AKBANK T.A.Ş.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2010 TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT

Report on review of interim condensed consolidated financial statements

To the Board of Directors of Akbank T.A.Ş.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Akbank T.A.Ş. and its subsidiaries ("the Group") as at 30 June 2010, comprising of interim consolidated statement of financial position as at 30 June 2010 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard 34, *"Interim financial reporting"* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2009 were audited by another auditor, who expressed an audit report with an unqualified opinion on those statements on 24 February 2010. The interim condensed consolidated financial statements of the Group as at and for the six-month period ended 30 June 2009 were reviewed by the same auditor, who expressed a review report with an unqualified conclusion on those statements on 6 August 2009.

20 August 2010
İstanbul, Turkey

AKBANK T.A.Ş.

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AKBANK T.A.Ş.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

	Notes	Unaudited 30 June 2010	Audited 31 December 2009
ASSETS			
Cash and due from banks	6	5,552,517	5,029,260
Trading securities	7	335,887	159,786
Derivative financial instruments	8	290,045	245,120
Reserve requirements with the Central Bank of Turkey		3,775,148	3,464,090
Loans and advances to customers	9	52,729,766	45,049,817
Investment securities:			
-Available-for-sale	10	38,803,683	30,729,925
-Held-to-maturity	10	8,914,111	15,839,764
Property, plant and equipment	11	838,327	805,457
Intangible assets	11	66,806	65,449
Deferred tax assets		323,330	307,015
Other assets and pre-payments		907,656	727,650
Total assets		**112,537,276**	**102,423,333**
LIABILITIES			
Customer deposits	12	80,923,391	74,701,284
Interbank money market deposits	13	699,649	483,572
Derivative financial instruments	8	1,119,569	771,743
Funds borrowed	13	7,607,735	5,881,999
Debt securities in issue	13	3,229,212	3,327,341
Income taxes payable		152,658	196,541
Other liabilities and accrued expenses		3,002,931	2,411,052
Employment benefit obligations	14	64,018	58,886
Deferred Tax Liability		34,070	37,050
Total liabilities		**96,833,233**	**87,869,468**
EQUITY			
Capital and reserves attributable to the equity holders:			
-Share capital	15	4,000,000	3,000,000
-Adjustment to share capital	15	1,529,151	2,029,151
Total paid-in share capital		5,529,151	5,029,151
Share premium		1,709,098	1,709,098
Translation reserve		(5,197)	23,435
Other reserves		391,329	505,752
Retained earnings		8,079,447	7,286,224
		15,703,828	**14,553,660**
Non controlling interest		**215**	**205**
Total equity		**15,704,043**	**14,553,865**
Total liabilities and equity		**112,537,276**	**102,423,333**

The interim condensed consolidated financial statements as at and for the six-month period ended 30 June 2010 have been approved for issue by the Board of Directors on 20 August 2010 and signed on its behalf by Ziya Akkurt, the Chief Executive Officer and by Atıl Özus, the Chief Financial Officer of Akbank T.A.Ş..

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

	Notes	Unaudited 30 June 2010	Unaudited 30 June 2009
Interest income		4,718,031	5,004,058
Interest expense		(2,202,063)	(2,658,985)
Net interest income		**2,515,968**	**2,345,073**
Fee and commission income	16	791,831	761,393
Fee and commission expense	16	(97,329)	(101,475)
Net fee and commission income		**694,502**	**659,918**
Impairment losses on loans and credit related commitments, net	9	(939)	(476,110)
Foreign exchange gains and losses, net		17,825	44,395
Trading gains and losses, net		97,155	26,716
Dividend income		5,431	1,236
Other operating income		215,054	91,315
Operating income		**3,544,996**	**2,692,543**
Operating expenses	17	(1,263,314)	(1,063,298)
Profit before income taxes		**2,281,682**	**1,629,245**
Income taxes			
Current		(437,656)	(387,635)
Deferred		(10,165)	59,284
Profit for the period		**1,833,861**	**1,300,894**
Attributable to:			
Equity holders of the Group		1,833,823	1,300,873
Non controlling interest		38	21
		1,833,861	**1,300,894**
Basic and diluted earnings per share (expressed in TL, full amount, per share)	4	0.0046	0.0033

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

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

	Unaudited 30 June 2010	**Unaudited 30 June 2009**
Net profit for the period	**1,833,861**	**1,300,894**
Other comprehensive income		
Available for sale financial assets	89,943	362,863
Foreign exchange differences on translation of foreign operations	(85,824)	10,655
Gain/(Loss) from cash flow hedges (effective part of fair value changes)	11,451	(212,722)
Gain/(Loss) from net foreign investment hedges (effective part of exchange difference on borrowings)	71,489	(6,365)
Tax related to gains and losses recognized directly in equity (*)	(34,577)	(28,755)
	52,482	**125,676**
Available for sale financial assets, net of tax	(220,830)	(77,555)
Cash flow hedges, net of tax	9,002	11,577
Other, net of taxes	16,291	29,619
Net gains/losses transferred to income statement	**(195,537)**	**(36,359)**
Other comprehensive income	**(143,055)**	**89,317**
Total comprehensive income	**1,690,806**	**1,390,211**
Attributable to:		
Equity holders of the Group	1,690,768	1,390,190
Non-controlling interest	38	21

(*) Tax effects of additions to marketable securities valuation differences from available for sale financial assets, gain/(loss) from cash flow hedge (effective part of fair value changes), gain/(loss) from net foreign investment hedge (effective part of exchange difference on borrowings) amount to TL 17,989, TL 2,290 and TL 14,298 respectively (30 June 2009: TL 72,572, TL (42,544) and TL (1,273)).

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

AKBANK T.A.Ş.
STATEMENT OF CASH FLOW
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

	Notes	Unaudited 30 June 2010	Unaudited 30 June 2009
Cash flows from operating activities:			
Profit before income tax		2,281,682	1,629,245
Non cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	11, 17	52,212	53,246
Amortisation of intangible assets	11, 17	10,036	7,652
Provision for loan losses, write off and net of recoveries	9	(355,174)	437,190
Employment termination benefits and other short-term employee benefits	14	5,132	9,121
Gain on derivative financial instruments		389,717	(58,182)
Interest paid		(2,244,620)	(2,840,121)
Interest received		2,533,090	2,124,686
Other non cash items		(83,485)	516,579
Operating profit before changes in operating assets and liabilities		**2,588,590**	**1,879,416**
Net increase in reserve requirements with the Central Bank of Turkey and restricted cash		(416,005)	1,647,128
Net increase/decrease in loans and advances to customers		(7,297,295)	3,716,813
Net increase/decrease in trading securities		(175,576)	69,077
Net increase/decrease in other assets and prepayments		(180,006)	(171,767)
Net increase in other liabilities and accrued expenses		548,995	376,083
Net increase/decrease in customer deposits and interbank money market deposits		6,483,474	(379,321)
Taxes paid		(484,342)	(225,042)
Net cash from operating activities		**(1,520,755)**	**5,032,971**
Cash flows from/(used in) investing activities:			
Purchase of property and equipment, net	11	(83,933)	(18,999)
Purchase of other intangible assets, net	11	(11,393)	(18,517)
Proceeds from investment securities		9,754,953	2,721,991
Purchase of investment securities		(11,421,596)	(6,911,264)
Net cash used in investing activities		**(1,761,969)**	**(4,226,789)**
Cash flows from financing activities:			
Proceeds from borrowed funds and debt securities in issue		2,469,666	4,655,641
Payments of borrowed funds and debt securities in issue		(844,792)	(7,128,612)
Dividends paid to equity holders	15	(540,600)	(360,550)
Net cash (used in)/from financing activities		**1,084,274**	**(2,833,521)**
Effect of exchange rates on cash and cash equivalents		**26,360**	**(518,123)**
Net increase/(decrease) in cash and cash equivalents		**416,500**	**(666,046)**
Cash and cash equivalents at the beginning of the period	**6**	**4,963,431**	**6,877,681**
Cash and cash equivalents at the end of the period	**6**	**5,379,931**	**6,211,635**

