



**Anadolubank Anonim Şirketi  
and Its Subsidiaries**

Consolidated Financial Statements  
As at 31 December 2009  
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ

5 March 2010

*This report includes 1 page of independent  
auditors' report and 57 pages of consolidated  
financial statements together with their  
explanatory notes.*

# Anadolubank Anonim Şirketi and Its Subsidiaries

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## Independent Auditors' Report

To the Board of Directors of Anadolubank Anonim Şirketi

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

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

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

Istanbul, Turkey  
5 March 2010

*KPMG Akis Bağımsız Denetim ve Serbest*

**Anadolubank Anonim Şirketi and Its Subsidiaries**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2009**  
*(Currency – Thousands of Turkish Lira (TL))*

	Notes	31 December 2009	31 December 2008
<b>ASSETS</b>			
Cash and balances with the Central Bank	8	170,869	269,209
Deposits with banks and other financial institutions	8	240,948	108,854
Interbank money market placements	8	--	91,198
Receivables from reverse repo transaction	8	--	77,474
Financial assets at fair value through profit or loss	9	170,721	35,031
Derivative financial assets held for trading purpose	10	32,325	20,882
Investment securities	11	714,293	747,052
Loans and receivables	12,13	3,065,944	2,341,474
Reserve deposits at the Central Bank	16	80,241	72,827
Property and equipment	14	18,564	18,174
Intangible assets	15	1,676	1,742
Deferred tax assets	21	10,012	20
Other assets	17	63,151	45,694
<b>Total assets</b>		<b>4,568,744</b>	<b>3,829,631</b>
<b>LIABILITIES</b>			
Deposits from banks	18	80,418	33,614
Deposits from customers	18	2,928,675	2,416,601
Interbank money market borrowings	18	15,063	--
Obligations under repurchase agreements	18	323,108	234,130
Funds borrowed	19	326,788	488,744
Derivative financial liabilities held for trading purpose	10	62,850	4,797
Other liabilities and provisions	20	137,732	104,615
Income taxes payable	21	4,533	1,818
Deferred tax liabilities	21	--	3,685
<b>Total liabilities</b>		<b>3,879,167</b>	<b>3,288,004</b>
<b>EQUITY</b>			
Share capital	22	412,119	412,119
Reserves		22,779	15,258
Retained earnings		253,068	112,867
<b>Total equity attributable to equity holders of the Bank</b>		<b>687,966</b>	<b>540,244</b>
<b>Non-controlling interest</b>	22	<b>1,611</b>	<b>1,383</b>
<b>Total equity</b>		<b>689,577</b>	<b>541,627</b>
<b>Total liabilities and equity</b>		<b>4,568,744</b>	<b>3,829,631</b>
<b>Commitments and contingencies</b>	26	<b>1,272,082</b>	<b>1,382,809</b>

*The notes on pages 7 to 57 are an integral part of these consolidated financial statements.*

**Anadolubank Anonim Şirketi and Its Subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**As at and For the Year Ended 31 December 2009**  
*(Currency – Thousands of Turkish Lira (TL))*

	Notes	31 December 2009	31 December 2008
<b>Continuing operations:</b>			
<i>Interest income:</i>			
Interest on loans and receivables		421,100	415,834
Interest on marketable securities		98,795	57,219
Interest on deposits with banks and other financial institutions		5,774	16,435
Interest on other money market placements		931	4,204
Other interest income		1,973	1,416
<b>Total interest income</b>		<b>528,573</b>	<b>495,108</b>
<i>Interest expense:</i>			
Interest on deposits		(177,321)	(227,743)
Interest on other money market deposits		(28,966)	(15,231)
Interest on funds borrowed		(20,035)	(27,843)
Other interest expense		(348)	(110)
<b>Total interest expense</b>		<b>(226,670)</b>	<b>(270,927)</b>
<b>Net interest income</b>		<b>301,903</b>	<b>224,181</b>
Fees and commissions income		76,898	64,774
Fees and commissions expense		(11,842)	(10,214)
<b>Net fees and commissions income</b>		<b>65,056</b>	<b>54,560</b>
<i>Other operating income:</i>			
Trading income, net		8,610	--
Foreign exchange gains, net		--	19,397
Other income		9,371	7,998
<b>Total other operating income</b>		<b>17,981</b>	<b>27,395</b>
<i>Other operating expense:</i>			
Salaries and employee benefits	24	(103,053)	(95,013)
Trading losses, net		--	(29,272)
Foreign exchange loss, net		(8,716)	--
Provision for possible loan losses, net of recoveries		(34,243)	(18,260)
Depreciation and amortization		(6,847)	(6,973)
Taxes other than on income		(7,519)	(3,898)
Other expenses	25	(42,317)	(39,390)
<b>Total other operating expense</b>		<b>(202,695)</b>	<b>(192,806)</b>
<b>Income from operations</b>		<b>182,245</b>	<b>113,330</b>
Income tax expense	21	(36,550)	(22,595)
<b>Profit from continuing operations</b>		<b>145,695</b>	<b>90,735</b>
<b>Discontinued operation:</b>			
Income from discontinued operation	6	--	2,077
Income tax expense	6,21	--	(248)
<b>Profit from discontinued operation</b>	6	<b>--</b>	<b>1,829</b>
<b>Profit for the year</b>		<b>145,695</b>	<b>92,564</b>

