income due to sale of its non performing loan portfolio.

**SECTION SEVEN**  
**INDEPENDENT AUDITOR'S REPORT**

**I. Explanations on the Independent Auditor's Report:**

The unconsolidated financial statements of the Bank as of and for the period ended December 31, 2010 were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited).

The independent auditor's report dated March 3, 2011 is presented preceding the financial statements.

**II. Other Footnotes and Explanations Prepared by Independent Auditors:**

None.



**TURKLAND BANK  
ANONİM ŞİRKETİ**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2010**





Güney Bağımsız Denetim ve  
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## Independent auditor's report

To the Board of Directors and Shareholders of  
Turkland Bank A.Ş.

We have audited the accompanying financial statements of Turkland Bank A.Ş. (the Bank), which comprise the statement of financial position as at December 31, 2010 and the income statement, statement of comprehensive income, statement of changes in equity and statement of 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 financial statements in accordance with International Financial Reporting Standards and for such internal controls as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Other matter

The financial statements of the Bank for the year ended December 31, 2009 prepared in accordance with International Financial Reporting Standards were audited by another auditor who expressed an audit report with an unqualified opinion on those statements on March 2, 2010.

Istanbul, March 3, 2011

**Turkland Bank Anonim Şirketi****Statement of Financial Position as at December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

	Notes	December 31, 2010	December 31, 2009
<b>ASSETS</b>			
Cash and cash equivalents	3	109,239	164,994
Balances with Central Bank	4	98,110	50,334
Financial assets at fair value through profit or loss	5	432	964
Derivative financial instruments	14	12	39
Loans and advances	6	995,783	717,278
Investment securities:	5		
-Available-for-sale		220,118	138,521
-Held-to-maturity		47,882	39,209
Premises and equipment	7	14,081	13,343
Intangible assets	8	864	1,702
Deferred tax asset	13	2,278	3,226
Other assets	9	14,748	11,015
<b>Total assets</b>		<b>1,503,547</b>	<b>1,140,625</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Customers' deposits	10	1,137,332	840,906
Deposits from other banks	10	5,749	1,044
Obligations under repurchase agreements	5	17	15
Derivative financial instruments		-	-
Funds borrowed	11	92,264	48,878
Other liabilities and provisions	12	44,635	32,108
Income taxes payable	13	557	-
<b>Total liabilities</b>		<b>1,280,554</b>	<b>922,951</b>
<b>EQUITY</b>			
Share capital issued	15	318,164	318,164
Unrealized gains/(losses) on available-for-sale investments, net of tax		7,746	6,237
Reserves	16	7,603	5,249
Accumulated losses	16	(110,520)	(111,976)
<b>Total equity</b>		<b>222,993</b>	<b>217,674</b>
<b>Total liabilities and equity</b>		<b>1,503,547</b>	<b>1,140,625</b>

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

**Turkland Bank Anonim Şirketi****Income Statement for the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

	Notes	January 1- December 31, 2010	January 1- December 31, 2009
Interest income	18	114,917	125,329
Interest expenses	19	(62,387)	(60,944)
<b>Net interest income</b>		<b>52,530</b>	<b>64,385</b>
<b>Fees and commissions and other operating income</b>			
Fees and commissions income	21	17,291	13,486
Fees and commissions expenses	21	(819)	(757)
<b>Net fees and commissions income</b>		<b>16,472</b>	<b>12,729</b>
Trading gain/(loss), net	22	(1,909)	6,168
Provisions for impairment of loans and receivables	6-12	(8,405)	(19,776)
Foreign exchange gain/(loss), net		10,354	4,141
Other income	20	4,314	562
Operating expenses	23	(68,006)	(64,023)
<b>Operating profit</b>		<b>5,350</b>	<b>4,186</b>
Dividend income		2	7
<b>Profit/(loss) before income tax</b>		<b>5,352</b>	<b>4,193</b>
Income tax-current	13	(972)	(3,240)
Income tax-deferred	13	(570)	2,535
<b>Net profit from continuing operations</b>		<b>3,810</b>	<b>3,488</b>

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

**Turkland Bank Anonim Şirketi**  
**Statement of Comprehensive Income**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

	January 1- December 31, 2010	January 1- December 31, 2009
<b>Net profit for the year</b>	<b>3,810</b>	<b>3,488</b>
<b>Other comprehensive income</b>		
Fair value gains on available-for-sale financial assets, net of tax	1,509	5,629
Net change in fair values	10,581	16,828
Net amount transferred to income	(8,694)	(9,792)
Deferred tax on valuation differences	(378)	(1,407)
<b>Other comprehensive income for the year, net of tax</b>	<b>1,509</b>	<b>5,629</b>
<b>Total comprehensive income for the year</b>	<b>5,319</b>	<b>9,117</b>

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

**Turkland Bank Anonim Şirketi**  
**Statement of Changes In Equity**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

	Notes	Share capital issued	Adjustment to share capital	Legal reserves, statutory reserves, extraordinary reserves (*)	Unrealized gains/(losses) on available-for-sale investments, net of tax	Accumulated losses	Total
<b>At January 1, 2009</b>		<b>170,000</b>	<b>148,164</b>	<b>5,207</b>	<b>608</b>	<b>(115,422)</b>	<b>208,557</b>
Total comprehensive income for the year		-	-	-	5,629	3,488	9,117
Transfer to legal reserves		-	-	42	-	(42)	-
<b>At December 31, 2009</b>		<b>170,000</b>	<b>148,164</b>	<b>5,249</b>	<b>6,237</b>	<b>(111,976)</b>	<b>217,674</b>
<b>At January 1, 2010</b>		<b>170,000</b>	<b>148,164</b>	<b>5,249</b>	<b>6,237</b>	<b>(111,976)</b>	<b>217,674</b>
Total comprehensive income for the year		-	-	-	1,509	3,810	5,319
Transfer to legal reserves, statutory reserves and extraordinary reserves		-	-	2,354	-	(2,354)	-
<b>At December 31, 2010</b>	<b>16</b>	<b>170,000</b>	<b>148,164</b>	<b>7,603</b>	<b>7,746</b>	<b>(110,520)</b>	<b>222,993</b>

(\*) As of December 31, 2010 the Bank's legal reserves amount to TRY 666, extraordinary reserves amount to TRY 10,203 and other reserves amount to TRY 28,178 and accumulated deficit amounts to TRY (31,444).

## Turkland Bank Anonim Şirketi

### Statement of Cash Flows

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

	Notes	January 1- December 31, 2010	January 1- December 31, 2009
<b>Cash flow from operating activities</b>			
Net profit for the year		3,810	3,488
<b>Adjustments for:</b>			
Depreciation and amortization	7-8-23	5,233	4,937
Provision for impairment of loans and advances		8,405	19,776
Provision for employment termination benefits	12	963	530
Other provision expenses		1,388	3,221
Foreign exchange gain/(loss)		(2,842)	1,908
Taxation	13	1,542	705
Accrued interest, net		(3,808)	12,266
<b>Operating profit before changes in operating assets/liabilities</b>		<b>14,691</b>	<b>46,831</b>
<b>Changes in operating assets and liabilities:</b>			
Net (increase)/decrease in reserve deposits with Central Bank		(17,789)	6,299
Net (increase)/decrease in other assets		(4,040)	2,561
Net(increase)/decrease in trading securities		465	(24,000)
Net (increase) in loans and advances		(289,490)	(160,753)
Net increase in deposits		301,614	264,073
Net increase/(decrease) in other creditors, taxes & liabilities		10,532	(1,680)
Income taxes paid		(415)	(5,192)
Employment termination benefits paid	12	(190)	(92)
<b>Net cash provided by operating activities</b>		<b>15,378</b>	<b>128,047</b>
<b>Cash flows from investing activities</b>			
(Additions) to premises and equipment	7	(4,315)	(1,299)
(Additions) to intangible assets	8	(392)	(332)
Cash paid for purchase of financial assets available-for-sale		(366,261)	(528,993)
Proceeds from sale of financial assets available-for-sale		290,474	491,136
Net book value of disposed premises and equipment		1,340	109
Cash paid for purchase of held-to-maturity investment securities		(26,212)	(37,178)
Proceeds from redemption of held-to-maturity investment securities		18,499	32,140
<b>Net cash used in investing activities</b>		<b>(86,867)</b>	<b>(44,417)</b>
<b>Cash flows from financing activities</b>			
Issue of share capital		-	-
Repayments of funds borrowed		(210,300)	-
Proceeds from funds borrowed		253,475	(151,698)
<b>Net cash provided by/(used in) financing activities</b>		<b>43,175</b>	<b>(151,698)</b>
<b>Effect of change in foreign exchange rates on cash and cash equivalents</b>		<b>2,842</b>	<b>(1,908)</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>		<b>(25,472)</b>	<b>(69,976)</b>
Cash and cash equivalents at the beginning of the year		179,453	249,429
<b>Cash and cash equivalents at the end of the year</b>	<b>3</b>	<b>153,981</b>	<b>179,453</b>

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

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### 1. CORPORATE INFORMATION

Turkland Bank Anonim Şirketi ("the Bank") was established in 1991 in İstanbul under the name of "Bahreyn ve Kuveyt Bankası Anonim Şirketi" (BB&K). Its name was changed as "Tasarruf ve Kredi Bankası Anonim Şirketi" with its acquisition by Doğuş Group in 1992. After the change in the name of the bank as "Garanti Yatırım ve Ticaret Bankası Anonim Şirketi" in 1994, Mehmet Nazif Günel (the main shareholder of MNG Group Companies) has acquired the Bank in 1997 and the name of the Bank has been changed as "MNG Bank Anonim Şirketi".

An agreement has been made with Arab Bank PLC and BankMedSAL relating to the sale of 91% of MNG Bank shares in mid-2006 and this agreement was approved by the Banking Regulation and Supervision Agency (BRSA) on December 29, 2006. In this regard, while Arab Bank and BankMed purchased 50% and 41% of MNG Bank shares respectively, Mehmet Nazif Günel retained 9% of the shares. Transfer of the Bank shares was realized on January 29, 2007. The title of the Bank was changed as "Turkland Bank Anonim Şirketi" with the amendment to the Articles of Association by the decision of the Extraordinary General Assembly at the meeting on March 22, 2007.

On April 3, 2007, the title of the Bank was registered as "Turkland Bank Anonim Şirketi".

According to the Share Sale and Purchase Agreement and Board of Directors' decision dated February 26, 2010 and July 15, 2010, respectively, Mehmet Nazif Günel's 153 million shares with TRY 15,300 nominal value were purchased by BankMed SAL. As of July 22, 2010 the share transfer was realized.

As of December 31, 2010, the Bank has 27 branches in Turkey and its head office is at 19 Mayıs Mah. 19 Mayıs Cad. Şişli Plaza A Blok No: 7 Şişli-İstanbul.

The financial statements of the Bank were authorized for issue by the management on March 3, 2011. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Basis of Presentation of Financial Statements

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards ("IAS"). The principal accounting policies adopted in the preparation of these financial statements are set out below.

The Bank maintains its books of account and prepares its financial statements in Turkish Lira, which is the currency of the primary economic environment in which the Bank operates, in accordance with the Banking Act, based on accounting principles regulated by the Banking Regulation and Supervision Agency ("BRSA"), the other relevant rules and regulations regulated by the Turkish Commercial Code and Turkish Tax Legislation.