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

AKBANK T.A.Ş.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

	Attributable to equity holders of the Group								
	Share capital								
	Share capital	Adjustment to share capital	Total paid-in share capital	Share premium	Translation reserve	Other reserves	Retained earnings	Non controlling interest	Total
Balance at 1 January 2009	3,000,000	2,029,151	5,029,151	1,709,098	18,723	(244,103)	4,913,113	231	11,426,213
Net unrealised market value gains from available-for-sale portfolio ("AFS")	-	-	-	-	-	290,291	-	-	290,291
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(77,555)	-	-	(77,555)
Net gains/losses recycled to the IS due to transfer of AFS into HTM portfolio	-	-	-	-	-	29,619	-	-	29,619
Cash flow hedges, net of tax	-	-	-	-	-	(158,601)	-	-	(158,601)
Translation reserve	-	-	-	-	10,655	-	-	-	10,655
Hedges of a net investment in a foreign operation net of tax	-	-	-	-	(5,092)	-	-	-	(5,092)
Other comprehensive income	-	-	-	-	5,563	83,754	-	-	89,317
Profit for the period	-	-	-	-	-	-	1,300,873	21	1,300,894
Total comprehensive income for the period	-	-	-	-	5,563	83,754	1,300,873	21	1,390,211
Dividends paid	-	-	-	-	-	-	(360,550)	(26)	(360,576)
Balance at 30 June 2009	3,000,000	2,029,151	5,029,151	1,709,098	24,286	(160,349)	5,853,436	226	12,455,848
Balance at 1 January 2010	3,000,000	2,029,151	5,029,151	1,709,098	23,435	505,752	7,286,224	205	14,553,865
Net unrealised market value gains from AFS portfolio	-	-	-	-	-	71,954	-	-	71,954
Net gains on AFS portfolio transferred to the income statement	-	-	-	-	-	(220,830)	-	-	(220,830)
Net gains and losses recycled to the income statement due to transfer of AFS into held-to-maturity portfolio	-	-	-	-	-	16,291	-	-	16,291
Cash flow hedges, net of tax	-	-	-	-	-	18,162	-	-	18,162
Transfers to share capital	1,000,000	(500,000)	500,000	-	-	-	(500,000)	-	-
Translation reserve	-	-	-	-	(85,824)	-	-	-	(85,824)
Hedges of a net investment in a foreign operation, net of tax	-	-	-	-	57,192	-	-	-	57,192
Other comprehensive income	-	-	-	-	(28,632)	(114,423)	-	-	(143,055)
Profit for the period	-	-	-	-	-	-	1,833,823	38	1,833,861
Total comprehensive income for the period	-	-	-	-	(28,632)	(114,423)	1,833,823	38	1,690,806
Dividends paid	-	-	-	-	-	-	(540,600)	(28)	(540,628)
Balance at 30 June 2010	4,000,000	1,529,151	5,529,151	1,709,098	(5,197)	391,329	8,079,447	215	15,704,043

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

NOTE 1 - PRINCIPAL ACTIVITIES

Akbank T.A.Ş. ("the Bank" or "Akbank" or together with its subsidiaries referred to as "the Group" in these interim condensed consolidated financial statements) was formed in 1948 and is a member of the Hacı Ömer Sabancı Holding A.Ş. Group of companies which is incorporated and domiciled in Turkey. Hacı Ömer Sabancı Holding A.Ş. and the Sabancı family together control 51.37% of the outstanding share capital of Akbank as at 30 June 2010. The Bank's head office is located at Sabancı Center 4. Levent, Istanbul/ Turkey. As of 30 June 2010, the Bank has 872 branches dispersed throughout the country and 1 branch operating outside the country (31 December 2009: 877 branches and 1 branch operating outside the country). As at 30 June 2010, the Group employed 15,159 people (31 December 2009: 14,936 people). In addition to regular banking operations, the Group also provides insurance intermediary services as an agency of AvivaSa Emeklilik ve Hayat A.Ş. and Ak Sigorta A.Ş.. The Group's operations are carried out substantially in one geographical segment (Turkey) and in business segments including retail banking, corporate and SME banking, private banking, treasury activities, international banking and other activities through its subsidiaries (i.e. leasing, brokerage and portfolio management) (Note 19).

Some of the Bank's shares have been quoted on the Istanbul Stock Exchange since 1990. In April 1998, 4.03% of the outstanding share capital of the Bank, was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depository Receipt ("ADR"). As of 30 June 2010, approximately 29% of the shares are publicly traded, including the ADRs (31 December 2009: 29%).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These interim condensed consolidated financial statements for the period ended 30 June 2010 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2009.

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of January 1, 2010, noted below:

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
- IFRS 2 Share –based Payment : (Amended) Group Cash- Settled Share-based Payment Transactions effective for annual reporting periods beginning on or after 1 January 2010
- IAS 39 Financial Instruments : Recognition and Measurement- Eligible Hedged Items effective for annual reporting periods beginning on or after 1 July 2009
- IFRIC 17 Distribution of Non- cash Assets to Owners effective for annual reporting periods beginning on or after 1 July 2009
- Improvements to IFRSs (issued May 2008)
- Improvements to IFRSs (issued April 2009)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of these standards, amendments, and interpretations did not have any effect on the financial performance or position of the Group.

New standards and interpretations not yet adopted

New standards and interpretations that have been issued subsequent to the date of the issuance of 31 December 2009 annual consolidated financial statements and up to the date of issuance of the Group's interim condensed financial statements that are not yet effective and not early adopted by the Group are listed below:

Improvements to IFRSs (issued in May 2010):

In May 2010, International Accounting Standards Board (IASB) made 11 changes in 7 standards:

- IFRS 1: Accounting policy changes in the year of adoption (effective from 1 January 2011)
- IFRS 1: Revaluation basis as deemed cost (effective from 1 July 2010)
- IFRS 1: Use of deemed cost for operations subject to rate regulation effective from 1 January 2011)
- IFRS 3: Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised standard
- IFRS 3: Measurement of non-controlling interests
- IFRS 3: Un-replaced and voluntarily replaced share-based payment awards
- IFRS 7: Clarification of disclosures
- IAS 1: Clarification of statement of changes in equity
- IAS 27: Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements
- IAS 34: Significant events and transactions
- IFRIC 13: Fair value of award credits

Such improvements and new standards do not have an impact on Group's condensed consolidated financial statements.

The interim condensed consolidated financial statements have been prepared under the historical cost convention, except for financial instruments held for trading and investment securities available for sale which have all been measured at fair value.

The interim condensed consolidated financial statements are presented in the national currency of the Republic of Turkey, the Turkish lira ("TL").

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Bank maintains its books of accounts and prepares its statutory financial statements in accordance with the Banking Law and the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Turkish Accounting Standards Board and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish Commercial Code, Capital Markets Board and Tax Regulations. The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdiction. Interim condensed consolidated financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

(b) Consolidation

Consolidation principles for subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Bank.

Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Bank.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Bank's assets, liabilities, income, expense and off-balance sheet items. The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated. Non-controlling interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the shareholders of the parent of the Group and presented separately in the Group's income statement. Non controlling interests are presented separately under equity in the consolidated balance sheet.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Bank and its direct and indirect subsidiaries, Ak Yatırım Menkul Değerler A.Ş., Ak Finansal Kiralama A.Ş., Ak Portföy Yönetimi A.Ş., Akbank N.V., Akbank AG together with Ak Receivables Corporation and A.R.T.S. Ltd., in which the Bank has no equity interest, but 100% control power due to the reason that these companies are "Special Purpose Entities", have been included in the scope of consolidation. The Bank together with its consolidated subsidiaries is referred to as the "Group" in these interim condensed consolidated financial statements.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ak Yatırım Menkul Değerler A.Ş. was established on 11 December 1996 to trade in capital markets in accordance with Capital Market Law. This company is providing intermediary services in capital markets, discretionary portfolio management, derivative transactions, repurchase and reverse repurchase agreements with authorizations given by the Capital Markets Board for each transaction.

Ak Finansal Kiralama A.Ş. was established in 1988 for leasing operations and all kinds of agreements and transactions related to these operations.

Ak Portföy Yonetimi A.Ş was established at 28 June 2000 in order to manage A and B type mutual funds of Akbank T.A.Ş., B Type variable fund of Ak Yatırım Menkul Değerler A.Ş., pension funds of AvivaSa Emeklilik ve Hayat A.Ş. and portfolios of the Ak Yatırım Ortaklığı A.Ş..

Akbank N.V. was established in 2000 for banking operations in the Netherlands.

The Bank's Frankfurt Branch was established on 5 April 1998 for banking operations abroad. As of 1 September 2006, the Frankfurt Branch has been converted to a 100% subsidiary of the Bank. As of 31 May 2007, shares of Akbank AG were transferred to Akbank N.V. resident in the Netherlands, which is 100% subsidiary of the Bank, through capital in kind.

Ak Receivable Corporation and A.R.T.S. Ltd. are "Special Purpose Entities" established in July 1998 and November 1999, respectively, in connection with raising long-term financing.

The list of consolidated subsidiary undertakings is set out below:

		Shareholding %	
Name of subsidiary	**Country of incorporation**	**2010**	**2009**
Ak Yatırım Menkul Değerler A.Ş.	Turkey	99.80	99.80
Akbank N.V.	The Netherlands	100.00	100.00
Akbank AG	Germany	100.00	100.00
Ak Finansal Kiralama A.Ş.	Turkey	99.99	99.99
Ak Portföy Yönetimi A.Ş.	Turkey	99.99	99.99
A.R.T.S. Ltd.	Jersey, Channel Islands	-	-
Ak Receivable Corporation	Cayman Islands	-	-

Net Investment Hedge

The Group hedges the net investment risk on foreign investments with the foreign currency denominated financial liabilities. The effective part of the foreign exchange differences on the foreign currency denominated financial liabilities is accounted in the "Translation reserve" account under shareholders' equity.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. Fair value of over-the-counter ("OTC") forward foreign exchange contracts and foreign exchange option contracts are determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 30 June 2010. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative financial instruments are classified as held for trading, unless they are designated as hedging instruments.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement – 'net trading gains and losses'.