*The notes on pages 7 to 57 are an integral part of these consolidated financial statements.*

**Anadolubank Anonim Şirketi and Its Subsidiaries**  
**Consolidated Statement of Comprehensive Income** *(continued)*  
**As at and For the Year Ended 31 December 2009**  
*(Currency – Thousands of Turkish Lira (TL))*

	Notes	31 December 2009	31 December 2008
<b>Other comprehensive income:</b>			
Foreign currency translation differences for foreign operations		543	12,873
Fair value reserve of available for sale financial assets transferred to profit or loss	22	2,140	1,181
Income tax on other comprehensive income	22	(428)	(236)
<b>Other comprehensive income for the year, net of income taxes</b>		<b>2,255</b>	<b>13,818</b>
<b>Total comprehensive income for the year</b>		<b>147,950</b>	<b>106,382</b>
<b>Profit attributable to:</b>			
Equity holders of the Bank		145,469	92,499
Non-controlling interest		226	65
<b>Profit for the year</b>		<b>145,695</b>	<b>92,564</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Bank		147,722	106,309
Non-controlling interest		228	73
<b>Total comprehensive income for the year</b>		<b>147,950</b>	<b>106,382</b>
Earnings per share from continuing operations (full TL)		<b>0.003558</b>	<b>0.002638</b>
Earnings per share from total comprehensive income (full TL)		<b>0.003613</b>	<b>0.003032</b>

*The notes on pages 7 to 57 are an integral part of these consolidated financial statements.*

**Anadolubank Anonim Şirketi and Its Subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**As at and for the year ended 31 December 2009**  
*(Currency – Thousands of Turkish Lira (TL))*

	Notes	Attributable to equity holders of the Bank					Total	Non-controlling interest	Total
		Share capital	Translation reserve	Fair value reserve	Other reserves	Retained earnings			
<b>Balances at 1 January 2008</b>		<b>227,619</b>	<b>(2,895)</b>	<b>(6,891)</b>	<b>7,517</b>	<b>154,585</b>	<b>379,935</b>	<b>1,317</b>	<b>381,252</b>
<b>Total comprehensive income for the year</b>									
Net profit of the year		--	--	--	--	<b>92,499</b>	<b>92,499</b>	<b>65</b>	<b>92,564</b>
<b>Other comprehensive income</b>									
Currency translation adjustments		--	12,865	--	--	--	12,865	8	12,873
Net losses on available for sale financial assets transferred to profit or loss, net off tax	22	--	--	945	--	--	945	--	945
<b>Total other comprehensive income</b>		<b>--</b>	<b>12,865</b>	<b>945</b>	<b>--</b>	<b>--</b>	<b>13,810</b>	<b>8</b>	<b>13,818</b>
<b>Total comprehensive income for the year</b>		<b>--</b>	<b>12,865</b>	<b>945</b>	<b>--</b>	<b>92,499</b>	<b>106,309</b>	<b>73</b>	<b>106,382</b>
<b>Transactions with owners, recorded directly in equity</b>									
Share capital increase:	22	184,500	--	--	--	(130,500)	54,000	--	54,000
- Cash	22	54,000	--	--	--	--	54,000	--	54,000
- Transfer from reserves	22	130,500	--	--	--	(130,500)	--	--	--
Transfers to other reserves		--	--	--	3,717	(3,717)	--	--	--
Effect of discontinued operations		--	--	--	--	--	--	(7)	(7)
<b>Total contributions by owners</b>		<b>184,500</b>	<b>--</b>	<b>--</b>	<b>3,717</b>	<b>(134,217)</b>	<b>54,000</b>	<b>(7)</b>	<b>53,993</b>
<b>Total transactions with owners</b>		<b>184,500</b>	<b>--</b>	<b>--</b>	<b>3,717</b>	<b>(134,217)</b>	<b>54,000</b>	<b>(7)</b>	<b>53,993</b>
<b>Balances at 31 December 2008</b>		<b>412,119</b>	<b>9,970</b>	<b>(5,946)</b>	<b>11,234</b>	<b>112,867</b>	<b>540,244</b>	<b>1,383</b>	<b>541,627</b>