The accompanying financial statements are based on the statutory records which are maintained under the historical cost convention, except for trading securities, derivatives and available-for-sale securities which are measured at fair value, with adjustments and reclassifications for the purposes of fair presentation in accordance with IFRS. These financial statements are presented in Turkish Lira since that is the currency in which the majority of the Bank's transactions are denominated.

The accompanying IFRS financial statements adopt the accounting principles and policies applied by the BRSA in the Bank's statutory financial statements wherever those do not conflict with IFRS.

The effects of the differences between IFRS and generally accepted accounting principles in other countries than Turkey have not been quantified in the accompanying notes to the financial statements. In the opinion of the Bank's management, all adjustments necessary for the fair presentation of financial position, financial performance and cash flows for the period have been made in the accompanying financial statements.

Certain reclassifications could be made to the prior year figures to comply with the current year presentation in case of necessity.

## **Turkland Bank Anonim Şirketi**

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

### **For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### **2.2 Use of Estimates and Judgments**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

##### **Going concern**

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

##### **Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

##### **Impairment losses on loans and advances**

The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio, concentrations of risks and economic data.

##### **Impairment of available-for-sale investments**

The Bank reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

##### **Deferred tax assets**

Deferred tax assets are recognized in respect of tax losses if any, to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

##### **Employee termination benefits**

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### 2.3 Functional and Presentation Currency

Functional and presentation currency of the Bank is the Turkish Lira (TRY).

Financial statements for the year ended December 31, 2005 were restated for the changes in the general purchasing power of the functional currency based on International Accounting Standard No. 29 ("IAS 29") "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms.

As hyperinflationary conditions in Turkey no longer existed starting from January 1, 2006, Turkish Lira ("TRY") has been treated as a more stable currency since that time and the financial statements of the Bank prepared in accordance with IFRSs are not required to be adjusted further for hyperinflationary accounting.

#### 2.4 Foreign Currency Transactions and Translation

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Foreign currency translation rates used by the Bank as of respective year-ends are as follows:

	EUR/TRY	USD/TRY
December 31, 2008	2.1451	1.5345
December 31, 2009	2.1401	1.4953
December 31, 2010	2.0687	1.5442

#### 2.5 Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and impairment as at the reporting date. Premises and equipment, except land that is deemed to have indefinite life, are depreciated on a straight-line basis using the following main rates which write off the assets over their expected useful lives:

Safes	2%-10%
Vehicles, Furniture and Fittings	10%-50%
Leasehold Improvements	6.6%-20%

Leasehold improvements are depreciated based on the shorter of the rental period or useful life of the assets.

The costs of a major inspection or overhaul that are accounted as a separate asset component are capitalized. Subsequent expenditures incurred on the premises and equipment, are added to the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the asset will flow to the entity. All other subsequent expenditures and major inspection or overhaul costs that are embodied in the item of property and equipment are recognized as an expense when it is incurred.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### 2.6 Intangible Assets

Computer Software Development Costs:

The Bank generally recognizes computer software development costs as expenses in the period in which they are incurred. However, if it is probable that future economic benefits will flow to the Bank, to the extent that assets created can be identified and create future economic benefit and expenditures can reliably be measured and attributable to the asset, development costs incurred are incorporated into the initial cost of computer software. All other subsequent expenditure associated with the maintenance of the existing computer software is recognized as expense in the period in which it is incurred.

Computer software development costs capitalized as assets are amortized on a straight line basis over their expected useful lives, which is generally three years.

#### 2.7 Investments and Other Financial Assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value (net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value). The Bank determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost; change in value is not recognized.

##### *a) Financial assets at fair value through profit or loss*

Financial assets classified as held-for-trading are included in this category. Trading securities are securities, which are either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exist. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held-for-trading are recognized in income and include any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 25.

##### *b) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for specific circumstances-for example selling an insignificant amount close to maturity-it will be required to classify the entire class as available-for-sale. The investments would therefore be measured at fair value; not amortized cost.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Interest earned whilst holding held-to-maturity securities is reported as interest income.

##### *c) Loans and receivables*

Loans and advances to customers, include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank upon initial recognition designates as at fair value through profit or loss;
- Those that the Bank, upon initial recognition, designates as available-for-sale; or
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

After initial measurement, loans and advances to customers are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in interest income in the income statement. The losses arising from impairment are recognized in the income statement in provisions for impairment of loans and receivables.

#### d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses on remeasurement to fair value are recognized as a separate component of equity until the investment is derecognized, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. However, interest calculated on available-for-sale financial assets using effective interest method is reported as interest income.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

For investments that are traded in an active market, fair value is determined by reference to stock exchange or current market bid prices, at the close of business on the balance sheet date. For investments where there is no market price or market price is not indicative of the fair value of the instrument, fair value is determined by reference to the current market value of another instrument which is substantially the same, recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used.

The following equity investment which is shown under securities available-for-sale has been accounted for at cost:

Entity	Sector	The Bank's Ownership %
İMKB Takas ve Saklama Bankası A.Ş.	Settlement and Custody Bank	0.025

#### e) Repurchase and Resale Transactions

Purchases or sales of investments under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Sales of investments under agreements of repurchase ("Repos") are retained in the balance sheet and corresponding counterparty commitment is included separately under liabilities. The income and expenses on repo transactions are separately recognized as interest income accrued in accordance with its classification as financial assets at fair value through profit or loss, investments held-to-maturity or investments available-for-sale, and interest expense is accounted for on an accrual basis over the period of the transactions.

Purchases of securities under agreements of resale ("reverse repos") are separately disclosed under assets as "funds lent under securities resale agreements" and interest income on such transactions is accounted for on an accrual basis over the period of transactions.

## 2.8 Impairment of Financial assets

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### (i) Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

Loans together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### (ii) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

## 2. 9 Derecognition of Financial Assets and Financial Liabilities

#### (i) Financial assets

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

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

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

## **Turkland Bank Anonim Şirketi**

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

### **For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### **(ii) Financial liabilities**

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

#### **2.10 Financial Guarantees**

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in "Provisions for impairment of loans and receivables". The premium received is recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

#### **2.11 Offsetting Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if and only if there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### **2.12 Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and balances with Central Bank (excluding obligatory reserve deposits), deposits with banks and other financial institutions, other money market placements and funds lent under resale agreements with an original maturity of three months or less.

#### **2.13 Impairment of Non-financial Assets**

At each financial statement of position, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **2.14 Non-current Assets Held For Sale**

Certain non-current assets primarily related to the collateral collected on non-performing loans are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### 2.15 Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings.

#### 2.16 Employee Benefits

##### *Defined Benefit Plans:*

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such defined benefit plan is unfunded since there is no funding requirement in Turkey. The cost of providing benefits under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 12 are reviewed regularly. The carrying value of employee termination benefit provisions as of December 31, 2010 is TRY 2,173 (December 31, 2009: TRY 1,400)

##### *Defined Contribution Plans:*

The Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

#### 2.17 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### 2.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Bank as Lessee*

Assets held under finance leases are recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Bank's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

## **Turkland Bank Anonim Şirketi**

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

### **For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### **2.19 Income and Expense Recognition**

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, throughout the period to the next repricing date. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fees for various banking services are recorded as income when collected.

#### **2.20 Income Tax**

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

#### **2.21 Derivative Financial Instruments**

The Bank's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. In the normal course of business, the Bank enters into a variety of derivative transactions principally in the foreign exchange markets. These are used to provide financial services to customers and to actively take, hedge and modify positions as part of trading activities. Derivatives are also used to hedge or modify risk exposures arising on the balance sheet from a variety of activities including placements, lending and securities investment. The majority of the counterparties in the Bank's derivative transactions are banks and other financial institutions.

The Bank uses derivative financial instruments (primarily foreign currency forward and swap contracts) to hedge its risks associated with foreign currency fluctuations.

The use of financial derivatives is governed by the Bank's policies approved by the Board of Directors, on the use of financial derivatives consistent with the Bank's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates, as estimated based on the observable market data prevailing at the reporting date. All unrealized gains and losses on these instruments are included in the income statement. Unrealized gains and losses on these instruments are not deductible for current tax purposes.

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### 2.22 Fiduciary Assets

Assets held by the Bank in a fiduciary, agency or custodian capacity for its customers are not included in the statement of financial position, since such items are not treated as assets of the Bank.

#### 2.23 Adoption of New and Revised Standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2010. The adoption of these new and amended Standards and Interpretations has not resulted in any significant changes to the Bank's accounting policies:

- IFRIC 17 Distributions of Non-cash Assets to Owners
- IAS 39 Financial Instruments: Recognition and Measurement (Amended)-eligible hedged items
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- Improvements to IFRSs (May 2008) All amendments issued are effective as at 31 December 2009, apart from the following: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity retains a non-controlling interest after the sale transaction. The amendment is applied prospectively.
- Improvements to IFRSs (April 2009)

Amendments resulting from improvements to IFRSs (April 2009) to the following standards which had or did not have an effect on the accounting policies, financial position or performance of the Bank

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segment Information
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 18 Revenue
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

#### Standards issued but not yet effective and not early adopted

##### • IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation is effective for annual periods beginning on or after July 1, 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Bank does not expect that the amendment will have impact on the financial position or performance of the Bank.

##### • IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)

The amendment is effective for annual periods beginning on or after January 1, 2011. The purpose of this amendment was to permit entities to recognize as an asset some voluntary prepayments for minimum funding contributions. Earlier application is permitted and must be applied retrospectively. The Bank does not expect that the amendment will have impact on the financial position or performance of the Bank.

##### • IFRS 9 Financial Instruments-Phase 1 financial assets and liabilities, classification and measurement

The new standard is effective for annual periods beginning on or after January 1, 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets and liabilities. Early adoption is permitted. The Bank is in the process of assessing the impact of the new standard on the financial position and performance of the Bank.

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### • IAS 32 Classification on Rights Issues (Amended)

The amendment is effective for annual periods beginning on or after February 1, 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively. The Bank does not expect that the amendment will have impact on the financial position or performance of the Bank.

#### • IAS 24 Related Party Disclosures (Revised)

The revision is effective for annual periods beginning on or after January 1, 2011. This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Bank does not expect that the amendment will have impact on the financial position or performance of the Bank.

#### • IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for the first time adopters (Amended)

The amendment is effective for annual periods beginning on or after July 1, 2010. This amendment was issued on January 28, 2010 and exempts first-time adopters of IFRSs from providing the additional disclosures introduced by IFRS 7 on March 5, 2009.

**In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial years beginning July 1, 2010. Early application is permitted in all.**

- **IFRS 1 First-time adoption**, effective for annual periods beginning on or after January 1, 2011.
- **IFRS 3 Business Combinations**, effective for annual periods beginning on or after July 1, 2010
- **IFRS 7 Financial Instruments: Disclosures**, effective for annual periods beginning on or after January 1, 2011
- **IAS 1 Presentation of Financial Statements**, effective for annual periods beginning on or after January 1, 2011
- **IAS 27 Consolidated and Separate Financial Statements**, effective for annual periods beginning on or after July 1, 2010
- **IAS 34 Interim Financial Reporting**, effective for annual periods beginning on or after January 1, 2011
- **IFRIC 13 Customer Loyalty Programmes**, effective for annual periods beginning on or after January 1, 2011
- **IFRS 7 Financial Instruments: Disclosures** as part of its comprehensive review of off balance sheet activities (Amended)

The amendment is effective for annual periods beginning on or after July 1, 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs. The Bank does not expect that this amendment will have an impact on the financial position or performance of the Bank.