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged cash flows affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged cash flows are recognised in the income statement.

The Bank hedges cash flow risk arising from local and foreign currency floating rate borrowings including exposures arising from forecast transactions through the use of interest rate swaps. Within the scope of cash flow hedge accounting, effective portion of the fair value changes of the hedging instrument is recognized under "Other reserves" within equity.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement under net trading gains and losses.

Embedded derivatives are separated from the host contract and accounted for as a derivative in accordance with IAS 39, if and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

If an embedded derivative is separated, the host contract is accounted for under IAS 39 if it is a financial instrument and in accordance with other appropriate standards if it is not a financial instrument. When the host contract and embedded derivative are closely related, embedded derivatives are not separated from the host contract and accounted according to the standard applied to the host contract.

(d) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest and similar income". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized directly in equity. The Bank does not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

Interest earned whilst holding investment securities is reported as interest income. Dividends received are included in dividend income.

The Group has inflation indexed government bonds in available for sale and held to maturity portfolios having 5-10 year term and fixed coupon rates throughout the maturity. Amortized cost of such securities is calculated using the effective interest rate method by considering the real coupon rates together with the changes in inflation index references between the issuance and balance sheet dates. Market values are used to for the fair value calculation.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial assets at fair value through profit or loss:

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. At 30 June 2010, the Group has not classified any financial asset as financial assets designated at fair value through profit or loss.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Trading assets are initially recognised and subsequently re-measured at fair value. All related realised and unrealised fair value gains and losses are included in net trading gains and losses. Interest earned whilst holding trading assets is reported as interest income.

All purchases and sales of trading assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the settlement date, which is the date that the asset is delivered to/by the Group.

(f) Loans and advances to customers and provisions for loan impairment

Loans and advances granted by the Group are carried initially at fair value including the transaction costs and subsequently recognised at the amortized cost value, less any provision for loan losses.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception. An additional provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such.

The provision made during the year is charged against the profit for the year. Loans that cannot be recovered are written-off and charged against the allowance for loan losses. Such loans are written-off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the year.

(g) Sale and repurchase agreements

Securities sold subject to repurchase agreements ("repos") are retained in the consolidated financial statements as trading or investment securities and the counterparty liability is included in customer deposits. Securities purchased under agreements to resell ("reverse repos") are recorded as due from banks. The difference between sale and repurchase price is treated as interest and accrued evenly over the life of repo agreements using the effective interest rate method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Fee and commission income and expenses

Fee and commission income and expenses are recognised on an accrual basis except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Borrowing fees and commissions expenses paid to other financial institutions are recognized as transaction costs and recorded using the "Effective interest rate method". Contract based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

(i) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method based on the actual purchase price until, in management's estimates and judgement, collection becomes doubtful. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The provision made during the year is charged against the profit for the year. Loans that can not be recovered are written-off and charged against the allowance for loan losses after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the year (Note 9).

(j) Classifications

In order to be consistent with the presentation of condensed interim consolidated financial statements for the period ended 30 June 2010, there are certain reclassifications made on condensed interim consolidated statement of comprehensive income, statement of cash flows, and statement of changes in equity as of 30 June 2009 and on condensed interim consolidated balance sheet of 31 December 2009. As of 31 December 2009, investment in associates amounting to TL 3,125 is classified to investment securities available for sale and deferred tax liability amounting to TL 37,050 has been grossed up with deferred tax asset on the condensed interim consolidated balance sheet.

(k) Related parties

Parties are considered related to the Group if;

(a) directly, or indirectly through one or more intermediaries, the party:
  (i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
  (ii) has an interest in the Group that gives it significant influence over the Group; or
  (iii) has joint control over the Group;

(b) the party is an associate of the Group;
(c) the party is a joint venture in which the Group is a venturer;
(d) the party is member of the key management personnel of the Group or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/affiliated with them, associated companies and other companies within the Sabancı Holding Group are considered and referred to as related parties. A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits, trade finance and foreign currency transactions.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Judgments, estimates and assumptions include fair value of financial instruments and impairment for financial assets.

NOTE 4 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated statements of income is determined by dividing the net income attributable to the equity holders of the Group by the weighted average number of ordinary shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

The number of bonus shares issued in 2010 is 100,000,000,000 (31 December 2009(-)).

The earnings attributable to basic shares for each period are as follows:

	Unaudited 30 June 2010	**Unaudited 30 June 2009**
Profit attributable to equity holders of the Group	1,833,823	1,300,873
Weighted average number of ordinary shares in issue (1 Kr each)	400,000,000,000	400,000,000,000
Basic earnings per share (expressed in TL, full amount, per share)	**0.0046**	**0.0033**

Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares in issue.

There are no diluted shares and accordingly there are no diluted earnings per share for any class of shares.

NOTE 5 - FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

By nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of provisions, through lending to borrowers with a range of credit standing. Such exposures involve not only on-balance sheet loans and advances but also entering into guarantees and other commitments such as letters of credit. The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in the bond markets and in currency and interest rates.

The Group's risk management is under the responsibility of the "Executive Risk Committee ("the ERC")" which reports to the Board of Directors. The ERC is comprised of the Chairman and Managing Director, Managing Director and the Chief Executive Officer. The ERC establishes policies, procedures, parameters and rules for risk management of the Bank and develops risk management strategies. The ERC also sets critical risk limits and parameters for liquidity risk, credit risk, foreign exchange risk and interest rate risk and; through close monitoring of the markets and overall economy, such limits are changed as necessary. These limits and implementation of policies are broken down to various levels of authorities in order to enhance control effectiveness. The Bank's risk positions are reported to the ERC members on a regular basis. Additionally, the ERC reviews the latest figures and projections for the Bank's profit and loss accounts and balance sheet, liquidity position, interest and foreign exchange exposures, as well as yield analysis and the macroeconomic environment.

In addition to the limits set by the ERC, the Board of Directors also sets some limits and parameters for the transactions and areas having significant and critical implications on the Bank's operations.

The Assets and Liabilities Committee ("ALCO") manages the various departments of the Bank where risk limits apply to ensure that these limits are adhered to. ALCO consists of the Chief Executive Officer and each of the Executive Vice Presidents in charge of the Bank's marketing, lending, treasury, and financial coordination departments. ALCO meets weekly to review the latest figures on liquidity position, interest rate risk exposures, foreign exchange risk exposure, capital adequacy and the macroeconomic environment.

The objective of the Group's asset and liability management and use of financial instruments is to limit the Group's exposure to liquidity risk, interest rate risk and foreign exchange risk, while ensuring that the Group has sufficient capital adequacy and is using its capital to maximise net interest income.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Financial instruments contain an element of risk that the counterparties may be unable to meet the terms of the agreements. The Group's exposure to credit risk is concentrated in Turkey, where the majority of the activities are carried out. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, group of companies and industry. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

(c) Market risk

The Group considers currency risk and interest rate risk as the most important constituents of market risk. The limit structure for such risks is designed by considering the capital structure of the Group. Currency and interest rate risks are analysed both on a portfolio and on a product basis.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Management, also indicated in the Market Risk Policy of the Group, include interest rate stress testing. As at 30 June 2010 and 31 December 2009, assuming that all other variables are constant, and TL and FC interest rates vary in an interval of +1% and -1%, the profit before tax and other reserves excluding tax effect of the Group would change as the following:

	Impact on income		Impact on other reserves	
Change in interest rates	**2010**	**2009**	**2010**	**2009**
(+) 1 %	16,495	(66,313)	(398,738)	(263,333)
(-) 1 %	(23,165)	66,598	420,130	275,457

In the previous periods, durations of demand deposits are calculated by using estimates of core demand deposit maturity with 1 year. As at 30 June 2010, maturity of core demand deposits begun to be estimated as 5 years. Should the stress test had been performed based on the new methodology, impact on income / (loss) would be TL 56,180 and TL (64,791) for %1 increase and %1 decrease in interest rates as of 31 December 2009 respectively.

(d) Currency risk

Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure. This risk is managed by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities and the remaining foreign exchange exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. The Board, taking into account the recommendations by the ERC, sets a limit for the size of foreign exchange exposure, which is closely monitored by ALCO.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table summarises the Group's assets and liabilities and equity at carrying amounts and derivatives at notional amounts categorised by currency.