*The notes on pages 7 to 57 are an integral part of these consolidated financial statements.*

**Anadolubank Anonim Şirketi and Its Subsidiaries**  
**Consolidated Statement of Changes in Equity (continued)**  
**As at and for the year ended 31 December 2009**  
*(Currency – Thousands of Turkish Lira (TL))*

	Attributable to equity holders of the Bank						Non-controlling interest	Total	
	Notes	Share capital	Translation reserve	Fair value reserve	Other reserves	Retained earnings			
<b>Balances at 1 January 2009</b>		412,119	9,970	(5,946)	11,234	112,867	540,244	1,383	541,627
<b>Total comprehensive income for the year</b>									
Net profit of the year		--	--	--	--	145,469	145,469	226	145,695
<b>Other comprehensive income</b>									
Currency translation adjustments		--	541	--	--	--	541	2	543
Net losses on available for sale financial assets transferred to profit or loss, net off tax	22	--	--	1,712	--	--	1,712	--	1,712
<b>Total other comprehensive income</b>		--	541	1,712	--	--	2,253	2	2,255
<b>Total comprehensive income for the year</b>		--	541	1,712	--	145,469	147,722	228	147,950
<b>Transactions with owners, recorded directly in equity</b>									
Share capital increase:		--	--	--	--	--	--	--	--
- Cash		--	--	--	--	--	--	--	--
- Transfer from reserves		--	--	--	--	--	--	--	--
Transfers to other reserves		--	--	--	5,268	(5,268)	--	--	--
<b>Total contributions by owners</b>		--	--	--	5,268	(5,268)	--	--	--
<b>Total transactions with owners</b>		--	--	--	5,268	(5,268)	--	--	--
<b>Balances at 31 December 2009</b>		412,119	10,511	(4,234)	16,502	253,068	687,966	1,611	689,577

*The notes on pages 7 to 57 are an integral part of these consolidated financial statements.*



**Anadolubank Anonim Şirketi and Its Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**As at and For the Year Ended 31 December 2009**  
*(Currency – Thousands of Turkish Lira (TL))*

	Notes	31 December 2009	31 December 2008
<b>Cash flows from operating activities:</b>			
Profit for the year		145,695	92,564
<b>Adjustments for:</b>			
Income tax expense		36,550	22,843
Provision for loan losses		34,243	18,260
Depreciation and amortization		6,847	6,973
Provision for retirement pay liability		1,143	447
Other various expense accruals		2,910	600
Other various income accruals		7,460	(8,004)
Currency translation differences		543	12,873
Unrealized foreign currency losses/(gains)		560	(231)
Net losses/(gains) on derivative instruments held for trading		46,610	(53,594)
Net interest income		(301,915)	(224,181)
		<b>(19,354)</b>	<b>(131,450)</b>
<b>Changes in operating assets and liabilities:</b>			
Deposits with banks and other financial institutions		(16,697)	35,297
Reserve deposits at the Central Bank		(7,414)	21,420
Financial assets at fair value through profit or loss		(133,992)	(25,444)
Loans and receivables		(768,381)	(435,291)
Other assets		(18,430)	45,997
Deposit with other banks and customers		666,855	633,235
Other liabilities and provisions		28,636	(40,092)
		<b>(249,423)</b>	<b>235,122</b>
Interest paid		(237,470)	(272,893)
Interest received		526,272	479,644
Income taxes paid		(48,697)	(17,584)
<b>Cash (used in)/provided by operating activities</b>		<b>(28,672)</b>	<b>292,839</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities		(46,734)	(394,337)
Proceeds from sale of investment securities		91,674	39,305
Acquisition of property and equipment		(13,863)	(3,627)
Proceeds from sale of property and equipment		1,283	140
<b>Cash provided by/(used in) investing activities</b>		<b>32,360</b>	<b>(358,519)</b>
<b>Cash flows from financing activities</b>			
Proceeds from funds borrowed		336,652	489,586
Repayment of funds borrowed		(488,744)	(514,536)
Increase in share capital		--	54,000
<b>Cash (used in)/provided by financing activities</b>		<b>(155,092)</b>	<b>29,050</b>
Effect of exchange rate fluctuations on cash held		(560)	231
Net decrease in cash and cash equivalents		(151,964)	(36,399)
Cash and cash equivalents at the beginning of the year	8	531,752	568,151
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>379,788</b>	<b>531,752</b>