#### • IAS 12 Income Taxes: Recovery of Underlying Assets (Amended)

The amendment is effective for annual periods beginning on or after January 1, 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be through sale. As a result of the amendments, SIC-21 Income Taxes-Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The Bank does not expect that this amendment will have an impact on the financial position or performance of the Bank.

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**3. CASH AND CASH EQUIVALENTS**

	December 31, 2010	December 31, 2009
Cash on hand	15,300	20,235
Due from banks	79,936	67,245
Money market placements and funds lent under resale agreements	14,003	77,514
<b>Cash and cash equivalents</b>	<b>109,239</b>	<b>164,994</b>

	December 31, 2010	December 31, 2009
Demand deposits-Turkish Lira	22	4
Demand deposits-Foreign Currency	1,656	4,437
Time bank deposits-Turkish Lira	-	-
Time bank deposits-Foreign Currency	78,258	62,804
<b>Due from banks</b>	<b>79,936</b>	<b>67,245</b>

The effective interest rates on time bank deposits are as follows:

	December 31, 2010		December 31, 2009	
	Effective interest rate		Effective interest rate	
	Turkish Lira	Foreign Currency	Turkish Lira	Foreign Currency
Time bank deposits	-	0.2%-0.5%	-	0.1%-0.9%

Cash and cash equivalents included in the statements of cash flows for the year ended December 31, 2010 and 2009 are as follows:

	December 31, 2010	December 31, 2009
Cash and cash equivalents	109,239	164,994
Balances with Central Bank (Note 4)	44,750	14,763
Less: income accruals	(8)	(304)
<b>Cash and cash equivalents</b>	<b>153,981</b>	<b>179,453</b>

**4. BALANCES WITH CENTRAL BANK**

	December 31, 2010	December 31, 2009
Balances with Central Bank	44,750	14,763
Reserve deposits	53,360	35,571
<b>Balances with Central Bank</b>	<b>98,110</b>	<b>50,334</b>

Under the regulations of the Central Bank of the Turkish Republic ("Central Bank"), banks are required to deposit with the Central Bank a proportion of all liabilities. These reserves are not available to finance the operations of the Bank. Balances with the Central Bank earn interest at the interest rates determined by the Central Bank.

In accordance with "Communiqué regarding the reserve requirements" issued by the Central Bank, the banks operating in Turkey are required to place reserves at CBRT at a rate of 6% for their TRY liabilities and 11% as USD and/or EUR for their foreign currency liabilities. As of October 1, 2010 interest for reserve deposits was abolished (December 31, 2009: 5.2% for TRY deposits).

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**5. INVESTMENTS IN FINANCIAL INSTRUMENTS**

Financial assets at fair value through profit and loss:

	December 31, 2010	December 31, 2009
Debt instruments		
Turkish treasury bills	432	964
<b>Total financial assets at fair value through profit and loss</b>	<b>432</b>	<b>964</b>

Investment securities:

	December 31, 2010	December 31, 2009
<b>Available-for-sale securities-Quoted</b>		
Turkish treasury bills	181,124	138,360
Eurobonds issued by the Turkish government	38,915	82
<b>Total available for sale securities-Quoted</b>	<b>220,039</b>	<b>138,442</b>
<b>Available-for-sale securities-Unquoted</b>		
Equity instruments	79	79
<b>Total available for sale securities-Unquoted</b>	<b>79</b>	<b>79</b>
<b>Total available for sale securities</b>	<b>220,118</b>	<b>138,521</b>
<b>Held-to-maturity securities-Quoted</b>		
Turkish government bonds	47,882	39,209
<b>Total held-to-maturity securities</b>	<b>47,882</b>	<b>39,209</b>
<b>Total investment securities</b>	<b>268,000</b>	<b>177,730</b>

In line with the accounting policy of the Bank all unquoted available for sale equities are recorded at fair value except for the Bank's investment of TRY 79 which is recorded at cost since its fair value cannot be reliably estimated (December 31, 2009: TRY 79).

**Securities pledged under repurchase agreements:**

Carrying value of debt instruments given as collateral under repurchase agreements which are classified as loaned securities and related liabilities are:

	December 31, 2010	December 31, 2009
Financial assets at fair value through profit and loss	20	18
Available-for-sale securities	-	-
Held-to-maturity securities	-	-
<b>Carrying value of securities under repurchase agreements</b>	<b>20</b>	<b>18</b>
<b>Related liability</b>	<b>17</b>	<b>15</b>

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

Repurchase agreements mature within one month.

Available-for-sale securities given as collateral for İstanbul Stock Exchange and Foreign Exchange Markets are TRY 12,515 and TRY 10,559, respectively (December 31, 2009: TRY 4,264 İstanbul Stock Exchange Market)

Held-to-maturity investments with carrying values of TRY 6,621, TRY 3,092 and TRY 15,977 are provided as collateral for İstanbul Stock Exchange, Foreign Exchange Market and Interbank Money Market; respectively (December 31, 2009: TRY 17,143, TRY 7,459, TRY 14,607).

TRY 142,938 (December 31, 2009: TRY 66,069) of debt securities included in the financial assets at fair value through profit or loss and investment securities have floating interest rates, whereas the rest of the debt securities have fixed interest rates.

The interest rates for floating TL investment securities are between 2% and 5%. The interest rates for fixed rate TL and foreign currency investment securities are between 5.25% and 7% and between 2.81% and 5.94%, respectively.

#### 6. LOANS AND ADVANCES

	December 31, 2010			December 31, 2009		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign Currency		Turkish Lira	Foreign Currency
Corporate loans	632,080	4.56%-63%	2.21%-13%	500,570	4.0%-63%	3.97%-13%
Small business loans	335,411	5.25%-63%	2.44%-10.80%	212,156	3.1%-63%	3.86%-13%
Consumer loans	12,741	1.92%-63%	-	3,508	7.2%-63%	-
<b>Total performing loans</b>	<b>980,232</b>			<b>716,234</b>		
Non-performing loans	40,136			33,778		
Less: Specific reserve for impairment	(12,503)			(25,526)		
Less: Portfolio reserve for impairment	(12,082)			(7,208)		
<b>Total</b>	<b>995,783</b>			<b>717,278</b>		

The above distribution has been made based on the business lines.

	December 31, 2010	December 31, 2009
Corporate, commercial and small business loans	962,974	707,723
-Export loans	226,896	200,314
-Loans given to financial sector	8,496	5,421
-Foreign loans	88	79
-Discount notes	232	-
-Other	727,262	501,909
Consumer loans	17,200	8,364
Credit cards	58	147
<b>Performing loans</b>	<b>980,232</b>	<b>716,234</b>
Non-performing loans	40,136	33,778
<b>Total loans and advances to customers</b>	<b>1,020,368</b>	<b>750,012</b>
Provision for impairment	(24,585)	(32,734)
-Specific allowance for impairment	(12,503)	(25,526)
-Collective allowance for impairment	(12,082)	(7,208)
<b>Net loans and advances to customers</b>	<b>995,783</b>	<b>717,278</b>

The above distribution has been made based on the account codes.

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

Non-performing loans represent impaired loans and receivables on which interest is not being accrued and loans overdue generally for more than 90 days for which interest is suspended.

<b>December 31, 2010</b>	<b>Corporate</b>	<b>Small Business</b>	<b>Consumer</b>	<b>Total</b>
Neither past due nor impaired	620,415	318,549	12,332	951,296
Past due not impaired	11,665	16,862	409	28,936
Individually impaired	31,237	8,681	218	40,136
<b>Total Gross</b>	<b>663,317</b>	<b>344,092</b>	<b>12,959</b>	<b>1,020,368</b>
Less: allowance for individually impaired loans	(9,621)	(2,664)	(218)	(12,503)
Less: allowance for collectively impaired loans	(7,838)	(4,097)	(147)	(12,082)
<b>Total Allowance for impairment</b>	<b>(17,459)</b>	<b>(6,761)</b>	<b>(365)</b>	<b>(24,585)</b>
<b>Total net</b>				<b>995,783</b>

<b>December 31, 2009</b>	<b>Corporate</b>	<b>Small Business</b>	<b>Consumer</b>	<b>Total</b>
Neither past due nor impaired	478,398	199,646	3,210	681,254
Past due not impaired	22,172	12,510	298	34,980
Individually impaired	24,468	8,296	1,014	33,778
<b>Total Gross</b>	<b>525,038</b>	<b>220,452</b>	<b>4,522</b>	<b>750,012</b>
Less: allowance for individually impaired loans	(18,738)	(5,939)	(849)	(25,526)
Less: allowance for collectively impaired loans	(5,038)	(2,135)	(35)	(7,208)
<b>Total Allowance for impairment</b>	<b>(23,776)</b>	<b>(8,074)</b>	<b>(884)</b>	<b>(32,734)</b>
<b>Total net</b>	<b>501,262</b>	<b>212,378</b>	<b>3,638</b>	<b>717,278</b>

The above distribution has been made based on the business lines.

A reconciliation of the allowance for individually impaired loans is as follows;

<b>December 31, 2010</b>	<b>Total</b>	<b>December 31, 2009</b>	<b>Total</b>
At January 1, 2010	25,526	At January 1, 2009	13,468
Charge for the year	6,980	Charge for the year	13,371
Sales of non-performing loans (NPL)(*)	(16,480)	Recoveries	(941)
Recoveries	(4,620)	Amounts written off	(372)
Amounts written off	(10)		
Reclassification from other liabilities and provisions, net of recoveries	1,107		
<b>At December 31, 2010</b>	<b>12,503</b>	<b>At December 31, 2009</b>	<b>25,526</b>

(\*) According to the Board of Directors decision numbered 488 and dated October 21, 2010, non-performing loans with a principal amount of TRY 16,667 and loans that were previously written-off amounting to TRY 1,092 are sold for an amount of TRY 1,675. TRY 16,480 of provision related to such sold has been reversed.

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

Movements in the allowance for impaired loans:

	December 31, 2010	December 31, 2009
At January 1	32,734	16,942
Reclassification from other liabilities and provisions, net of recoveries	1,368	-
Provision for impairment	11,593	17,105
Recoveries	(4,620)	(941)
Provision net recoveries	6,973	16,164
Loans sold and written off during the year	(16,490)	(372)
<b>At December 31</b>	<b>24,585</b>	<b>32,734</b>

The fair value of collaterals that the Bank holds relating to loans individually determined to be impaired as of December 31, 2010 is TRY 41,617 (December 31, 2009: TRY 13,819).

TRY 1,761 of properties are transferred to the ownership of the Bank during 2010 and in the same period TRY 571 of such amount has been sold. There are no other credit enhancements obtained during the period (December 31, 2009: None).