	Unaudited 30 June 2010					
	Foreign currency					
	EUR	**USD**	**GBP**	**Other**	**TL**	**Total**
Cash and due from banks	2,102,952	2,137,243	521,069	51,407	739,846	5,552,517
Trading and investment securities	3,106,894	5,708,850	-	-	39,237,937	48,053,681
Derivative financial instruments	-	-	-	-	290,045	290,045
Reserve requirements with the Central Bank of Turkey	1,693,884	65	-	-	2,081,199	3,775,148
Loans and advances to customers	6,994,640	17,497,065	42,160	80,185	28,115,716	52,729,766
Property, plant and equipment	3,357	2,671	87	-	832,212	838,327
Intangible assets	34	-	-	-	66,772	66,806
Deferred tax assets	-	-	-	-	323,330	323,330
Other assets and pre-payment	17,441	6,739	2,401	3,568	877,507	907,656
Total assets	**13,919,202**	**25,352,633**	**565,717**	**135,160**	**72,564,564**	**112,537,276**
Customer deposits	12,342,933	16,613,012	938,193	339,918	50,689,335	80,923,391
Interbank money market deposits, funds borrowed and debt securities in issue	4,119,798	6,657,406	5,899	60,387	693,106	11,536,596
Derivative financial instruments	-	-	-	-	1,119,569	1,119,569
Income taxes payable	11,674	-	-	-	140,984	152,658
Other liabilities and accrued expenses	84,021	172,567	1,746	12,750	2,731,847	3,002,931
Employment benefit obligations	-	-	-	-	64,018	64,018
Deferred tax liability	34,070	-	-	-	-	34,070
Equity and non controlling interest	-	-	-	-	15,704,043	15,704,043
Total liabilities and equity	**16,592,496**	**23,442,985**	**945,838**	**413,055**	**71,142,902**	**112,537,276**
Net balance sheet position	**(2,673,294)**	**1,909,648**	**(380,121)**	**(277,895)**	**1,421,662**	**-**
Off-balance sheet derivative instruments net notional position	**2,902,202**	**(1,860,247)**	**364,327**	**273,287**	**(1,944,030)**	**(264,461)**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	Unaudited 31 December 2009					
	Foreign currency					
	EUR	USD	GBP	Other	TL	Total
Total assets	**12,615,119**	**23,844,768**	**92,363**	**192,580**	**65,678,503**	**102,423,333**
Total liabilities and equity	**14,870,400**	**21,047,243**	**792,939**	**315,410**	**65,397,341**	**102,423,333**
Net balance sheet position	**(2,255,281)**	**2,797,525**	**(700,576)**	**(122,830)**	**281,162**	**-**
Off-balance sheet derivative instruments net notional position	**2,428,538**	**(2,883,008)**	**707,295**	**185,652**	**(383,105)**	**55,372**

At 30 June 2010, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL 1.5737 =USD 1 (31 December 2009: TL 1.4873=USD 1) and TL 1.9292 =EUR 1 (31 December 2009: TL 2.1426 =EUR 1).

(e) Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest-sensitive assets and liabilities. Interest rate risk is the key component of the Group's asset and liability management. Interest rate risk is managed on a portfolio basis by applying different strategies such as using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, or building hedge relationships in order to minimise the effects of changes in interest rates. Special emphasis is given to providing a balance between the duration of assets and liabilities. Duration, gap and sensitivity analysis are the main methods used to manage the risks.

The tables below summaries the Group's exposure to interest rate risks at 30 June 2010 and 31 December 2009. Included in the tables are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	Unaudited 30 June 2010					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Cash and due from banks	888,094	31,501	-	-	4,632,922	5,552,517
Trading and investment securities	12,718,404	21,702,370	9,281,131	4,182,211	169,565	48,053,681
Derivative financial instruments	73,913	211,862	4,270	-	-	290,045
Reserve requirements with the Central Bank of Turkey	3,775,148	-	-	-	-	3,775,148
Loans and advances to customers	25,304,727	16,875,990	9,366,915	1,182,134	-	52,729,766
Property, plant and equipment	-	-	-	-	838,327	838,327
Intangible assets	-	-	-	-	66,806	66,806
Deferred tax assets	-	-	-	-	323,330	323,330
Other assets and pre-payments	205,712	-	-	-	701,944	907,656
Total assets	**42,965,998**	**38,821,723**	**18,652,316**	**5,364,345**	**6,732,894**	**112,537,276**
Customer deposits	68,776,444	2,442,541	1,041,417	78,027	8,584,962	80,923,391
Interbank money market deposits, funds borrowed and debt securities in issue	9,338,483	2,100,463	88,095	9,555	-	11,536,596
Derivative financial instruments	325,856	662,299	118,665	12,749		1,119,569
Income taxes payable	-	-	-	-	152,658	152,658
Other liabilities and accrued expenses	71,171	36,644	52,778	58,310	2,784,028	3,002,931
Employment benefit obligations	-	-	-	-	64,018	64,018
Deferred tax liability	-	-	-	-	34,070	34,070
Total liabilities	**78,511,954**	**5,241,947**	**1,300,955**	**158,641**	**11,619,736**	**96,833,233**
Net repricing period gap	**(35,545,956)**	**33,579,776**	**17,351,361**	**5,205,704**	**(4,886,842)**	**15,704,043**
Off-balance sheet derivative instruments net notional position	**1,873,261**	**2,472,142**	**(3,927,014)**	**(682,850)**	**-**	**(264,461)**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	Audited 31 December 2009					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Total assets	**46,803,346**	**26,898,945**	**19,299,509**	**3,893,389**	**5,528,144**	**102,423,333**
Total liabilities	**71,054,853**	**5,223,942**	**1,128,022**	**221,117**	**10,241,534**	**87,869,468**
Net repricing period gap	**(24,251,507)**	**21,675,003**	**18,171,487**	**3,672,272**	**(4,713,390)**	**14,553,865**
Off-balance sheet derivative instruments net notional position	**1,864,937**	**2,443,944**	**(3,681,309)**	**(572,200)**	**-**	**55,372**

The tables below summarise the range for effective average interest rates by major currencies for monetary financial instruments at 30 June 2010 and 31 December 2009:

	Unaudited 30 June 2010			Audited 31 December 2009		
Assets	USD (%)	EUR (%)	TL (%)	USD (%)	EUR (%)	TL (%)
Cash and due from banks:						
-Time deposits in foreign banks	0.20	0.36	-	0.08	0.22	-
-Time deposits in domestic banks	0.40	-	7.42	0.25	-	12.75
-Interbank money market placements	-	-	6.85	-	-	6.76
Reserve requirements with the Central Bank of Turkey	-	-	5.20	-	-	5.20
Trading securities	4.69	4.48	9.81	4.63	3.74	9.21
Loans and advances to customers	4.04	4.26	12.68	3.89	4.31	14.61
Investment securities:						
-Available for sale	4.74	4.76	12.12	6.06	4.55	9.71
-Held to maturity	3.62	4.83	11.47	4.70	5.03	15.05
Liabilities						
Customer deposits and interbank Money market deposits	2.72	2.11	8.06	1.81	2.16	7.83
Funds borrowed	2.39	1.89	7.53	2.51	2.18	6.72
Debt securities in issue	1.64	-	-	1.40	-	-

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and guarantees. A major objective of the Group's asset and liability management is to ensure that sufficient liquidity is available to meet the Group's commitments to customers and to satisfy the Group's own liquidity needs. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms 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 Group and its exposure to changes in interest rates and exchange rates. The ERC sets limits on the maturity mismatch of assets and liabilities and these limits are changed as necessary.

In accordance with the "Communiqué on the Measurement and Assessment of Liquidity of the Banks" published in the Official Gazette dated 1 November 2006 No. 26333, beginning from 1 June 2007 liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

The table below analyses carrying amount of assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date.

	Unaudited 30 June 2010					
	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Cash and due from banks	5,521,016	31,501	-	-	-	5,552,517
Trading and investment securities	2,681,330	10,857,392	29,659,396	4,685,998	169,565	48,053,681
Derivative financial instruments	57,499	93,781	32,983	105,782	-	290,045
Reserve requirements with the Central Bank of Turkey	3,775,148	-	-	-	-	3,775,148
Loans and advances to customers	17,738,382	10,362,689	19,326,047	5,302,648	-	52,729,766
Property and equipment	-	-	-	-	838,327	838,327
Intangible assets	-	-	-	-	66,806	66,806
Other assets and pre-payments	717,970	-	-	-	189,686	907,656
Deferred tax assets	-	-	323,330	-	-	323,330
Total assets	**30,491,345**	**21,345,363**	**49,341,756**	**10,094,428**	**1,264,384**	**112,537,276**
Customer deposits	77,361,407	2,372,621	1,097,488	91,875	-	80,923,391
Derivative financial instruments	147,354	149,673	637,746	184,796	-	1,119,569
Interbank money market deposits funds borrowed and debt securities in issue	3,784,849	3,979,772	2,902,950	869,025	-	11,536,596
Income taxes payable	-	152,658	-	-	-	152,658
Other liabilities and accrued expenses	2,376,000	36,644	52,778	58,310	479,199	3,002,931
Employment benefit obligations	-	-	-	-	64,018	64,018
Deferred tax liability	-	-	-	-	34,070	34,070
Total liabilities	**83,669,610**	**6,691,368**	**4,690,962**	**1,204,006**	**577,287**	**96,833,233**
Net liquidity gap	**(53,178,265)**	**14,653,995**	**44,650,794**	**8,890,422**	**687,097**	**15,704,043**
Commitment and Contingencies	**391,071**	**1,982,583**	**2,195,327**	**4,818,145**	**-**	**9,387,126**

	Audited 31 December 2009					
Total assets	**31,792,556**	**21,218,244**	**41,717,648**	**6,371,960**	**1,322,925**	**102,423,333**
Total liabilities	**75,115,492**	**7,057,226**	**3,721,792**	**1,941,606**	**33,352**	**87,869,468**
Net liquidity gap	**(43,322,936)**	**14,161,018**	**37,995,856**	**4,430,354**	**1,289,573**	**14,553,865**
Commitment and Contingencies	**301,830**	**1,224,264**	**1,999,650**	**4,209,409**	**-**	**7,735,153**