*The notes on pages 7 to 57 are an integral part of these consolidated financial statements.*

## Notes to the consolidated financial statements

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# **Anadolubank Anonim Şirketi and Its Subsidiaries**

## **Notes to the Consolidated Financial Statements As at and For the Year Ended 31 December 2009**

*(Currency – Thousands of Turkish Lira (TL))*

### **1. Overview of the Bank**

Anadolubank Anonim Şirketi (the “Bank”), has commenced its operations on 25 September 1997 in Turkey under the Turkish Banking and Commercial Codes pursuant to the permit of Turkish Undersecretariat of Treasury dated 25 August, 1997 and numbered 39692. The Bank provides corporate, commercial and retail banking services through a network of 86 (31 December 2008: 77) domestic branches. The address of the headquarters and registered office of the Bank is Cumhuriyet Mahallesi Silahşör Cad. No: 77 80260 Bomonti-Şişli / Istanbul-Turkey. The ultimate parent of the Bank is Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ.

The Bank has four consolidating subsidiaries which are Anadolu International Banking Unit Limited (“Anadolubank International”), Anadolu Yatırım Menkul Kıymetler AŞ (“Anadolu Yatırım”), Anadolu Faktoring Hizmetleri AŞ (“Anadolu Faktoring”), and Anadolu Bank Nederland NV (“Anadolubank Nederland”).

The Bank has 99.40% ownership in Anadolu International, established in the Turkish Republic of Northern Cyprus (“TRNC”). Anadolu International is licensed to undertake all commercial banking transactions.

The Bank has 82.01% ownership in Anadolu Yatırım, a brokerage and investment company, located in Istanbul. Anadolu Yatırım was established on 21 September 1998 and mainly involved in trading of and investing in securities, stocks, treasury bills and government bonds provided from capital markets; the management of mutual funds and performing intermediary services.

The Bank has acquired 99.99% of Anadolu Faktoring from Habaş Petrol Ürünleri Sanayi ve Ticaret AŞ (which is a related party) on 27 October 2008. Anadolu Faktoring was established in Istanbul on 20 March 2007 by obtaining the factoring license which is required to operate in the factoring sector.

The Bank has 100.00% ownership in Anadolu Bank Nederland, located in Amsterdam – the Netherlands. The Bank engages in banking operations in the Netherlands.

For the purposes of the consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as “the Group”.

## **Anadolubank Anonim Şirketi and Its Subsidiaries**

Notes to the Consolidated Financial Statements  
As at and For the Year Ended 31 December 2009  
(Currency – Thousands of Turkish Lira (TL))

### **2. Basis of preparation**

#### **(a) Statement of compliance**

The Bank and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency (“BRSA”), the Capital Markets Board of Turkey, the Turkish Commercial Code, and the Turkish Tax Legislation. The Bank’s foreign subsidiaries maintain their books of account and prepare their statutory financial statements in US Dollar and in EUR in accordance with the regulations of the countries in which they operate.

The accompanying consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). The Group adopted all IFRSs, which were mandatory as at 31 December 2009.

The accompanying consolidated financial statements are authorized for issue by the directors on 5 March 2010.

#### **(b) Basis of measurement**

The consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except for the following assets and liabilities which are stated at their fair values if reliable measures are available: derivative financial assets and liabilities held for trading purpose and financial assets at fair value through profit or loss.

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

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

#### **(d) Accounting in hyperinflationary countries**

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

## **Anadolubank Anonim Şirketi and Its Subsidiaries**

Notes to the Consolidated Financial Statements  
As at and For the Year Ended 31 December 2009

(Currency – Thousands of Turkish Lira (TL))

### **2 Basis of preparation (continued)**

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

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

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

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

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

#### **(f) Changes in accounting policies**

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

##### **Presentation of financial statements**

The Group applies revised IAS 1 – *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these consolidated financial statements as at and for the year ended on 31 December 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

##### **Determination and presentation of operating segments**

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors, which is the Group's chief operating decision maker. Due to adoption of IFRS 8 – *Operating Segments*, the Group's operating segments has not changed from those presented in accordance with IAS 14 – *Segment Reporting*.

An operating segment is component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Board of Directors include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment, and intangible assets.