Aging analysis of past due but not impaired loans per class of financial statements:

December 31, 2010	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate lending	7,666	2,448	1,551	-	11,665
Small business lending	16,282	409	171	-	16,862
Consumer lending	216	193	-	-	409
<b>Total</b>	<b>24,164</b>	<b>3,050</b>	<b>1,722</b>	<b>-</b>	<b>28,936</b>

December 31, 2009	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
Corporate lending	21,686	486	-	-	22,172
Small business lending	12,299	201	10	-	12,510
Consumer lending	267	9	22	-	298
<b>Total</b>	<b>34,252</b>	<b>696</b>	<b>32</b>	<b>-</b>	<b>34,980</b>

The fair value of collaterals that the Bank held as of December 31, 2010 is TRY 53,252 (December 31, 2009: TRY 71,399) for the total aggregate amount of gross past due but not yet impaired loans and advances to customers.

Loans and advances amounting to TRY 646,415 are revolving loans that have maturity up to one month and have floating interest rates (December 31, 2009: TRY 477,990) and the remaining have fixed interest rates.

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**7. PREMISES AND EQUIPMENT**

	Machinery and Equipment	Furniture and Fixture	Vehicles	Leasehold Improvements	Others	Total
<b>Acquisition Cost</b>						
At January 1, 2009	3,342	1,732	-	13,670	12,505	31,249
Additions	153	102	-	778	266	1,299
Disposals	(2)	(59)	-	(4,848)	(101)	(5,010)
At December 31, 2009	3,493	1,775	-	9,600	12,670	27,538
<b>Accumulated Depreciation</b>						
At January 1, 2009	1,942	499	-	5,380	6,661	14,482
Charge for the year	479	297	-	1,893	1,085	3,754
Disposals	(1)	(51)	-	(3,910)	(103)	(4,065)
Write-off	-	-	-	24	-	24
At December 31, 2009	2,420	745	-	3,387	7,643	14,195
<b>At December 31, 2009</b>	<b>1,073</b>	<b>1,030</b>	<b>-</b>	<b>6,213</b>	<b>5,027</b>	<b>13,343</b>
<b>Acquisition Cost</b>						
At January 1, 2010	3,493	1,775	-	9,600	12,670	27,538
Additions	588	365	-	2,309	2,819	6,081
Disposals	(18)	(50)	-	(267)	(1,421)	(1,756)
At December 31, 2010	4,063	2,090	-	11,642	14,068	31,863
<b>Accumulated Depreciation</b>						
At January 1, 2010	2,420	745	-	3,387	7,643	14,195
Charge for the year	464	331	-	2,083	1,125	4,003
Disposals	(18)	(49)	-	(253)	(96)	(416)
Write-off	-	-	-	-	-	-
At December 31, 2010	2,866	1,027	-	5,217	8,672	17,782
<b>At December 31, 2010</b>	<b>1,197</b>	<b>1,063</b>	<b>-</b>	<b>6,425</b>	<b>5,396</b>	<b>14,081</b>

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**8. INTANGIBLE ASSETS**

	Software	Total
<b>Acquisition Cost</b>		
At January 1, 2009	7,361	7,361
Additions	332	332
At December 31, 2009	7,693	7,693
<b>Accumulated Amortization</b>		
At January 1, 2009	4,808	4,808
Charge for the year	1,183	1,183
At December 31, 2009	5,991	5,991
<b>At December 31, 2009</b>	<b>1,702</b>	<b>1,702</b>
<b>Acquisition Cost</b>		
At January 1, 2010	7,693	7,693
Additions	392	392
At December 31, 2010	8,085	8,085
<b>Accumulated Amortization</b>		
At January 1, 2010	5,991	5,991
Charge for the year	1,230	1,230
At December 31, 2010	7,221	7,221
<b>At December 31, 2010</b>	<b>864</b>	<b>864</b>

**9. OTHER ASSETS**

	December 31, 2010	December 31, 2009
Prepaid expenses	1,432	1,466
Advances	200	357
Settlements account	9,816	6,302
Other	3,300	2,890
<b>Total</b>	<b>14,748</b>	<b>11,015</b>

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**10. DEPOSITS**

Deposits from banks	December 31, 2010			December 31, 2009		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign Currency		TurkishLira	Foreign Currency
Demand	5,749	-	-	1,044	-	-
<b>Total</b>	<b>5,749</b>			<b>1,044</b>		
Customers' deposits	December 31, 2010			December 31, 2009		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign Currency		TurkishLira	Foreign Currency
<b>Saving</b>						
Demand	61,088	-	-	43,610	-	-
Time	827,709	5.00%-9.5%	0.75%-3.9%	677,342	5.00%-13.1%	1.00%-5.50%
	888,797			720,952		
<b>Commercial and other</b>						
Demand	49,991	-	-	38,250	-	-
Time	198,544	5.00%-9.5%	0.75%-3.9%	81,704	3.00%-10.06%	1%-3.65%
	248,535			119,954		
<b>Total</b>	<b>1,137,332</b>			<b>840,906</b>		

All deposits have fixed interest for the years ended December 31, 2010 and 2009.

**11. FUNDS BORROWED**

	December 31, 2010	December 31, 2009
Borrowings	92,264	48,878
<b>Total</b>	<b>92,264</b>	<b>48,878</b>
	December 31, 2010	
	Amount	Effective interest rate
		Turkish Lira Foreign Currency
<b>Short-term</b>		
Fixed interest	74,953	7%-9% 2%-6%
Floating interest	-	- -
<b>Medium/long-term</b>		
Fixed interest	17,311	- 4%
Floating interest	-	- -
<b>Total</b>	<b>92,264</b>	

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

	Amount	December 31, 2009	
		Effective interest rate	
		Turkish Lira	Foreign Currency
<b>Short-term</b>			
Fixed interest	48,878	7%-15%	2%-5%
Floating interest	-	-	-
<b>Medium/long-term</b>	-	-	-
Fixed interest	-	-	-
Floating interest	-	-	-
<b>Total</b>	<b>48,878</b>		

**12. OTHER LIABILITIES AND PROVISIONS**

	December 31, 2010	December 31, 2009
<b>Other liabilities</b>		
Taxes and dues payable	3,546	2,956
Cheques clearance account	21,231	12,204
Payables to government funds	59	206
Blocked money	6,486	2,654
Obligations under finance leases	10	917
Unused vacation liability	1,476	954
Blocked cheques and notes	2,612	1,104
Other	2,658	1,587
<b>Total</b>	<b>38,078</b>	<b>22,582</b>
<b>Provisions</b>		
Employee termination benefits	2,173	1,400
Provision on lawsuits	641	998
Provision for non-cash loans	768	249
Provision for bonus payments (*)	42	2,200
Specific provisions provided for unindemnified non-cash loans	2,082	1,169
Other	851	3,510
<b>Total</b>	<b>6,557</b>	<b>9,526</b>
<b>Total</b>	<b>44,635</b>	<b>32,108</b>

(\*) The Bank has not provided any bonus provision as of December 31, 2010 since there has been no decision taken related to bonus payment for the 2010 performance. 42 TRY represents the unpaid portion of the bonus provision of 2009.

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

	Specific provisions provided for unindemnified non cash loans	Provision for non-cash loans	Other Provisions
<b>December 31, 2009</b>	<b>1,169</b>	<b>249</b>	<b>6,708</b>
Charge for the year	1,142	529	15
Recoveries	(229)	(10)	-
Payments during the year	-	-	(2,532)
Release from provision	-	-	(1,839)
Reclassification of provision of loans to allowance for non-performing loans (Note 6)	-	-	(1,368)
Reclassification of free provision of loans to other assets	-	-	(301)
Settlement date provision	-	-	851
<b>December 31, 2010</b>	<b>2,082</b>	<b>768</b>	<b>1,534</b>

**Employee Termination Benefits**

In accordance with existing social legislation, the Bank is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TRY 2.517-full, and TRY 2.365-full at December 31, 2010 and 2009, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2010, the Bank reflected a liability calculated using the Projected Unit Credit 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 at the balance sheet date. The annual ceiling has been increased to TRY 2.623(full) effective January 1, 2011.

Benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

The principal actuarial assumptions used in the calculation of the total liability at the reporting dates are as follows:

	December 31, 2010	December 31, 2009
Discount rate for pension plan liabilities	10.0%	11.0%
Inflation	5.1%	4.8%

Movements in the defined benefit obligations in the current period were as follows:

	December 31, 2010	December 31, 2009
Opening	1,400	962
Current service cost	355	303
Interest cost	142	105
Actuarial (gains)/losses	466	122
Benefits paid	(190)	(92)
<b>Closing balance at period end</b>	<b>2,173</b>	<b>1,400</b>

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### 13. INCOME TAXES

The Bank is subject to corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Bank's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rates of tax are as follows: 20% in 2010 and 2009.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was 20% for 2010 (2009: 20%).

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profits of the following years. However, losses incurred cannot be deducted from the profits incurred in the prior years retrospectively. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between the 1st to 25th of the fourth month following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

#### Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax was 10% starting from April 24, 2003. This rate was changed to 15% with the Decree of the Council of Ministers of the Republic (Decree No. 2006/10731) commencing from July 23, 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

In the accompanying financial statements corporate tax and deferred tax asset/liability are comprised of the following:

Statement of Financial Position:

	December 31, 2010	December 31, 2009
Corporate taxes and funds (*)	557	(1,952)
Deferred tax (asset)/liability (net)	(2,278)	(3,226)

(\*) The prepaid tax is higher than the corporate tax liability and they are net off in other assets in the statement of financial position of December 31, 2009.

Income Statement:

	December 31, 2010	December 31, 2009
Current income tax from continuing operations	(972)	(3,240)
Deferred tax benefit/(charge) from continuing operations	(570)	2,535
	(1,542)	(705)
	December 31, 2010	December 31, 2009
Current period tax payable	972	3,240
Prepaid tax	(415)	(5,192)
<b>Total</b>	<b>557</b>	<b>(1,952)</b>

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

Temporary differences and corresponding deferred taxes are as follows:

	December 31, 2010 Temporary Differences	December 31, 2010 Deferred Tax (Asset)/Liability
Useful life difference on premises and equipment and intangible assets	2,008	402
Retirement pay and unused vacation provision	(3,649)	(730)
Loan impairment provision	(7,490)	(1,498)
Provisions	(1,702)	(341)
Other	(554)	(111)
<b>Total</b>	<b>(11,387)</b>	<b>(2,278)</b>

	December 31, 2009 Temporary Differences	December 31, 2009 Deferred Tax (Asset)/Liability
Useful life difference on premises and equipment and intangible assets	(486)	(97)
Retirement pay and unused vacation provision	(2,354)	(471)
Loan impairment provision	(5,202)	(1,040)
Provision for bonus payments	(2,200)	(440)
Other	(5,888)	(1,178)
<b>Total</b>	<b>(16,130)</b>	<b>(3,226)</b>

Movement of deferred tax (asset)/liability:

	December 31, 2010	December 31, 2009
Opening balance at 1 January	(3,226)	(2,098)
Current year charge/(benefit)	570	(2,535)
Subtotal	(2,656)	(4,633)
Deferred tax under equity	378	1,407
<b>Closing balance at period end</b>	<b>(2,278)</b>	<b>(3,226)</b>

Income tax can be reconciled to the profit per income statement as follows:

	December 31, 2010	December 31, 2009
Profit before income tax	5,352	4,193
Tax at the domestic income tax rate of 20% (2009: 20%)	(1,070)	(839)
Tax effect of non-deductable expenses, income that is deductible in determining taxable income and other adjustments, net	(472)	134
<b>Tax charge per income statement</b>	<b>(1,542)</b>	<b>(705)</b>

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### 14. DERIVATIVES

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. The table below shows the fair values of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	December 31, 2010			December 31, 2009		
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent (*)	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent (*)
<b>Derivatives held-for-trading</b>						
Currency swap contracts	-	-	-	39	-	13,949
Forwards	12	-	721	-	-	-
<b>Total</b>	<b>12</b>	<b>-</b>	<b>721</b>	<b>39</b>	<b>-</b>	<b>13,949</b>

(\*) Represents the total of buy and sell notional amounts of foreign currency swap and forward transactions.