The most important funding resources of the Bank are the shareholders' equity, the diversified and steady deposit base and the long-term funds borrowed from international institutions which are mainly placed in interest earning assets. In spite of a substantial portion of deposits from individuals being short-term, deposits are diversified by number and type, and maturities of a large portion of deposits are renewed, which indicates that these deposits will provide a long-term and stable source of funding for the Bank. The major part of mandatory cash balances with the Central Bank of Turkey are included within the "up to three months" column as the majority of liabilities to which these balances relate are also included in this category.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

Undiscounted cash flows of the liabilities of the Group is as follows:

	Unaudited 30 June 2010					
Liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	65,402,845	12,028,669	2,645,981	1,189,525	142,897	81,409,917
Funds borrowed and debt securities in issue	898,692	2,360,743	4,145,526	3,125,893	908,732	11,439,586
Interbank money market Deposits	700,580	-	-	-	-	700,580
	67,002,117	**14,389,412**	**6,791,507**	**4,315,418**	**1,051,629**	**93,550,083**

	Audited 31 December 2009					
Liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Customer deposits	58,908,511	12,020,794	3,174,095	807,611	164,165	75,075,176
Funds borrowed and debt securities in issue	739,203	860,625	3,921,254	2,770,323	1,353,391	9,644,796
Interbank money market Deposits	483,572	-	-	-	-	483,572
	60,131,286	**12,881,419**	**7,095,349**	**3,577,934**	**1,517,556**	**85,203,544**

Undiscounted cash flows of derivative financial instruments of the Group are as follows:

	Unaudited 30 June 2010					
Derivatives held for trading	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Foreign exchange derivatives:	487.535	168.133	27.892	(915.527)	(34.627)	(266.594)
– Inflow	3.976.897	1.084.392	3.284.454	568.984	89.022	9.003.749
– Outflow	(3.489.362)	(916.259)	(3.256.562)	(1.484.511)	(123.649)	(9.270.343)
Interest rate derivatives:	(20.728)	(2.187)	(16.807)	(86.856)	5.470	(121.108)
– Inflow	17.855	32.100	176.410	3.082.864	513.322	3.822.551
– Outflow	(38.583)	(34.287)	(193.217)	(3.169.720)	(507.852)	(3.943.659)
Derivatives held for hedging:	**(12.805)**	**(33.674)**	**(226.194)**	**(384.096)**	**(69.720)**	**(726.489)**
Interest rate derivatives:	(12.805)	(33.674)	(226.194)	(384.096)	(69.720)	(726.489)
– Inflow	12.795	22.167	151.817	2.755.188	592.988	3.534.955
– Outflow	(25.600)	(55.841)	(378.011)	(3.139.284)	(662.708)	(4.261.444)
Total inflow	**4.007.547**	**1.138.659**	**3.612.681**	**6.407.036**	**1.195.332**	**16.361.255**
Total outflow	**(3.553.545)**	**(1.006.387)**	**(3.827.790)**	**(7.793.515)**	**(1.294.209)**	**(17.475.446)**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 5 - FINANCIAL RISK MANAGEMENT (Continued)

	Audited 31 December 2009					
Derivatives held for trading	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**5 years and over**	**Total**
Foreign exchange derivatives:	80,843	32,857	(1,785)	(66,376)	9,632	55,171
- Inflow	1,993,188	1,745,274	1,896,164	329,702	99,226	6,063,554
- Outflow	(1,912,345)	(1,712,417)	(1,897,949)	(396,078)	(89,594)	(6,008,383)
Interest rate derivatives:	(23,028)	(9,446)	(39,797)	(57,866)	(63,096)	(193,233)
- Inflow	1,240,294	76,829	284,910	1,622,200	670,491	3,894,724
- Outflow	(1,263,322)	(86,275)	(324,707)	(1,680,066)	(733,587)	(4,087,957)
Derivatives held for hedging:						
Interest rate derivatives:	(18,659)	(17,319)	(187,031)	(425,383)	(6,189)	(654,581)
- Inflow	53,910	17,636	198,417	2,960,840	66,311	3,297,114
- Outflow	(72,569)	(34,955)	(385,448)	(3,386,223)	(72,500)	(3,951,695)
Total inflow	**3,287,392**	**1,839,739**	**2,379,491**	**4,912,742**	**836,028**	**13,255,392**
Total outflow	**(3,248,236)**	**(1,833,647)**	**(2,608,104)**	**(5,462,367)**	**(895,681)**	**(14,048,035)**

(g) Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving the job technology and job definitions, establishing the necessary internal controls and various insurances are employed as main methods.

(h) Fiduciary activities

The Group provides custody services to third parties which involve the Group in the making of allocation, purchase and sale decisions. Assets held in a fiduciary capacity are not included in these financial statements. At 30 June 2010, the Group has custody accounts amounting to TL 23,251,718 in nominal value (31 December 2009: TL 23,792,023).

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 6 - CASH AND DUE FROM BANKS

Cash and due from banks comprises as follows:

	Unaudited 30 June 2010	Audited 31 December 2009
Cash funds:		
Cash on hand	610,410	579,112
Cash in transit	-	16,379
Cheques	228	194
	610,638	**595,685**
Current accounts and demand deposits:		
Central Bank of Turkey	797,239	680,320
Foreign banks	1,508,473	1,137,530
Domestic Banks	22,621	-
	2,328,333	**1,817,850**
Reverse repo receivables	**1,768**	**17,503**
Time deposits:		
Foreign banks	2,252,166	2,170,593
Domestic banks	359,612	427,629
	2,611,778	**2,598,222**
Total cash and due from banks	**5,552,517**	**5,029,260**

Cash and cash equivalents included in the statements of cash flows for the three-month period ended 30 June 2010 and 30 June 2009 are as follows:

	Unaudited 30 June 2010	Unaudited 30 June 2009
Cash and due from banks excluding accrued interest	5,378,676	6,146,768
Trading and investment securities with original maturities of less than three months excluding accrued interest	1,255	64,867
	5,379,931	**6,211,635**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 7 - TRADING SECURITIES

The breakdown of trading securities is as follows:

	Unaudited 30 June 2010	Audited 31 December 2009
Government bonds	179,678	79,042
Eurobonds	141,277	69,475
Government bonds denominated in foreign currency	6,980	7,182
Treasury bills	1,203	2,350
Share certificates	6,749	387
Other	-	1,350
	335,887	**159,786**

Trading securities amounting to TL 25,044 (31 December 2009: TL 7,467) have been pledged as collateral to financial institutions and securities amounting to TL 45,829 (2009: none) are pledged under repurchase agreements.

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into the following derivative financial instruments:

"Currency forwards" represent commitments to purchase or to sell foreign and domestic currency, including spot transactions. "Foreign currency futures" are contractual obligations to receive or pay a net amount based on changes in currency rates or to buy or sell foreign currency at a future date at a specified price established in an organised financial market. Since future contracts are collateralised by cash or marketable securities and changes in the future contract value are settled daily with the exchange rate, the credit risk is negligible.

"Currency and interest rate options" are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

"Currency and interest rate swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. The Group's "credit risks" represent the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held at 30 June 2010 and 31 December 2009 are set out in the following table.

	Unaudited 30 June 2010 Fair values		Audited 31 December 2009 Fair values	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives held for trading:				
Currency and interest rate swap purchases and sales	190,977	(606,288)	144,780	(298,349)
Forward currency purchases and sales	13,596	(14,570)	6,237	(7,330)
Currency and interest rate futures purchases and sales	64,360	(46,023)	44,328	(25,973)
Currency options purchases and sales	21,112	(21,561)	49,775	(49,630)
Derivatives held for hedging:				
Interest rate swap purchases and sales	-	(431,127)	-	(390,461)
Total derivative assets/(liabilities)	**290,045**	**(1,119,569)**	**245,120**	**(771,743)**

Certain derivative transactions, while providing effective economic hedges under the Group's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39, and are therefore treated as derivatives held for trading.