**Anadolubank Anonim Şirketi and Its Subsidiaries**

Notes to the Consolidated Financial Statements  
As at and For the Year Ended 31 December 2009

(Currency – Thousands of Turkish Lira (TL))

**2 Basis of preparation (continued)**

**(g) Other accounting developments**

**Disclosures pertaining to fair values and liquidity risk for financial instruments**

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

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

Revised disclosures in respect of fair values in respect of financial instruments are included in Note 27 – *Financial Risk Management*.

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

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

Revised disclosures in respect of liquidity risk are included in Note 10 – *Derivative Financial Instruments* and Note 27 – *Financial Risk Management*.

## Anadolubank Anonim Şirketi and Its Subsidiaries

Notes to the Consolidated Financial Statements

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(Currency – Thousands of Turkish Lira (TL))

### 3. Basis of consolidation

#### (a) Methodology

The accompanying consolidated financial statements include the accounts of the Bank and its subsidiaries on the basis set out in section below.

The major principles of consolidation are as follows:

- The items included in the statements of financial position and comprehensive income are consolidated on a line-by-line basis.
- All intercompany investments, receivables, payables, dividends received and paid and other intercompany transactions reflected in the statements of financial position and comprehensive income are eliminated.
- The results of the subsidiaries are included in or excluded from the consolidation from their effective dates of acquisition or disposal, respectively.
- Non-controlling interests in the equity and net income of the consolidated subsidiaries are separately classified in the consolidated statements of financial position and comprehensive income.
- The assets and liabilities of foreign operations are translated to TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated to TL at exchange rates at quarterly average exchange rates. Foreign currency differences are recognized directly in equity as currency translation adjustments.

#### (b) Subsidiaries

The financial statements of the subsidiaries included in the consolidation have been prepared as of the date of the accompanying consolidated financial statements.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The subsidiaries included in the consolidation and their ownership percentages are as follows:

	Place of Incorporation	Principal Activities	Effective Shareholding and Voting Rights (%)	
			31 December 2009	31 December 2008
Anadolu Yatırım	Istanbul / Turkey	Brokerage	82.00	82.00
Anadolubank Nderland	Amsterdam / the Netherlands	Banking	100.00	100.00
Anadolu Faktoring	Istanbul / Turkey	Factoring	99.99	99.99
Anadolubank International	TRNC	Banking	99.40	99.40

#### (c) Acquisition from entities under common control

The assets and liabilities acquired in business combination arising from transfer of interest in Anadolu Faktoring that is under common control of the shareholder that controls the Bank are recognized at the carrying amounts.

## **Anadolubank Anonim Şirketi and Its Subsidiaries**

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### **4. Significant accounting policies**

#### **(a) Foreign currency**

##### **Foreign currency transactions**

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

##### **Foreign operations**

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

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

#### **(b) Interest**

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

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

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

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

#### **(c) Fees and commission**

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

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

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



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### **4 Significant accounting policies (continued)**

#### **(d) Net trading losses**

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

#### **(e) Dividends**

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

#### **(f) Lease payments made**

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

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

#### **(g) Income taxes**

##### **Corporate tax**

In Turkey, statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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### **4 Significant accounting policies (continued)**

#### **Income taxes (continued)**

##### **Corporate tax (continued)**

The corporate tax rate for the subsidiary of the Group operating in Turkish Republic of Northern Cyprus is 2%. And the International subsidiary of the Group is exempt from stamp duty.

In the Netherlands, corporate income tax is levied at the rate of 25.5% (31 December 2008: 25.5%) on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. There is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments. Under the Dutch taxation system, tax losses can be carried forward for nine years to offset against future taxable income. Tax losses can be carried back to one prior year. Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

##### **Deferred taxes**

Deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the consolidated financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The deferred tax assets and liabilities are reported as net in the consolidated financial statements if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

If transactions and events are recorded in profit or loss, then the related tax effects are also recognized in profit or loss. However, if transactions and events are recorded directly in the equity, the related tax effects are also recognized directly in the equity.

##### **Transfer pricing regulations**

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible.

## **Anadolubank Anonim Şirketi and Its Subsidiaries**

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### **4 Significant accounting policies (continued)**

#### **(h) Financial assets and financial liabilities**

##### **Recognition**

The Group initially recognizes loans and advances and deposits on the date which they are originated. Regular way purchase and sales of financial assets are recognized on the trade date which the Group commits to purchase or sell the asset. All other financial assets and liabilities are initially recognized on the trade date at which the Group becomes a party to contractual provisions of the instrument.