Forward foreign exchange and swap transactions are for protection from currency fluctuations. According to IAS 39, they do not qualify as hedging instruments but trading and are remeasured at fair value.

#### Fair value hedges

As of December 31, 2010, the Bank has no fair value hedges (December 31, 2009: None).

#### Cash flow hedges

As of December 31, 2010, the Bank has no cash flow hedges (December 31, 2009: None).

#### Hedge of net investment in foreign operations

As of December 31, 2010, the Bank has no hedge of net investment in foreign operations (December 31, 2009: None).

#### 15. SHARE CAPITAL

	December 31, 2010	December 31, 2009
Total number of shares, TRY 0.1 par value	1,700 Million	1,700 Million
<b>Total number of shares</b>	<b>1,700 Million</b>	<b>1,700 Million</b>

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

As of December 31, 2010 and 2009, the composition of shareholders and their respective % of ownership are summarized as follows:

December 31, 2010		
	Amount	%
Arab Bank PLC	85,000	50%
Bankmed, SAL	85,000	50%
Restatement effect	148,164	
<b>Total</b>	<b>318,164</b>	
December 31, 2009		
	Amount	%
Arap Bank PLC	85,000	50%
Bankmed, SAL	69,700	41%
Mehmet Nazif Günel	15,300	9%
Restatement effect	148,164	
<b>Total</b>	<b>318,164</b>	

**16. RESERVES, RETAINED EARNINGS AND DIVIDENDS PAID AND PROPOSED**

Movement in legal reserves and retained earnings are as follows:

	Other Reserves	Legal Reserves	Extraordinary Reserves	Retained Earnings	Total
<b>At January 1, 2009</b>	<b>(5,207)</b>	<b>624</b>	<b>9,790</b>	<b>(115,422)</b>	<b>(110,215)</b>
Transfer to reserves	(579)	42	579	(42)	-
Net profit for the year	-	-	-	3,488	3,488
<b>At December 31, 2009</b>	<b>(5,786)</b>	<b>666</b>	<b>10,369</b>	<b>(111,976)</b>	<b>(106,727)</b>
Transfer to reserves	2,520	-	(166)	(2,354)	-
Net profit for the year	-	-	-	3,810	3,810
<b>At December 31, 2010</b>	<b>(3,266)</b>	<b>666</b>	<b>10,203</b>	<b>(110,520)</b>	<b>(102,917)</b>

**Legal Reserves**

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

**Dividends Paid and Proposed**

The Bank did not propose dividends subsequent to the reporting date. Profit appropriation will be resolved in the General Assembly meeting which has not yet been conducted as of the date the accompanying financial statements are authorized for issue.

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### 17. RELATED PARTIES

A party is related to an entity if: the party controls, is controlled by, or is under common control with, the entity (this includes parents, directly and indirectly owned subsidiaries; has an interest in the entity that gives it significant influence over the entity or has joint control over the entity. Related parties also include individuals that are principal owners, management and members of the Bank's Board of Directors and their families and also post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

#### Transactions with key management personnel:

Key management personnel comprise of the Bank's directors and key management executive officers.

In addition to their salaries, the Bank also provides non-cash benefits to directors.

The executive and non-executive members of Board of Directors and management received remuneration and fees are:

	December 31, 2010						December 31, 2009	
Salaries and short-term benefits	4,641						3,896	
December 31, 2010	Cash loans	Non-cash loans	Customers' deposits	Deposit with banks	Deposit from banks	Borrowings	Interest and commission income	Interest and commission expense
Direct and indirect shareholders of the Bank	-	1,024	-	10	93	30,651	62	502
Other entities included in the risk group	-	7,254	10,785	42	56	151	105	549
<b>TOTAL</b>	<b>-</b>	<b>8,278</b>	<b>10,785</b>	<b>52</b>	<b>149</b>	<b>30,802</b>	<b>167</b>	<b>1,051</b>
December 31, 2009	Cash loans	Non-cash loans	Customers' deposits	Deposits with banks	Deposits from banks	Borrowings	Interest and commission income	Interest and commission expense
Direct and indirect shareholders of the bank	-	-	-	9	107	5,661	117	384
Other entities included in the risk group	-	38,799	556	28	68	9,394	56	1,741
<b>TOTAL</b>	<b>-</b>	<b>38,799</b>	<b>556</b>	<b>37</b>	<b>175</b>	<b>15,055</b>	<b>173</b>	<b>2,125</b>

#### 18. INTEREST INCOME

	December 31, 2010	December 31, 2009
Loans and receivables	91,577	98,782
Securities	20,810	20,314
Deposits with banks and other financial institutions	179	399
Other interest income	2,351	5,834
<b>Total</b>	<b>114,917</b>	<b>125,329</b>

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**19. INTEREST EXPENSES**

	December 31, 2010	December 31, 2009
Customer deposits	(56,493)	(51,761)
Funds borrowed and deposits from other banks	(2,845)	(8,716)
Other interest expenses	(3,049)	(467)
<b>Total</b>	<b>(62,387)</b>	<b>(60,944)</b>

**20. OTHER INCOME**

	December 31, 2010	December 31, 2009
Gain on non-performing loan sales	1,488	-
Other, including release from provisions	2,826	562
<b>Total</b>	<b>4,314</b>	<b>562</b>

**21. FEES AND COMMISSIONS**

	December 31, 2010	December 31, 2009
<b>Fees and commission income</b>		
Fees and commissions from non-cash loans	9,543	7,434
Other	7,748	6,052
<b>Fees and commission expense</b>		
Fees and commission expense on non-cash loans	(43)	(43)
Fees and commission expense on banks	(332)	(328)
Other	(444)	(386)
<b>Net Fees and Commissions</b>	<b>16,472</b>	<b>12,729</b>

**22. TRADING INCOME**

	December 31, 2010	December 31, 2009
<b>Income</b>		
Gains on capital market operations	8,871	9,187
Gains on derivative financial instruments	6,858	869
<b>Losses (-)</b>		
Losses on capital market operations	(18)	(9)
Losses on derivative financial instruments	(17,620)	(3,879)
<b>Total</b>	<b>(1,909)</b>	<b>6,168</b>

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### 23. OPERATING EXPENSES

	December 31, 2010	December 31, 2009
Staff costs	(37,624)	(33,528)
Defined benefit obligation	(963)	(530)
Unused vacation payments	(522)	(385)
Depreciation and amortization	(5,233)	(4,937)
Rent expenses	(7,060)	(6,624)
Vehicle expenses	(2,905)	(2,789)
Communication expenses	(1,828)	(1,852)
Cleaning expenses	(1,188)	(934)
Provision expense for bonus payments	-	(2,200)
Heating lightening expenses	(915)	(798)
Stationery expenses	(500)	(370)
Others	(9,268)	(9,076)
<b>Total</b>	<b>(68,006)</b>	<b>(64,023)</b>

#### Staff Costs

	December 31, 2010	December 31, 2009
Wages and salaries	(34,286)	(28,922)
Other	(3,338)	(4,606)
<b>Total</b>	<b>(37,624)</b>	<b>(33,528)</b>

#### 24. COMMITMENTS AND CONTINGENCIES

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

	December 31, 2010	December 31, 2009
Letters of guarantee issued	760,213	604,479
Letters of credit	107,318	72,819
Acceptance credits	17,310	9,525
Other	91,060	22,682
<b>Total non-cash loans</b>	<b>975,901</b>	<b>709,505</b>
Other commitments	190,800	79,931
Credit card limit commitments	1,572	1,708
<b>Total</b>	<b>1,168,273</b>	<b>791,144</b>

As of December 31, 2010, forward marketable security purchase and sale commitments (included in other commitments) amount to TRY 107, 009 (December 31, 2009: TRY 44,557).

#### Letters of Guarantee Given to Istanbul Stock Exchange (ISE)

As of December 31, 2010, according to general requirements of the ISE, letters of guarantee amounting to USD 1 million (December 31, 2009: 1 million) had been obtained from various local banks and were provided to ISE for bond and stock market transactions.

#### Litigation

In the normal course of its operations, the Bank can be constantly faced with legal disputes, claims and complaints. Total amount of the cases faced is TRY 351, EUR 299 Thousand and USD 627 Thousand (December 31, 2009: TRY 253, EUR193 Thousand and USD 627 Thousand). The provision of TRY 641 for those cases was provided based on management estimates and professional advice (December 31, 2009: TRY 998).

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### 25. FINANCIAL RISK MANAGEMENT

##### Organization of the Risk Management Function

The Bank's activities involve some degree of risk or combination of risks. Therefore, procedures and operations throughout the Bank are designed towards contributing to effective addressing of this matter reflecting the disciplined and prudent risk management culture of the Bank. The Bank Risk Management function supervises the risk management process of the Bank.

The mission of Bank Risk Management function is to ensure together with executive management that risks taken by the Bank align with its policies and are compatible with its profitability and credit-rating objectives.

The risk management process consists of the stages of defining and measuring the risks; establishing the risk policies and procedures and their implementation; and the analysis, review, reporting, research, recognition and assessment of risks within the framework of the basis set by the Board of Directors and the Audit Committee.

Limits for Credit Risk, Market Risk, Economic Capital, VAR and stop-loss limits for treasury positions are set by the Board of Directors. Economic capital calculations cover all types of risk classes; credit, market and operational risk. All limits are calculated and monitored by Risk Management Group and reported to senior management and Audit Committee.

##### 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 it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. As of December 31, 2010 amount subject to Operational Risk is TRY 116,047 by using the year end gross revenue of prior 3 years 2007, 2008 and 2009. (December 31, 2009: TRY 85,990)

##### Credit Risk

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and causes to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

Risks and limits related to treasury activities and customer based commercial activities are monitored daily. Moreover, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

The credit worthiness of the debtors of the loans and other receivables is monitored regularly as prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Most of the statements of account for the borrowers are tried to be derived from audited financial statements. The unaudited documents mainly result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statements of account, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries whose investment level is rated by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not considered to be material when the financial structure of the Bank is concerned.

As of December 31, 2010, the receivables of the Bank from its top 100 cash loan customers amount to TRY 500,765 Thousand (December 31, 2009: TRY 420,858 Thousand) with a share of 49.08% in the total cash loans (December 31, 2009: 56.11%).