The notional amounts of derivative transactions are explained in detail in Note 18.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	Unaudited 30 June 2010	Audited 31 December 2009
Consumer loans	11,059,991	9,245,165
- Mortgage	5,373,636	4,592,452
- Automobile	513,459	554,982
- Other	5,172,896	4,097,731
Credit cards	6,268,984	5,832,084
- Retail	6,162,751	5,754,064
- Corporate	106,233	78,020
Corporate, commercial and small business loans	35,989,372	30,492,416
- Export financing loans	2,569,754	2,467,638
- Loans to financial institutions	1,796,369	1,702,351
- Finance lease receivables	935,485	965,921
- Discount and purchase notes	655,380	536,289
- Import financing loans	98,205	132,434
- Project finance loans	7,933,413	6,937,860
- Commercial installment loans	3,124,539	2,749,150
- Other	18,876,227	15,000,773
Performing loans	53,318,347	45,569,665
Non-performing loans	1,400,369	1,824,292
Total loans and advances to customers	54,718,716	47,393,957
Provision for impairment	(1,988,950)	(2,344,140)
Net loans and advances to customers	**52,729,766**	**45,049,817**

The loans and advances to customers include finance lease receivables, as shown below:

	Unaudited 30 June 2010	Audited 31 December 2009
Gross investment in finance leases	1,156,585	1,202,848
Less: Unearned finance income	(179,976)	(197,314)
Total investment in finance leases	976,609	1,005,534
Provision for impairment	(40,918)	(42,832)
Net investment in finance leases	**935,691**	**962,702**

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NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Gross lease rentals receivable and the net investment in direct financing leases have the following collection schedules:

	Unaudited 30 June 2010		Audited 31 December 2009	
Period ending	**Gross investment in finance leases**	**Total investment in finance leases**	**Gross investment in finance leases**	**Total investment in finance leases**
2010	258,275	229,041	408,643	332,880
2011	291,785	240,191	274,257	226,109
2012	213,024	175,323	191,575	163,662
2013	139,185	117,280	119,938	104,061
2014	76,962	63,420	60,644	50,963
2015(*)	177,354	151,354	147,791	127,859
	1,156,585	**976,609**	**1,202,848**	**1,005,534**

(*) Balances include the year 2015 and after.

Movements in the provision for loan losses are as follows:

	Unaudited 30 June 2010	Audited 31 December 2009
Balance at beginning of period	2,344,140	1,635,949
- Charge for the period/year	349,762	1,459,437
- Recoveries	(348,823)	(710,401)
- Written-off	(356,113)	(40,846)
Net provision for the period	(355,174)	708,190
Exchange differences	(16)	1
Balance at the end of period	**1,988,950**	**2,344,140**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 10 - INVESTMENT SECURITIES

(a) Securities available-for-sale

	Unaudited 30 June 2010	Audited 31 December 2009
- Government bonds	33,619,513	26,958,500
- Eurobonds	3,875,378	2,196,482
- Treasury Bills	4,190	808,211
- Government bonds denominated in foreign currency	564,352	24,689
- Other bonds	577,434	659,795
Equity securities		
- Listed	88,066	21,681
- Unlisted	10,427	10,418
- Mutual funds	64,323	50,149
Total securities available-for-sale	**38,803,683**	**30,729,925**

Unrealised gain and losses arising from changes in the fair value of securities classified as "available-for-sale" are recognised as "other reserves" in other comprehensive income unless there is an objective evidence that the asset is impaired in which case the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss.

In accordance with "Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures" dated October 2008 and effective from 1 July 2008, published by International Accounting Standards Board ("Amendment to IAS 39"), due to change in the intention to hold such securities in 2008, the Bank reclassified its government bonds with fair values USD 91,820,730 and EUR 17,129,244 into the category of financial assets available-for-sale which were classified under the category of financial assets held-for-trading before. As of the balance sheet date, fair values of these reclassified government bonds are USD (-) and EUR 5,994,000. Had these financial assets not been reclassified, an unrealized valuation gain of USD (-) and a valuation loss of EUR (26,658) would have been recognised in the income statement.

(b) Securities held-to-maturity

	Unaudited 30 June 2010	Audited 31 December 2009
Debt securities		
- Government bonds	5,387,306	9,873,495
- Government bonds denominated in foreign currency	2,556,976	4,802,686
- Eurobonds	969,829	1,163,583
Total securities held-to-maturity	**8,914,111**	**15,839,764**

Investment securities amounting to TL 6,176,006 have been pledged as collateral to various institutions at 30 June 2010 (2009: TL 6,126,262) and securities amounting to TL 11,403,203 (2009: TL 13,386,725) are pledged under repurchase agreements.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 10 - INVESTMENT SECURITIES (Continued)

In accordance with "Amendment to IAS 39", due to change in the intention to hold such securities in 2008, the Bank reclassified its government bonds with fair values amounting to TL 104,306, USD 962,377,327 and EUR 419,021,064 into the category of financial assets held to maturity which were classified under the category of financial assets held for trading before. As of the balance sheet date, fair values of these reclassified government bonds after the redemption in the current period are TL 1,809, USD 967,262,000 and EUR 386,280,000. Had these financial assets not been reclassified, a valuation gain/(loss) of TL 181, USD (5,010,543) and EUR (2,789,638) would have been recognised in the income statement.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased during the six months period ended 30 June 2010 amounts to TL 97,221 (30 June 2009: TL 39,890).

The cost of tangible and intangible assets sold during the six months period ended 30 June 2010 amounts to TL 1,895 (30 June 2009: TL 2,524).

NOTE 12 - CUSTOMER DEPOSITS

The breakdown of deposits according to type and maturity is as follows:

	Unaudited 30 June 2010			Audited 31 December 2009		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Saving deposits	3,495,102	37,623,555	41,118,657	3,185,461	35,404,228	38,589,689
Funds deposited under repurchase agreements	-	10,396,189	10,396,189	-	13,747,009	13,747,009
Commercial deposits	3,902,721	17,126,938	21,029,659	4,052,446	12,936,460	16,988,906
Bank deposits	269,866	5,979,047	6,248,913	194,458	3,848,719	4,043,177
Other	917,273	1,212,700	2,129,973	375,322	957,181	1,332,503
	8,584,962	**72,338,429**	**80,923,391**	**7,807,687**	**66,893,597**	**74,701,284**

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NOTE 13 – INTERBANK MONEY MARKET DEPOSITS, FUNDS BORROWED AND DEBT SECURITIES IN ISSUE

	Unaudited 30 June 2010	Audited 31 December 2009
Interbank money market deposits	**699,649**	**483,572**
Domestic banks		
- TL	296,317	67,167
- Foreign currency	289,183	314,802
Foreign institutions	7,022,235	5,500,030
Funds borrowed	**7,607,735**	**5,881,999**

Interbank money market deposits represent borrowings from the interbank money market regulated by the Central Bank of Turkey.

Funds borrowed from domestic banks mainly represent funds obtained from Turkish Eximbank to finance certain export loans given to customers, under prevailing regulations.

As of 30 June 2010, there are four outstanding syndicated loan facilities; the first amounts to EUR 681,500, with an all-in-cost interest rate of Euribor+2.5% provided by 48 international banks with West LB AG London Branch acting as agent, which consists of two equal parts amounting to EUR 340,750 with maturity dates 25 August 2010 and 24 September 2010; the second amounts to USD 312,000, comprising of two equal parts amounting to USD 156,000, with an all-in-cost interest rate of Libor+2.5% respectively, provided by 48 international banks with West LB AG London Branch acting as agent, which matures on 25 August 2010 and 24 September 2010.The third one amounts to EUR 584,500, with an all in cost interest rate of Euribor + %1.5 provided by 55 international banks with Wells Fargo Bank acting as an agent which matures on 29 March 2011. Last one amounts to USD 437,500 with an all in cost interest rate of Libor+ %1.5 provided by 55 international banks with Standard Chartered Bank acting as an agent which matures on 29 March 2011.

NOTE 13 – INTERBANK MONEY MARKET DEPOSITS, FUNDS BORROWED AND DEBT SECURITIES IN ISSUE (Continued)

Debt securities in issue

The repayment schedule of the total floating-rate notes in issue, which is prepared using the Libor current at the balance sheet date, is as follows:

	Unaudited 30 June 2010		Audited 31 December 2009	
	USD (000)	**TL**	**USD (000)**	**TL**
2010 (*)	195,193	307,175	380,376	565,733
2011	383,769	603,937	383,769	570,780
2012	454,581	715,374	454,581	676,098
2013	451,006	709,748	451,006	670,781
2014	261,423	411,401	261,422	388,813
2015	107,601	169,332	107,601	160,035
2016	107,601	169,332	107,601	160,035
2017	60,542	95,275	60,542	90,044
2018	30,271	47,638	30,271	45,022
Total	**2,051,987**	**3,229,212**	**2,237,169**	**3,327,341**

(*) As of 30 June 2010, repayments include accrued interest payables in the amount of USD 1,247 (31 December 2009: USD 1,155) for USD balances, and the TL equivalent of the total amount as of 30 June 2010 is TL 1,963 (31 December 2009: TL 1,718).

NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS

	Unaudited 30 June 2010	Audited 31 December 2009
Balance sheet obligations for:		
- Reserve for employment termination benefits	33,163	30,545
- Vacation pay liability	30,855	28,341
	64,018	**58,886**

There are no amounts recognised in the balance sheet for post-employment benefits since fair value of the Fund's plan assets compensate defined benefit obligations as of 30 June 2010.

(a) Post-employment benefits (pension and medical)

The Bank's personnel are members of the "Akbank T.A.Ş. Tekaüt Sandığı" ("Pension Fund") established in accordance with the Social Security Law numbered 506, article No.20. The financial statements of the Pension Fund have been audited by an independent actuary in accordance with the 38th article of the Insurance Supervisory Law and the "Actuarial Regulation" based on the same article.

NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Temporary 23rd article paragraph ("the paragraph") 1 of the Banking Law No 5411 published in the Official Gazette No 25983 dated 1 November 2005 envisaged that Banks would transfer their pension funds to the Social Security Institution within three years following the publication date of the Banking Law, and regulated the principles of this transfer. The first paragraph of the related article was rescinded as from the 31 March 2007, the publication date of the decision of the Constitutional Court dated 22 March 2007. The reasoned decree regarding the rescission of the mentioned paragraph was published in the Official Gazette numbered 26731, dated 15 December 2007.

Following the publication of the reasoned decree of the Constitutional Court, Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law ("New Law") numbered 5754 regarding the transfer of the funds, were ratified by the Grand National Assembly on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

The main opposition party appealed to the Constitutional Court for the cancellation of some of the articles of the New Law including transfer of the Funds to the SSI on 19 June 2008. There is no resolution adopted by the Constitution Court related to mentioned issue as of the publication date of the financial statements.

The transfer is required by the New Law to be completed in three years beginning from 1 January 2008. According to the New Law, following the transfer of the members of the fund, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

The Group's obligation in respect of the post-employment benefits transferrable to SSI, has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the New Law and other related laws and regulations and the Group's obligation related to other non-transferable benefits is calculated in accordance with IAS 19 by a registered actuary. Therefore, the actuarial parameters and results reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9.80%), except for the non-transferrable other benefits. Based on the actuarial report as at 31 December 2009 issued by the actuary, it has been determined that, in accordance with the New Law, the Fund has a surplus including the obligation for non-transferable other benefits.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer to be made within the framework described above will be at a reasonable level that can be met by the Fund's assets and will not bring any additional burden for the Bank.

(b) Employment termination benefits

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

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NOTE 14- EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The amount payable consists of one month's salary limited to a maximum of TL 2,517.00 in full TL amount (31 December 2009: TL 2,365.16 in full TL amount) for each year of service.

The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees.

NOTE 15 - SHARE CAPITAL

The historic amount of share capital of the Group is TL 4,000,000 (31 December 2009: TL 3,000,000) and consists of 400,000,000,000 (31 December 2009: 300,000,000,000) authorized shares with a nominal value of Kr 1 each.

At 30 June 2010 and 31 December 2009, the issued and fully paid-in share capital held is as follows:

	Unaudited 30 June 2010		**Audited 31 December 2009**	
	Share (%)	**TL**	**Share (%)**	**TL**
Sabancı Group, family and affiliated companies:				
Hacı Ömer Sabancı Holding A.Ş. and affiliated companies	44.45	1,778,101	44.45	1,333,575
Sabancı family	6.92	276.837	6.92	207,628
Total Sabancı Group, family and affiliated companies	51.37	2,054,938	51.37	1,541,203
Citibank Overseas Investment Corporation	20.00	800,000	20.00	600,000
Other	28.63	1,145,062	28.63	858,797
Historical share capital	100.00	4,000,000	100.00	3,000,000
Adjustment to share capital	-	1,529,151	-	2,029,151
Total paid-in share capital		**5,529,151**		**5,029,151**

The Bank has increased its paid-in capital from TL 3,000,000 to TL 4,000,000 within registered capital ceiling amounting to TL 5,000,000 with a total increase of TL 1,000,000 met from adjustment to share capital amounting to TL 500,000 and from retained earnings amounting to TL 500.000. The new capital of the Bank is registered by Istanbul Trade Registry Office on 12 April 2010 and published on Turkish Trade Registry Gazette dated 16 April 2010 No. 7545.

The adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at 31 December 2004 after elimination of the accumulated deficit of TL 1,464,503.

For the interim period ending 30 June 2010, the Bank has paid dividend payment in cash with respect to 2009 net distributable profit after the transfer of first and legal reserves amounting to TL 540,600 (TL 0.0018 per share).

For the interim period ending 30 June 2009, the Bank has paid dividend payment in cash with respect to 2008 net distributable profit after the transfer of first and legal reserves amounting to TL 360,550 (TL 0.0012 per share).

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 16 - NET FEES AND COMMISSION INCOME

	Unaudited 1 January- 30 June 2010	Unaudited 1 January- 30 June 2009
Fee and commission income on:		
Credit cards	373,998	427,732
Retail and commercial banking operations	152,009	110,275
Mutual fund management fee	82,053	86,847
Brokerage	30,598	21,751
Non-cash loans	32,277	30,620
Insurance intermediary	31,932	18,352
Money transfers	28,946	30,051
Other	60,018	35,765
	791,831	**761,393**
Fee and commission expense on:		
Credit cards	(83,352)	(90,604)
Other	(13,977)	(10,871)
	(97,329)	**(101,475)**
Net fee and commission income	**694,502**	**659,918**

NOTE 17 - OPERATING EXPENSES

	Unaudited 1 January- 30 June 2010	Unaudited 1 January- 30 June 2009
Employee costs	470,490	393,020
Credit card and banking services	174,477	145,910
Provision for general possible risks	60,000	-
Legal expenses	63,363	66,925
Depreciation charges of property and equipment	52,212	53,246
Communication expenses	44,957	50,484
Information technology	58,698	49,873
Marketing and advertisement expenses	57,500	44,176
Saving deposits insurance fund	32,061	33,076
Sundry taxes and duties	55,305	32,476
Heating, lighting and water expenses	15,357	14,584
Repair and maintenance expenses	6,864	13,684
Amortisation of intangible assets	10,036	7,652
Stationery expenses	4,461	5,722
Other	157,533	152,470
	1,263,314	**1,063,298**

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 18 - COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the normal course of banking activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these consolidated balance sheets, including letters of guarantee, acceptance credits, letters of credit and off-balance sheet derivative instruments. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities:

(a) Commitments under derivative instruments

The breakdown of notional amounts of derivative transactions at 30 June 2010 and 31 December 2009 is as follows:

	Unaudited 30 June 2010	Audited 31 December 2009
Derivatives held for trading:		
Forward and spot foreign currency buy/sell transactions	**1,629,546**	**1,078,100**
Forward foreign currency transactions-buy	813,810	538,260
Forward foreign currency transactions-sell	815,736	539,840
Swap transactions related to foreign currency and interest rates	**21,148,633**	**18,571,822**
Foreign currency swap-buy	6,400,119	4,339,416
Foreign currency swap-sell	6,645,562	4,264,896
Interest rate swap-buy	4,051,476	4,983,755
Interest rate swap-sell	4,051,476	4,983,755
Foreign currency and interest rate options	**10,734,780**	**6,923,561**
Foreign currency options-buy	4,255,195	2,763,201
Foreign currency options-sell	4,253,039	2,763,006
Interest rate options-buy	1,113,273	698,677
Interest rate options-sell	1,113,273	698,677
Foreign currency futures	**-**	**18,188**
Foreign currency futures-buy	-	9,190
Foreign currency futures-sell	-	8,998
Other	**77,165**	**178,691**
Derivatives held for hedging:		
Interest Rate Swaps	**6,112,905**	**5,090,000**
Total derivative transactions, net	**39,703,029**	**31,860,362**

The above tables summarise the Group's derivative transactions. Each derivative transaction represents a simultaneous receivable and payable to be received and paid, on a future date. Accordingly, the difference between the "sale" and "purchase" transactions represents the net exposure of the Group with respect to commitments arising from these transactions.

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 18- COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

(b) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group 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, since many of these commitments will expire or terminate without being funded.

The following table shows the outstanding credit related commitments of the Group at 30 June 2010 and 31 December 2009:

	Unaudited 30 June 2010			Audited 31 December 2009		
	Up to 1 year	**Over 1 year**	**Total**	**Up to 1 year**	**Over 1 year**	**Total**
Letters of guarantee issued by the Group						
- Turkish lira	192,822	3,275,393	3,468,215	92,732	2,703,903	2,796,635
- Foreign currency	148,253	2,339,132	2,487,385	142,150	2,528,427	2,670,577
Acceptance credits						
- Turkish lira	-	496	496	708	15	723
- Foreign currency	48,877	8,373	57,250	47,329	10,998	58,327
Letter of credit						
- Turkish lira	-	12,944	12,944	-	893	893
- Foreign currency	1,769,725	948,762	2,718,487	1,031,708	651,083	1,682,791
Other guarantees						
- Turkish lira	86,563	238,492	325,055	88,794	158,005	246,799
- Foreign currency	127,414	189,880	317,294	122,672	155,736	278,408
	2,373,654	**7,013,472**	**9,387,126**	**1,526,093**	**6,209,060**	**7,735,153**

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NOTE 19 - MUTUAL FUNDS

At 30 June 2010, the Group manages 26 (31 December 2009: 18) mutual funds and 18 (31 December 2009: 19) mutual pension funds ("Funds") which were established under Capital Markets Board Regulations. At 30 June 2010, the Funds' investment portfolio includes government bonds, treasury bills and share certificates amounting to TL 5,873,285 (31 December 2009: TL 5,675,430). In accordance with the Funds' statute, the Group purchases and sells marketable securities for the Funds, markets their participation certificates and provides other services and charges management fees ranging from 0.0000275% to 0.0001438%. At 30 June 2010, management fees earned by the Group amounted to TL 82,053 (30 June 2009: TL 86,847).