A financial asset or liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

##### **Classification**

*Financial assets at fair value through profit or loss* are trading financial assets acquired principally with the intention of disposal within a short period for the purpose of short-term profit making and *derivative financial instruments*. All trading derivatives in a net receivable position (positive fair value) are reported as financial assets at fair value through profit or loss. All trading derivatives in a net payable position (negative fair value) are reported as trading liabilities under other liabilities and provisions.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately on in the near term. They arise when the Group provides money, goods and services directly to a debtor with no intention of trading the receivable. Loans and receivables comprise loans and advances to banks and customers.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially a similar asset) at a fixed price on a future date (“reverse repo” or “stock borrowing”), the arrangement is accounted for as a loan and advance, and the underlying asset is not recognized in the Group’s financial statements. Such financial assets are presented separately on the face of consolidated statement of financial position.

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

*Available-for-sale financial assets* are the financial assets that are not held for trading purposes, loans and advances to banks and customers, or held to maturity.

*Financial liability* is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

See also *specific instruments* below.

## **Anadolubank Anonim Şirketi and Its Subsidiaries**

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### **4 Significant accounting policies (continued)**

#### **Financial instruments (continued)**

##### **Derecognition**

The Group derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. An interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability in the consolidated statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

##### **Measurement**

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

Subsequent to initial recognition, all financial assets at fair value through profit or loss and all available-for-sale financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity investment securities are measured at amortized cost less impairment losses. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

##### **Fair value measurement principles**

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

##### **Gains and losses on subsequent measurement**

Gains and losses arising from a change in the fair value of financial instruments are recognized in profit or loss as interest on securities.

## **Anadolubank Anonim Şirketi and Its Subsidiaries**

Notes to the Consolidated Financial Statements  
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### **4 Significant accounting policies (continued)**

#### **Financial instruments (continued)**

##### **Offsetting**

Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

##### **Specific instruments**

*Cash and balances with Central Banks:* Cash and balances with Central Banks comprise cash balances on hand, cash deposited with Central Banks and other cash items.

*Cash and cash equivalents:* Cash and cash equivalents which is a base for preparation of consolidated statement of cash flows includes cash in TL, cash in FC, cheques, balances with the Central Bank, money market placements and loans and advances to banks whose original maturity is less than 3 months.

*Investments:* Investments held for the purpose of short-term profit taking are classified as trading instruments. Debt investment securities that the Bank and its subsidiaries have the intent and ability to hold to maturity are classified as held-to-maturity investments.

*Loans and advances to banks and customers and factoring receivables:* Loans and advances and factoring receivables provided by the Bank and its subsidiaries are classified as loans and receivables, and reported net of allowances to reflect the estimated recoverable amounts.

##### **Identification and measurement of impairments**

At each reporting date the Group assesses whether there is objective evidence that financial asset or group of financial assets is impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Loans and receivables are presented net of specific allowances for uncollectibility. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts. In assessing the recoverable amounts of loans and receivables, the estimated future cash flows are discounted to their present value. Increases in the allowance account are recognized in the statement of comprehensive income. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly. If in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through profit or loss.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans re measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

All impairment losses are recognized in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to statement of comprehensive income, when related asset is derecognized.

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### **4 Significant accounting policies (continued)**

#### **Financial instruments (continued)**

##### **Identification and measurement of impairments (continued)**

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

#### **(i) Property and equipment**

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

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

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

The carrying values of property and equipment are reviewed for impairment annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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### **4 Significant accounting policies (continued)**

#### **(j) Intangible assets**

Intangible assets mainly comprise computer software.

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

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

#### **(k) Repurchase transactions**

The Group enters into purchases/(sales) of investments under agreements to resell/(repurchase) substantially identical investments at a certain date in the future at a fixed price.

Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in receivables from reverse repurchase transactions on the face of the consolidated statement of financial position. The receivables are shown as collateralized by the underlying security.

Investments sold under repurchase agreements continue to be recognized in the consolidated statement of financial position and are measured in accordance with the accounting policy for either assets held for trading or held-to-maturity investment securities as appropriate. The proceeds from the sale of the investments are reported as obligations under repurchase agreements on the face of the consolidated statement of financial position.

The difference between the sale and repurchase considerations is recognized on an accrual basis over the period of the transaction and is included in interest income.

#### **(l) Items held in trust**

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

## **Anadolubank Anonim Şirketi and Its Subsidiaries**

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### **4 Significant accounting policies (continued)**

#### **(m) Reserve for employee severance indemnity**

In accordance with existing social legislation, the Group is required to make lump-sum termination indemnity payments to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is predicated upon retirement pay ceiling announced by the Government. The ceiling amount at 31 December 2009 is TL 2,365 (full TL); at 31 December 2008 it was TL 2,173 (full TL).