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

As of December 31, 2010, the receivables of the Bank from its top 100 non-cash loan customers amount to TRY 572,590 Thousand (December 31, 2009: TRY 489,774 Thousand) with a share of 53.95% in the total non-cash loans (December 31, 2009: 65.60%).

The share of cash and non-cash receivables of the Bank from its top 100 customers in total statement of financial position and non-cash risk is 32.27 % as of December 31, 2010 (December 31, 2009: 38.75%).

#### Derivatives:

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

#### Credit-related commitments:

Credit-related commitments include commitments to extend credit, letters of credit, guarantees and acceptances, other irrevocable commitments which are designed to meet the requirements of the Bank's customers.

Letters of credit, guarantees and acceptances commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The Bank monitors the maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The Bank sets out the following practices so as to minimize risk in credit-related commitments like in cash credits by

- (i) establishing an appropriate credit risk environment;
- (ii) operating under a sound credit-granting process;
- (iii) maintaining an appropriate credit administration, measurement and monitoring process; and ensuring adequate controls over credit risk.

An industry sector analysis of the Bank's financial assets, before taking into account collateral held or other credit enhancements is as follows;

	December 31, 2010	December 31, 2009
Agricultural	31,146	17,959
Farming and Raising Livestock	26,303	16,163
Forestry, Wood and Paper	4,575	1,786
Fishery	268	10
Manufacturing	927,884	631,876
Mining and Quarry	190,797	129,360
Production	731,957	501,879
Electricity, Gas and Water	5,130	637
Construction	449,345	312,483
Services	1,027,462	826,841
Wholesale and Retail Trade	235,345	174,893
Hotel, Tourism, Food and Beverage Services	70,651	70,227
Transportation and Communication	57,745	101,841
Financial Institutions and Government	556,117	427,387
Real Estate and Renting Services	37,162	16,336
Self-Employment Services	38,818	23,456
Education Services	201	88
Health and Social Services	31,423	12,613
Other	90,602	42,755
<b>Total</b>	<b>2,526,439</b>	<b>1,831,914</b>

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position;

<b>Gross maximum exposure</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Due from banks	79,936	67,245
Money market placements and funds lent under resale agreements	14,003	77,514
Financial assets at fair value through profit and loss	432	964
Derivative financial instruments	12	39
Loans and receivables	995,783	717,278
Securities available-for-sale	220,118	138,521
Securities held-to-maturity	47,882	39,209
<b>Total</b>	<b>1,358,166</b>	<b>1,040,770</b>
Contingent liabilities	975,901	709,505
Commitments	192,372	81,639
<b>Total</b>	<b>1,168,273</b>	<b>791,144</b>
<b>Total credit risk exposure</b>	<b>2,526,439</b>	<b>1,831,914</b>

Credit quality per class of financial assets as of December 31, 2010 and 2009 are as follows;

<b>December 31, 2010</b>	<b>Neither past due nor impaired</b>	<b>Past due or individually impaired</b>	<b>Total</b>
Due from banks	79,936	-	79,936
Financial assets designated at fair value through profit or loss	444	-	444
Loans and receivables			
<i>Corporate lending</i>	612,713	33,146	645,859
<i>Small business lending</i>	314,647	22,683	337,330
<i>Consumer lending</i>	12,190	404	12,594
<b>Total loans and receivables</b>	<b>939,550</b>	<b>56,233</b>	<b>995,783</b>
Financial investments			
<i>Quoted-Government debt securities</i>	267,921	-	267,921
<i>Quoted-Other debt securities</i>	-	-	-
<i>Unquoted-Debt securities</i>	-	-	-
<b>Total financial investments</b>	<b>267,921</b>	<b>-</b>	<b>267,921</b>
<b>Grand Total</b>	<b>1,287,851</b>	<b>56,233</b>	<b>1,344,084</b>

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

December 31, 2009	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	67,245	-	67,245
Financial assets designated at fair value through profit or loss	1,003	-	1,003
Loans and receivables			
<i>Corporate lending</i>	473,583	27,679	501,262
<i>Small business lending</i>	197,637	14,741	212,378
<i>Consumer lending</i>	3,178	460	3,638
Total loans and receivables	674,398	42,880	717,278
Financial investments			
<i>Quoted-Government debt securities</i>	177,651	-	177,651
<i>Quoted-Other debt securities</i>	-	-	-
<i>Unquoted-Debt securities</i>	-	-	-
Total financial investments	177,651	-	177,651
<b>Grand Total</b>	<b>920, 297</b>	<b>42,880</b>	<b>963,177</b>

#### Performing Loans:

	Internal/External Grades	Share of exposure %	December 31, 2010	Share of exposure %	December 31, 2009
High Grade					
<i>Risk rating class 1</i>	A+ Excellent	1.79%	17,510	0.37%	2,633
<i>Risk rating class 2</i>	A-Excellent	5.05%	49,530	4.54%	32,495
<i>Risk rating class 3</i>	B+ Very Good	13.53%	132,610	9.88%	70,791
<i>Risk rating class 4</i>	B-Very Good	14.94%	146,494	18.20%	130,348
Standard Grade					
<i>Risk rating class 5</i>	C+ Good	19.20%	188,234	13.66%	97,845
<i>Risk rating class 6</i>	C-Good	23.49%	230,261	20.52%	146,943
Sub Standard Grade					
<i>Risk rating class 7</i>	D+ Ordinary	10.15%	99,479	18.38%	131,639
<i>Risk rating class 8</i>	D-Ordinary	9.82%	96,254	8.06%	57,694
<i>Risk rating class 9</i>	E Poor	0.59%	5,777	5.37%	38,466
<i>Risk rating class 10</i>	F Very Poor	0.02%	241	0.15%	1,095
Unrated		1.42%	13,842	0.87%	6,285
<b>Total</b>		<b>100.00%</b>	<b>980,232</b>	<b>100.00%</b>	<b>716,234</b>

The Bank uses 3 main factors for internal credit rating system. These are financial data, non-financial data and specialist decisions. Financial data consist of liquidity, financial structure, profitability, growth ratios and turnover rate. Non financial data consist of loan client business, relation with finance sector and sector analysis. The Bank measures the credit rating of companies by making comparisons regarding the financial data and non financial-data.

In the existing rating system, the collateral assigned to loans are not taken into account in the rating. The information about customers with F, E and D-rating is shown below.

#### "F" rating;

Number of clients with F rating is 3 with outstanding TRY 241 (December 31, 2009: TRY 1,095; 6 client).

One of these clients with is granted against mortgage with outstanding risk of TRY 81 and covers 33% of total "F" Rating Risk (December 31,2009: 4 client; 84%).

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### "E" rating;

Number of clients with E rating is 17 and total outstanding is TRY 5,777 (December 31, 2009: TRY 38,466; 30 client).

5 of these clients are granted against mortgage with outstanding risk of TRY 3,640 and covers 63% of total "E" Rating Risk. (December 31, 2009: TRY 27,660; 12 client; 72%).

5 of these clients are granted against customer check/note with outstanding risk of TRY 914 and covers 16% of total "E" Rating Risk (December 31, 2009: TRY 1,925; 4 client; 5%).

#### "D-" rating;

Number of clients with D-rating is 89 and total outstanding is TRY 96,254 (December 31, 2009: TRY 57,694; 97 client).

36 of these clients are granted against mortgage with outstanding risk of TRY 51,643 and covers 54% of "D-" Rating risk. (December 31, 2009: TRY 36,760; 30 client; 64%).

21 of these clients are granted against customer check/note with outstanding risk of TRY 15,435 and covers 16% of "D-" Rating risk (December 31, 2009: TRY 6,485; 20 client; 11%).

Parent companies of 5 clients that have TRY 6, 143 risk have "C-" and better ratings. (6%).

Carrying amount per class of financial assets whose terms have been renegotiated

	December 31, 2010	December 31, 2009
Loans and receivables	1,323	1,330
<i>Corporate lending</i>	1,323	1,330
<i>Small business lending</i>	-	-
<i>Consumer lending</i>	-	-
<i>Other</i>	-	-
<b>Total</b>	<b>1,323</b>	<b>1,330</b>

#### Impairment assessment

For accounting purposes, the Bank uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

#### Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

#### Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances and for held-to-maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Allowances are evaluated separately at each reporting date.

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### Liquidity Risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TRY and foreign currency assets and liabilities on the statement of financial position and their costs. In this sense, various crisis scenarios which are prepared by risk management group are presented to management and audit committee.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing to generate additional sources.

Analysis of financial liabilities by remaining contractual maturities;

	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Adjustments (*)	Total
<b>As of December 31, 2010</b>							
Customers' deposits	888,877	246,552	5,762	-	-	(3,859)	1,137,332
Deposits from banks	5,749	-	-	-	-	-	5,749
Obligations under repurchase agreements	17	-	-	-	-	-	17
Funds borrowed	7,931	24,105	45,967	16,836	-	(2,575)	92,264
<b>Total</b>	<b>902,574</b>	<b>270,657</b>	<b>51,729</b>	<b>16,836</b>		<b>(6,434)</b>	<b>1,235,362</b>
<b>As of December 31, 2009</b>							
Customers' deposits	624,596	217,143	2,334	73	-	(3,240)	840,906
Deposits from banks	1,044	-	-	-	-	-	1,044
Obligations under repurchase agreements	15	-	-	-	-	-	15
Funds borrowed	18,396	5,777	25,609	-	-	(904)	48,878
<b>Total</b>	<b>644,051</b>	<b>222,920</b>	<b>27,943</b>	<b>73</b>	<b>-</b>	<b>(4,144)</b>	<b>890,843</b>

(\*) Interest to be paid until maturity.

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments;

	Up to 1 Month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
<b>As of December 31, 2010</b>						
Net settled:	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	-
Gross settled: (*)	362	-	-	-	-	362
Forward contracts	362	-	-	-	-	362
Currency swaps	-	-	-	-	-	-
<b>Total</b>	<b>362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>362</b>
<b>As of December 31, 2009</b>						
Net settled:	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	-
Gross settled: (*)	6,955	-	-	-	-	6,955
Forward contracts	-	-	-	-	-	-
Currency swaps	6,955	-	-	-	-	6,955
<b>Total</b>	<b>6,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,955</b>

(\*) Presents forward and swap foreign currency transactions-buy notional amounts.

As of December 31, 2010 there are TRY 38,845 forward marketable securities purchase commitments are due within one month. (December 31, 2009: TRY 1,405).