NOTE 20 - RELATED PARTY TRANSACTIONS

A number of transactions were entered into with related parties in the normal course of business.

Balances with related parties:

	Unaudited 30 June 2010	Audited 31 December 2009
Loans and receivables, net	1,092,202	635,235
Finance lease receivables	8,711	7,571
Total assets	**1,100,913**	**642,806**
Customer Deposit	6,813,167	6,191,548
Total liabilities	**6,813,167**	**6,191,548**
Credit related commitments	583,825	747,911
Commitment under derivative instruments	2,138,182	2,005,471
Total commitments and contingent liabilities	**2,722,007**	**2,753,382**

Transactions with related parties:

	Unaudited 30 June 2010	Unaudited 30 June 2009
Total interest income	18,306	22,185
Total interest expense	227,159	254,876
Trading gains and losses, net	20,017	5,571

(Currency - in Thousands of Turkish Lira ("TL") unless otherwise indicated. All other currencies are also expressed in thousands)

NOTE 20 - RELATED PARTY TRANSACTIONS (Continued)

Balances with senior management and Board of Directors and their related parties:

	Unaudited 30 June 2010	Audited 31 December 2009
Customer Deposit	703,538	662,782
Total due to customers	**703,538**	**662,782**

Key management personnel compensation:

For the period ended 30 June 2010, total remuneration of the senior management and Board of Directors amounted to TL 13,892 (30 June 2009: TL 11,215).

As at 30 June 2010, other balances with directors and other key management personnel are immaterial.

NOTE 21 - SEGMENT REPORTING

The Group operates in five main business segments including retail banking, corporate and SME banking, treasury activities, private banking and international banking. These segments have been determined considering customer segments and branch network providing services to customers in accordance with the Bank's organizational structure.

The profitability system generating segment information provides profitability information on the basis of account, customer, customer relationship manager, branch, segment and product. This information is made available to the branch and Head Office personnel through a web based management reporting system.

In scope of retail banking, the Group offers a variety of retail services such as deposit accounts, consumer loans, commercial installment loans, credit cards, insurance products and asset management services. The retail banking products and services also include bank cards, investment funds trading, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, investment banking, telephone and internet banking.

Corporate banking and SME banking provide financial solutions and banking services to large, medium and small size corporate and commercial customers. The products and services offered to corporate and commercial customers include TL and foreign currency denominated working capital loans, financing for investments, foreign trade financing, derivative instruments for hedging purposes of foreign currency and interest risk, letters of credit, foreign currency trading, corporate finance services and deposit and cash management services. In addition, the Group provides timely and permanent solutions for corporate customers' working capital management, delivers cash management services tailored based on customers' requests that include collection and payment services and liquidity and information management. Project finance loans are provided within the context of investment banking activities.

Treasury activities are performed by the Treasury Unit. The Treasury Unit trades in TL and foreign currency instruments on a spot and forward basis, and trade in treasury bills, bonds and other domestic securities together with foreign securities with "AAA" rating. The Marketing and Treasury Group carry out marketing activities of treasury and derivative financial products for customers.

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NOTE 21 - SEGMENT REPORTING (Continued)

Private banking serves the members of the upper-income groups who have expectations for upperclass service quality both in banking and investment transactions.

International Banking activities are managed by International Banking Unit. The Group provides services for foreign trade financing, foreign currency and TL clearances, and money transfers through agent financial institutions. The international banking unit serves in fundamental areas such as providing long-term funding opportunities, creating funding facility at lower prices that fully reflect country risk, diversifying funding resources and creating a base of international investors for that purpose.

Other activities including leasing services provided by Ak Finansal Kiralama A.Ş., Ak Yatırım Menkul Değerler A.Ş. and Ak Portföy Yönetim A.Ş. which are the consolidated subsidiaries of the Bank.

Segment information regarding the balance sheets at 30 June 2010 and 31 December 2009 and the income statements for the three-month periods ended 30 June 2010 are as follows:

	Unaudited 30 June 2010						
	Retail banking	Corporate and SME banking	Private banking	Treasury activities	International banking	Other	Total
Segment information regarding the balance sheet:							
Segment assets	19,916,913	35,283,551	319,974	52,600,349	395,988	510,226	109,027,001
Equity securities							22,825
Unallocated assets							3,487,450
Total assets							**112,537,276**
Segment liabilities	40,294,713	19,422,843	9,979,744	16,080,037	7,464,129	366,041	93,607,507
Unallocated liabilities							3,225,726
Equity							15,704,043
Total liabilities and equity							**112,537,276**
Segment information regarding the income statement:							
Segment revenue	1,118,553	670,767	73,431	1,609,680	27,489	45,076	3,544,996
Segment result	379,144	426,554	53,983	1,466,734	25,851	(76,015)	2,276,251
Dividend income	-	-	-	-	-	5,431	5,431
Income and deferred taxes						(447,821)	(447,821)
Profit for the period	**379,144**	**426,554**	**53,983**	**1,466,734**	**25,851**	**(518,405)**	**1,833,861**
Other segment items:							
Capital expenditure	(48,298)	(1,333)	(645)	(1,140)	-	(45,805)	(97,221)
Depreciation and amortization (Not 17)	(34,379)	(2,323)	(385)	(397)	(118)	(24,646)	(62,248)
Other non-cash expenses	(100,380)	(160,433)	(415)	(56,257)	(301)	(1,607)	(319,393)

As a result of the changes in the organizational structure of the Bank, there are classification differences between business segments of current period and prior period. The main change in the organization structure stems from the transfer of Enterprise Banking into Corporate and SME Banking as of 30 June 2010 which was classified under Retail Banking as of 31 December 2009.

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NOTE 21 - SEGMENT REPORTING (Continued)

	Audited 31 December 2009						
	Retail banking	**Corporate banking**	**Private banking**	**Treasury activities**	**International banking**	**Other**	**Total**
Segment information regarding the balance sheet:							
Segment assets	19,779,752	27,260,216	246,446	50,655,555	316,127	968,160	99,226,256
Equity securities	-	-	-	-	-	-	28,974
Unallocated assets	-	-	-	-	-	-	3,168,103
Total assets							**102,423,333**
Segment liabilities	38,511,649	15,313,621	6,673,413	18,355,843	5,873,714	470,251	85,198,491
Unallocated liabilities	-	-	-	-	-	-	2,670,977
Equity							14,553,865
Total liabilities and equity							**102,423,333**

	Unaudited 30 June 2009						
	Retail banking	**Corporate banking**	**Private banking**	**Treasury activities**	**International banking**	**Other**	**Total**
Segment information regarding the income statement:							
Segment revenue	1,626,480	380,898	50,511	1,050,078	37,817	22,120	3,167,904
Segment result	321,245	342,441	34,837	933,352	34,182	(38,048)	1,628,009
Dividend income							1,236
Income and deferred taxes							(328,351)
Profit for the period							**1,300,894**
Other segment items:							
Capital expenditure	(7,824)	(502)	(182)	(455)	(1)	(19,803)	(28,767)
Depreciation and Amortisation (Not 17)	(31,859)	(2,793)	(429)	(253)	(107)	(25,457)	(60,898)
Other non-cash expenses	(180,499)	(302,043)	(49)	(302)	(22)	-	(482,915)

NOTE 22 - SUBSEQUENT EVENTS

Zafer Kurtul has resigned from Vice Chairman of Board of Directors, Managing Director and Member of Board of Directors positions effective from 19 July 2010 in accordance with the decision of the Board of Director's meeting dated 7 June 2010. Hayri Çulhacı, Managing Director and Member of Board of Directors, has taken office as Vice Chairman of Board of Directors and Managing Director effective from 19 July 2010.

The Bank has issued 5 year USD denominated Eurobonds with a nominal amount of USD 1 billion and maturing at 22 July 2015. These bonds have a yield of 5.256% and a coupon rate of 5.125%.

There is a judgemental difference between the Bank and the Central Bank of Turkey with respect to the reserve requirements to be kept at the Central Bank of Turkey, regarding the syndication loans borrowed by its Malta Branch. The Bank's judgement is that, its treatment for the past years has been in compliance with all applicable rules and regulations. Accordingly the Bank has filed a lawsuit together with a preliminary injunction request for the cancellation of the demand of the Central Bank.

In accordance with "Communiqué regarding change in the Communiqué Regarding the Reserve Requirements" published in the Official Gazette dated 29 July 2010 No. 27656, the required reserve rate has been changed to 10%).

On 16 August 2010, the Bank has obtained a securitization loan from Standard Chartered, West LB, Wells Fargo, European Investment Bank and International Finance Corporation by securitizating its export and checks receivables and foreign currency denominated transfers amounting to USD 860,000. USD 560,000 of the aforementioned loan will be used to re-finance its existing loans while the rest is for new funding with an average maturity of 5.8 years.

On 18 August 2010, the Bank has obtained a syndication loan amounting to EUR 1 billion and consisting of two portions. The first portion amounting to EUR 780,000 has an all in cost interest rate of Libor+1.30 and Euribor+1.30 with 1 year maturity. The second portion amounting to EUR 220,000 has an all in cost interest rate of Libor+1.75 and Euribor+1.75 with 2 years maturity.