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

The principal actuarial assumptions used at 31 December 2009 and 2008 are as follows;

	<b>31 December 2009</b>	<b>31 December 2008</b>
Discount rate	5.92%	6.26%
Expected rate of salary/limit increase	4.80%	5.40%
Turnover rate to estimate the probability of retirement	20.54%	21.08%

#### **(n) Provisions**

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

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

#### **(o) Financial guarantee contracts**

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

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

#### **(p) Earnings per share**

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



**Anadolubank Anonim Şirketi and Its Subsidiaries**

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**4 Significant accounting policies (continued)**

**(q) Segment reporting**

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

**(r) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations which are not effective as of 31 December 2009 have not been applied in preparing these consolidated financial statements and not expected to have any impact on the consolidated financial statements of the Group, with the exception of:

IFRS 9 – *Financial Instruments*, is published by International Accounting Standards Board in October 2009 as a part of a wider project that aims to bring new regulations to replace IAS 39 – *Financial Instruments: Recognition and Measurement*.

Developing a new standard for the financial reporting of financial assets that is principle-based and less complex is aimed by this project. The objective of *IFRS 9*, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. With *IFRS 9* an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

An entity shall apply IFRS 9 for annually periods beginning on or after 1 January 2013. An earlier application is permitted. If an entity adopts this IFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated.

## **Anadolubank Anonim Şirketi and Its Subsidiaries**

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### **5. Operating segments**

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

#### **Investment banking**

Includes the Group's trading and corporate finance activities.

#### **Corporate and commercial banking**

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

#### **Retail banking**

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

#### **Treasury**

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

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

## Anadolubank Anonim Şirketi and Its Subsidiaries

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### 5 Operating segments (continued)

#### Information about operating segments

		Corporate and Commercial Banking	Treasury	Investment Banking	Others	Consolidated	Less: Discontinued Operation	Continuing Operations
<b>31 December 2009</b>								
Net interests, fees, and commissions income	61,539	231,915	53,971	16,688	2,858	366,971	--	366,971
Other operating income and expenses, net	(32,295)	(114,447)	(27,614)	(9,043)	(1,327)	(184,726)	--	(184,726)
<b>Profit before taxes</b>	<b>29,244</b>	<b>117,468</b>	<b>26,357</b>	<b>7,645</b>	<b>1,531</b>	<b>182,245</b>	--	<b>182,245</b>

		Corporate and Commercial Banking	Treasury	Investment Banking	Others	Consolidated	Less: Discontinued Operation	Continuing Operations
<b>31 December 2009</b>								
Segment assets	556,329	2,402,999	1,549,468	17,553	42,395	4,568,744	--	4,568,744
Investments in associates and subsidiaries	--	--	--	--	--	--	--	--
<b>Total assets</b>	<b>556,329</b>	<b>2,402,999</b>	<b>1,549,468</b>	<b>17,553</b>	<b>42,395</b>	<b>4,568,744</b>	--	<b>4,568,744</b>
Segment liabilities	472,687	2,056,312	1,334,744	8,874	6,550	3,879,167	--	3,879,167
Equity and non-controlling interest	--	--	--	--	--	689,577	--	689,577
<b>Total liabilities and equity</b>	<b>472,687</b>	<b>2,056,312</b>	<b>1,334,744</b>	<b>8,874</b>	<b>6,550</b>	<b>4,568,744</b>	--	<b>4,568,744</b>

#### Other Segment Assets:

Capital expenditure	1,059	3,682	2,321	48	84	7,194	--	7,194
Depreciation and amortization expenses	965	3,410	2,113	18	341	6,847	--	6,847
Other non-cash income/expense	11,129	40,060	26,191	209	41	77,630	--	77,630

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### 5 Operating segments (continued)

#### Information about operating segments (continued)

		Corporate and Commercial Banking	Treasury	Investment Banking	Others	Consolidated	Less: Discontinued Operation	Continuing Operations
<b>31 December 2008</b>								
Net interests, fees, and commissions income	40,299	198,555	30,800	11,897	--	281,551	2,810	278,741
Other operating income and expenses, net	(23,796)	(116,606)	(18,027)	(7,715)	--	(166,144)	(733)	(165,411)
<b>Profit before taxes</b>	<b>16,503</b>	<b>81,949</b>	<b>12,773</b>	<b>4,182</b>	<b>--</b>	<b>115,407</b>	<b>2,077</b>	<b>113,330</b>