Net liquidity gap:

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates. Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

Presentation of assets and liabilities according to their remaining maturity:

	Demand	Up to 1 Month	1 to 3 months	3 months to 1 year	Over 1 year	Unallocated	Total
As at December 31, 2010							
Assets:							
Cash and cash equivalents	16,985	92,254	-	-	-	-	109,239
Balances with Central Bank(***)	44,750	34,166	13,698	3,961	1,535	-	98,110
Financial assets at fair value through profit or loss	-	106	44	185	97	-	432
Derivative financial instruments	-	12	-	-	-	-	12
Loans and receivables (*)(**)	-	707,905	46,424	109,168	104,653	27,633	995,783
Investment securities	-	2,964	12,006	34,586	218,365	79	268,000
Premises and equipment	-	-	-	-	-	14,081	14,081
Intangible assets	-	-	-	-	-	864	864
Deferred tax asset	-	-	-	-	-	2,278	2,278
Other assets	-	9,816	-	-	-	4,932	14,748
<b>Total Assets</b>	<b>61,735</b>	<b>847,223</b>	<b>72,172</b>	<b>147,900</b>	<b>324,650</b>	<b>49,867</b>	<b>1,503,547</b>
Liabilities:							
Customers' deposits	111,079	776,217	244,417	5,619	-	-	1,137,332
Deposits from banks	5,749	-	-	-	-	-	5,749
Obligations under repurchase agreements	-	17	-	-	-	-	17
Derivative financial instruments	-	-	-	-	-	-	-
Funds borrowed	-	7,888	23,894	44,742	15,740	-	92,264
Other liabilities and provisions	-	36,019	182	6	-	231,978	268,185
<b>Total Liabilities</b>	<b>116,828</b>	<b>820,141</b>	<b>268,493</b>	<b>50,367</b>	<b>15,740</b>	<b>231,978</b>	<b>1,503,547</b>
<b>Net liquidity gap</b>	<b>(55,093)</b>	<b>27,082</b>	<b>(196,321)</b>	<b>97,533</b>	<b>308,910</b>	<b>(182,111)</b>	<b>-</b>
As at December 31, 2009							
Total assets	39,437	727,803	39,128	98,277	209,378	26,602	1,140,625
Total liabilities	82,904	580,807	221,000	27,679	82	228,153	1,140,625
<b>Net liquidity gap</b>	<b>(43,467)</b>	<b>146,996</b>	<b>(181,872)</b>	<b>70,598</b>	<b>209,296</b>	<b>(201,551)</b>	<b>-</b>

(\*) Revolving loans are presented in up to 1 month column.

(\*\*) Collective allowances are proportionally distributed according to the maturity distribution of loans and receivables

(\*\*\*) Reserve requirement distribution is based on maturity distribution of liabilities on which the reserve is calculated.

## **Turkland Bank Anonim Şirketi**

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

### **For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### **Market Risk**

The Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" issued on Official Gazette dated November 1, 2006 numbered 26333.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to VAR calculated by using the standardized method (summarized below) is taken into consideration. Beside the standardized method, market risk (VAR) is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by two different methods which are historic simulation, parametric method, and these results are also reported daily to the management.

#### **VaR Analysis**

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers include the historical and variance covariance approaches.

While VaR captures the Bank's exposure under normal market conditions, sensitivity and scenario analysis, and in particular stress testing, is used to add insight to the possible outcomes under abnormal market conditions. The Bank assesses various stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, and consequently reflects the decline in liquidity that frequently accompanies market shocks.

VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management.

#### **Currency Risk**

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standardized method.

The Board of Directors sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Bank's positions are also monitored.

As an element of the Bank's risk management strategies, foreign currency liabilities are economically hedged against exchange rate risk by derivative instruments.

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

The carrying amount of the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	EURO	USD	Other FC	Total
<b>As of December 31, 2010</b>				
<b>Assets</b>				
Cash and cash equivalents	10,777	80,049	847	91,673
Balances with Central Bank	19,668	33,692	-	53,360
Loans and receivables (*)	183,115	195,788	-	378,903
Investment securities	-	38,915	-	38,915
Other assets	-	199	-	199
<b>Total assets</b>	<b>213,560</b>	<b>348,643</b>	<b>847</b>	<b>563,050</b>
<b>Liabilities:</b>				
Customers' deposits	141,008	336,755	346	478,109
Deposits from banks	1,660	3,923	31	5,614
Funds borrowed	69,333	7,462	-	76,795
Other liabilities and provisions	328	2,226	9	2,563
<b>Total Liabilities</b>	<b>212,329</b>	<b>350,366</b>	<b>386</b>	<b>563,081</b>
<b>Net position on statement of financial position</b>	<b>1,231</b>	<b>(1,723)</b>	<b>461</b>	<b>(31)</b>
<b>Net position off statement of financial position</b>	<b>(2,120)</b>	<b>1,651</b>	<b>-</b>	<b>(469)</b>
Derivative financial assets and forward marketable security and spot currency purchase agreements	6,051	46,975	-	53,026
Derivative financial liabilities and forward marketable security and spot currency sale agreements	(8,171)	(45,324)	-	(53,495)
<b>As of December 31, 2009</b>				
Total assets	167,826	226,141	1,913	395,880
Total liabilities	158,966	235,966	828	395,760
Net position on statement of financial position	8,860	(9,825)	1,085	120
Net position off statement of financial position	(7,704)	7,745	-	41
Derivative financial assets and forward marketable security purchase agreement	2,675	10,427	-	13,102
Derivative financial liabilities and forward marketable security sale agreement	(10,379)	(2,682)	-	(13,061)

(\*) Foreign currency indexed loans amounting to TRY 174,776 (December 31, 2009: TRY 103,735) are included in the loan portfolio.

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Foreign currency sensitivity**

The Bank holds EUR and USD currencies positions mainly.

The following table details the Bank's sensitivity to a 10% increase or decrease in the TRY against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. Positive/(negative) number indicates a change in profit or loss and other equity where USD and EUR increase/decrease 10% against TRY.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
USD	10	(7)	(208)	26	-
EUR	10	(89)	116	-	-

**Interest Rate Risk**

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

Risk Management Department performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reports to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank does not permit maturity mismatches or imposes limits on mismatch, a significant interest rate risk exposure is not expected.

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### Information related to the interest rate sensitivity of assets, and liabilities:

	Up to 1 Month	1 to 3 months	3 months to 1 year	Over 1 year	Non-interest bearing	Total
<b>As at December 31, 2010</b>						
Assets:						
Cash and cash equivalents	92,254	-	-	-	16,985	109,239
Balances with Central Bank	-	-	-	-	98,110	98,110
Financial assets at fair value through profit or loss	106	141	185	-	-	432
Derivative financial instruments	12	-	-	-	-	12
Loans and receivables (*)(**)	707,905	46,424	109,168	104,653	27,633	995,783
Investment securities	16,034	90,934	71,428	89,525	79	268,000
Premises and equipment	-	-	-	-	14,081	14,081
Intangible assets	-	-	-	-	864	864
Deferred tax asset	-	-	-	-	2,278	2,278
Other assets	-	-	-	-	14,748	14,748
<b>Total Assets</b>	<b>816,311</b>	<b>137,499</b>	<b>180,781</b>	<b>194,178</b>	<b>174,778</b>	<b>1,503,547</b>
Liabilities:						
Customers' deposits	776,217	244,417	5,619	-	111,079	1,137,332
Deposits from banks	-	-	-	-	5,749	5,749
Obligations under repurchase agreements	17	-	-	-	-	17
Derivative financial instruments	-	-	-	-	-	-
Funds borrowed	7,871	23,894	44,742	15,740	17	92,264
Other liabilities and provisions	1,084	182	6	-	266,913	268,185
<b>Total Liabilities</b>	<b>785,189</b>	<b>268,493</b>	<b>50,367</b>	<b>15,740</b>	<b>383,758</b>	<b>1,503,547</b>
<b>Total interest sensitivity gap</b>	<b>31,122</b>	<b>(130,994)</b>	<b>130,414</b>	<b>178,438</b>	<b>(208,980)</b>	<b>-</b>
<b>Total Assets December 31, 2009</b>	<b>730,098</b>	<b>81,572</b>	<b>107,048</b>	<b>144,853</b>	<b>77,054</b>	<b>1,140,625</b>
<b>Total Liabilities December 31, 2009</b>	<b>580,807</b>	<b>221,000</b>	<b>27,679</b>	<b>82</b>	<b>311,057</b>	<b>1,140,625</b>
<b>Total interest sensitivity gap</b>	<b>149,291</b>	<b>(139,428)</b>	<b>79,369</b>	<b>144,771</b>	<b>(234,003)</b>	<b>-</b>

(\*) Revolving loans are presented in up to 1 month column.

(\*\*) Collective allowances are proportionally distributed according to the maturity distribution of loans and receivables.

#### Interest Rate Sensitivity

If interest rates had been increased by 0.5% in TRY and by 0.5% in FC and all other variables were held constant, the Bank's:

- Net profit would decrease by TRY 703. The main reason of this is the change in TRY and FC deposits (December 31, 2009: TRY 43).
- There is no effect on the Bank's equity.

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**Interest Rate Swap Contracts**

The Bank does not have any interest rate swap contracts outstanding as of the reporting date.

**Other Price Risks**

The Bank does not invest in share certificates quoted on a stock exchange hence it is not subject to share price risk.

**Capital Adequacy**

To monitor the adequacy of its capital, the Bank uses ratios established by Banking Regulation and Supervision Agency (BRSA). The minimum ratio is 8% (12% if a bank operates in offshore markets). These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. As of December 31, 2010, the regulatory capital adequacy ratio of the Bank on an unconsolidated basis is above 12%.

	December 31, 2010	December 31, 2009
Tier I capital	202,781	199,667
Tier II capital	13,199	9,327
Deductions	(230)	(241)
<b>Total regulatory capital</b>	<b>215,750</b>	<b>208,753</b>
Risk-weighted assets (including market and operational risk)	1,537,441	1,080,242
<b>Capital adequacy ratio (%)</b>	<b>14.03</b>	<b>19.32</b>

**Fair Values**

Set out below is a comparison by category of carrying amounts and fair values of the Bank's major financial instruments that are carried in the financial statements at other than fair values.

	Carrying value		Fair value	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<b>Financial assets</b>	<b>1,137,683</b>	<b>901,325</b>	<b>1,134,760</b>	<b>902,700</b>
Money market placements and funds lent under resale agreements	14,003	77,514	14,003	77,514
Deposits with banks	79,936	67,245	79,936	67,245
Available-for-sale financial assets	79	79	(*)	(*)
Loans and receivables	995,783	717,278	992,471	717,649
Held-to-maturity investments	47,882	39,209	48,350	40,292
<b>Financial liabilities</b>	<b>1,235,362</b>	<b>890,843</b>	<b>1,235,845</b>	<b>890,998</b>
Customers' deposits	1,137,332	840,906	1,137,567	841,061
Deposits from banks	5,749	1,044	5,749	1,044
Obligations under repurchase agreements	17	15	17	15
Funds borrowed	92,264	48,878	92,512	48,878

(\*) Fair value can not be determined reliably.

## Turkland Bank Anonim Şirketi

### Notes to the Financial Statements

### For the year Ended December 31, 2010

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

#### Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of the financial instruments:

##### i. Financial assets:

Money market placements and banks are carried at amortized cost values on the face of the financial statements and due to their short term nature, their fair values are considered to approximate their respective carrying values at amortized cost. The discount rate used to calculate the fair value of held-to-maturity investments and loans and receivables as of December 31, 2010 is the market rates available for the related loan and security types.

##### ii. Financial liabilities:

The fair value of bank deposits are considered to approximate their respective carrying values at amortized cost due to their short term nature. The discount rate used to calculate the fair value of other deposits and funds borrowed as of December 31, 2010 is the market rates available for the related borrowing and deposits types.

The fair values of financial assets and financial liabilities carried at fair value are determined as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

December 31, 2010	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	432	-	-	432
<i>Debt instruments</i>	432	-	-	432
Derivative financial instruments	-	12	-	12
Available-for-sale financial assets	220,039	-	-	220,039
<i>Debt instruments</i>	220,039	-	-	220,039
<b>December 31, 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	964	-	-	964
<i>Debt instruments</i>	964	-	-	964
Derivative financial instruments	-	39	-	39
Available-for-sale financial assets	138,442	-	-	138,442
<i>Debt instruments</i>	138,442	-	-	138,442

**Turkland Bank Anonim Şirketi**  
**Notes to the Financial Statements**  
**For the year Ended December 31, 2010**

(Amounts expressed in thousands of Turkish Lira [TRY] unless otherwise stated.)

**26. SUBSEQUENT EVENTS**

As announced in the official gazette numbered 27825 and dated January 24, 2011 based on the "Communiqué on Amendments to be made on Communiqué on Required Reserves", reserve deposit rates applied to TRY liabilities has changed as follows:

Demand Dep., Call Accounts, Private Current Accounts	Deposits/ Participation Acc. up to 1-Month Maturity	Deposits/ Participation Acc. up to 3-Month Maturity	Deposits/ Participation Acc. up to 6-Month Maturity	Deposits/ Participation Acc. up to 1-Year Maturity	Deposits/ Partic. Accounts with 1-Year or Longer Maturity, Accumulating Dep./Partic. Acc	Special Fund Pools
12%	10%	9%	7%	6%	5%	Based on Ratios for corresponding maturities

## Assessment of Financial Position

### ASSESSMENT OF FINANCIAL POSITION

As of year-end 2010, total assets reached TL 1,510 million (US\$ 978 million) indicating an increase of 32%. Guarantees and collaterals of T-Bank stood at TL 976 million (US\$ 632 million) by year's end. As of year-end 2010 the shareholders' equity reached TL 219 million (US\$ 142 million) and a paid-in capital of TL 170 million (US\$ 110 million).

In the current year, the securities portfolio increased by 50% and the deposit volume by 36%.

The Bank, which posted TL 2.4 million (US\$ 1.6 million) net profit in 2009, increased its profits by 5% in 2010 and closed the year with a net profit of TL 2.5 million (US\$ 1.6 million). In parallel with the increase in the loan volume, the commission income of the Bank grew 29% over the previous year.

### Credit Risk and Capital Adequacy

The regulatory minimum threshold of the capital adequacy ratio is 14.03% as year-end 2010.

In 2010, the loan portfolio reached TL 1,020 million (US\$ 661 million) indicating an increase of 36%.

The reserve ratio for non-performing loans stands at 42.7%, while non-performing loans account for 3.9% of total loans.

## Five-Year Summary Financial Statistics

(TL thousands)	2010	2009	2008	2007	2006
Total Assets	1,509,774	1,144,511	1,020,632	636,452	526,243
Loan Portfolio (Net)	1,003,222	722,218	594,796	418,905	306,004
Securities Portfolio	268,428	178,729	101,862	127,212	100,298
Total Deposits	1,143,081	841,95	577,887	331,47	337,467
Borrowings	92,264	48,878	203,737	146,005	87,672
Shareholders' Equity	219,256	215,284	207,302	105,858	70,256
<b>Guarantees and Collaterals</b>	<b>975,901</b>	<b>709,505</b>	<b>651,951</b>	<b>378,326</b>	403,673
Net Interest Income	52,742	64,537	51,508	26,171	12,796
Net Commission Income	16,472	12,729	9,544	5,452	6,196
Profit Before Taxes	4,466	3,074	621	641	-3,570
Net Profit	2,463	2,354	836	602	-2,571
<b>%</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Capital Adequacy Ratio	14.0	19.3	21.9	18.9	16.7
Return on Assets	0.2	0.2	0.1	0.1	-0.5
Return on Equity	1.1	1.1	0.4	0.7	-3.6
Loans/Deposits	87.8	85.8	102.9	126.4	90.7
Loans/Total Assets	66.4	63.1	58.3	65.8	58.1
Liquid Assets/Total Assets (*)	21.9	26.7	29.6	25.7	33.7
Non-performing Loans (Net)/Total Loans (Net)	21.3	0.8	0.6	0.2	0.2
Non-performing Loans/Total Assets	1.5	0.5	0.3	0.1	0.1

(\*) Includes financial assets at fair value through profit and loss and financial assets available for sale.

## T-Bank Credit Ratings

### Foreign Currency

Long-Term/Short-Term/Outlook

BBB-/F3/Stable

### Local Currency

Long-Term/Short-Term/Outlook

BBB-/F3/Stable

### National

Long-Term/Outlook/Individual/Support

AAA (tur)/Stable/D/2

### Sovereign Risk

FC Long-Term/LC Long-Term/Outlook

BB+/BB+/Positive

T-Bank's credit ratings are being assigned by Fitch Ratings.

## Directory

### Head Office

Address : 19 Mayıs Mah. 19 Mayıs Cad.  
Şişli Plaza A Blok No: 7 Şişli 34360 İstanbul/Turkey  
Tel : +90 (212) 368 34 34  
Fax : +90 (212) 368 35 35

### Main Branch

Address : 19 Mayıs Mah. 19 Mayıs Cad.  
Şişli Plaza A Blok No: 7 Şişli 34360 İstanbul/Turkey  
Tel : +90 (212) 368 35 60  
Fax : +90 (212) 368 35 88

### Adana

Address : Kurtuluş Mah. Atatürk Bulvarı Mehmet Sümer Apt.  
No: 167 Seyhan Adana/Turkey  
Tel : +90 (322) 459 35 00  
Fax : +90 (322) 459 89 59

### Ankara Ostim

Address : 100. Yıl Bulvarı No: 29 Yenimahalle Ostim  
Ankara/Turkey  
Tel : +90 (312) 386 24 20  
Fax : +90 (312) 386 24 34

### Antalya

Address : Ali Çetinkaya Cad. No: 12 07000 Antalya/Turkey  
Tel : +90 (242) 243 51 50  
Fax : +90 (242) 243 51 54

### AHL

Address : Atatürk Hava Limanı Serbest Bölge 2. Kısım  
A Blok No: 48 Yeşilköy 34149 İstanbul/Turkey  
Tel : +90 (212) 465 01 56  
Fax : +90 (212) 465 01 62

### Avcılar

Address : Cihangir Mahallesi, E-5 Güney Yan Yol No:245  
Avcılar/Turkey  
Tel : +90 (212) 695 59 00  
Fax : +90 (212) 695 52 85

### Bakanlıklar

Address : Atatürk Bulvarı No: 185 Bakanlıklar  
06680 Ankara/Turkey  
Tel : +90 (312) 419 67 14  
Fax : +90 (312) 419 67 10

### Bayrampaşa

Address : Orta Mahalle Abdi İpekçi Cad. No: 18/1  
Bayrampaşa İstanbul/Turkey  
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Fax : +90 (212) 480 04 91

### Beylikdüzü

Address : Cumhuriyet Mah. Gürpınar Yolu No:11  
Beykent-Büyükcçekmece İstanbul/Turkey  
Tel : +90 (212) 871 47 80  
Fax : +90 (212) 871 47 85

### Bursa

Address : Fevzi Çakmak Cad. Berk Plaza No: 52/A  
Bursa/Turkey  
Tel : +90 (224) 222 57 57  
Fax : +90 (224) 221 55 90

### Caddebostan

Address : Bağdat Cad. No: 271 Kadıköy İstanbul/Turkey  
Tel : +90 (216) 386 81 81  
Fax : +90 (216) 386 81 61

### Denizli

Denizli  
Address : 2. Ticari Yol 464 Sok. Köşe Apt. No:31  
Denizli/Turkey  
Tel : +90 (258) 261 33 60  
Fax : +90 (258) 263 86 60

### Dolayoba

Address : Kaynarca Yan Yol E-5 Üzeri Orta Mah.  
Barış İş Merk. 34/1 Dolayoba 34896  
Pendik İstanbul  
Tel : +90 (216) 598 37 47  
Fax : +90 (216) 598 37 45

### Dudullu

Address : S.S.İstanbul Anadolu Yakası Kereste ve Küçük  
Sanayiciler Toplu İşyeri Yapı Koop. Keyap Çarşı  
No: 22 Dudullu Ümraniye İstanbul/Turkey  
Tel : +90 (216) 527 44 74  
Fax : +90 (216) 527 41 43

### Etiler

Address : Bebek Mah. Nispetiye Cad. No: 18 Etiler  
34342 İstanbul/Turkey  
Tel : +90 (212) 257 40 31  
Fax : +90 (212) 263 52 29

**Gaziantep**

Address : İncilipınar Mah. Muammer Aksoy Bulvarı  
Sever İş Merk. No: 43 Gaziantep/Turkey  
Tel : +90 (342) 232 29 00  
Fax : +90 (342) 232 82 40

**Gebze**

Address : Osman Yılmaz Mah. İstanbul Cad.  
Fulya Apt. No: 29 Gebze Kocaeli/Turkey  
Tel : +90 (262) 643 26 00  
Fax : +90 (262) 643 18 32

**Güneşli**

Address : Evren Mah. Koçman Cad. Ziyal Plaza B Blok K: 2  
No: 38 Güneşli/Bağcılar 34560 İstanbul/Turkey  
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Fax : +90 (212) 657 11 57

**İkitelli**

Address : İkitelli Organize Sanayi Bölgesi Atatürk  
Bulvarı Haseyad 1. Kısım No: 109 C Blok Göksu  
Plaza İkitelli-İstanbul/Turkey  
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Fax : +90 (212) 549 79 62

**İzmir**

Address : Cumhuriyet Bulvarı No: 82 Erboy İşhanı  
Alsancak/İzmir/Turkey  
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Fax : +90 (232) 489 94 21

**İzmit**

Address : Kemal Paşa Mahallesi Hürriyet Caddesi No:24  
İzmit/Turkey  
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Fax : +90 (262) 322 66 48

**Kadıköy**

Address : Kurbağalıdere Cad. No: 25/2-3  
Hasanpaşa/Kadıköy 34722 İstanbul/Turkey  
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Fax : +90 (216) 414 18 55

**Kayseri**

Address : Cumhuriyet Mah. Vatan Cad. No:28 A-B  
Kayseri/Turkey  
Tel : +90 (352) 232 46 44  
Fax : +90 (352) 232 41 07

**Konya**

Address : Mussallabağları Mah. Nalçacı Cad. No: 88/A  
Konya/Turkey  
Tel : +90 (332) 233 63 30  
Fax : +90 (332) 233 68 77

**Kozyatağı**

Address : Bayar Cad. Gülbahar Sok. Perdemsac Plaza  
No: 17 34742 İstanbul/Turkey  
Tel : +90 (216) 362 06 66  
Fax : +90 (216) 362 58 70

**Levent**

Address : Oto Sanayi Sitesi Fatih Cad. No: 1 4. Levent  
34416 İstanbul/Turkey  
Tel : +90 (212) 282 44 00  
Fax : +90 (212) 282 40 20

**Manavgat**

Address : Antalya Cad. Ünal Apt. No: 56/B  
Manavgat Antalya/Turkey  
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Fax : +90 (242) 743 36 51