		Corporate and Commercial Banking	Treasury	Investment Banking	Others	Consolidated	Less: Discontinued Operation	Continuing Operations
<b>31 December 2008</b>								
Segment assets	542,654	1,941,364	1,286,803	38,361	20,449	3,829,631	--	3,829,631
Investments in associates and subsidiaries	--	--	--	--	--	--	--	--
<b>Total assets</b>	<b>542,654</b>	<b>1,941,364</b>	<b>1,286,803</b>	<b>38,361</b>	<b>20,449</b>	<b>3,829,631</b>	<b>--</b>	<b>3,829,631</b>
Segment liabilities	494,857	1,934,896	722,874	25,303	110,074	3,288,004	--	3,288,004
Equity and non-controlling interest	--	--	--	--	--	541,627	--	541,627
<b>Total Liabilities and Equity</b>	<b>494,857</b>	<b>1,934,896</b>	<b>722,874</b>	<b>25,303</b>	<b>110,074</b>	<b>3,829,631</b>	<b>--</b>	<b>3,829,631</b>

#### Other Segment Assets:

Capital expenditure	378	2,466	370	88	--	3,302	--	3,302
Depreciation and amortization expenses	(917)	(5,192)	(741)	(167)	--	(7,017)	(44)	(6,973)
Other non-cash income/expense	19,454	93,192	17,607	3,089	--	133,342	(1,874)	135,216

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### 6. Discontinued operation

As per the 2008/75 numbered resolution of the Board of Directors of the Bank on 18 August 2008, the 99.92% of outstanding shares of Anadolu Finansal Kiralama AŞ (“Anadolu Leasing”), which was the consolidating subsidiary of the Group, was sold at a prices of equal to its net asset value in cash to Habaş Petrol Ürünleri Sanayi ve Ticaret AŞ (related party) on 27 October 2008. For the year ended 31 December 2008, discontinued operations are presented separately in the accompanying consolidated statement of comprehensive income.

<b>Results of discontinued operation</b>	<b>31 December 2008</b>
Interest income	6,649
Interest expense	3,839
<b>Net interest income</b>	<b>2,810</b>
Net fees and commissions income	--
Other operating income	(61)
Other operating expense	(672)
<b>Income from operations</b>	<b>2,077</b>
Income tax expense	(248)
<b>Income from operating activities, net of income taxes</b>	<b>1,829</b>
Gain on sale of discontinued operations	--
<b>Profit from discontinued operations</b>	<b>1,829</b>
<b>Earning per share (full TL)</b>	<b>0.000015</b>

<b>Cash flows from discontinued operation</b>	<b>31 December 2008</b>
Cash flows from operating activities	2,621
Cash flows from investment activities	4,931
Cash flows used in financing activities	(4,056)
<b>Net cash flow from discontinued operations</b>	<b>3,496</b>

### 7. Acquisition of subsidiary

#### Business combination

On 27 October 2008, the Bank acquired 99.99% of Anadolu Faktoring that is under common control of the shareholder that controls the Bank for TL 13,116 which was equal to the net asset of Anadolu Faktoring and net asset was measured at carrying values. Anadolu Faktoring is engaged to operate in factoring sector. In the three months to 31 December 2008, the subsidiary contributed profit of TL 2,193 after taxes.

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### 8. Cash and cash equivalents

	31 December 2009	31 December 2008
Cash on hand	22,076	24,504
Balances with the Central Bank	148,793	244,705
<b>Cash and balances with the Central Bank</b>	<b>170,869</b>	<b>269,209</b>
Deposits with banks and other financial institutions	240,948	108,854
Interbank money market placements	--	91,198
Receivables from reverse repurchase agreement	--	77,474
<b>Total cash and cash equivalents in the consolidated statement of financial position</b>	<b>411,817</b>	<b>546,735</b>
Blocked deposits with banks and other financial institutions	(31,703)	(12,697)
Interest accruals on cash and cash equivalents	(326)	(2,286)
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b>379,788</b>	<b>531,752</b>

As at 31 December 2009, deposits with banks amounted to TL 31,703 (31 December 2008: TL 12,697) are blocked at financial institutions for the interest rate swaps and credit default swaps entered into by the Group.

As at 31 December 2009 and 2008, interest range of deposits and placements are as follows:

	31 December 2009				31 December 2008			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Balances with the Central Bank	109,954	38,839	5.2	--	8,702	236,003	12.00	--
Deposits with banks and other financial institutions	385	240,563	6.50-7.82	0.15-2.00	771	108,083	13.50-15.45	0.30-5.02
Interbank money market placements	--	--	--	--	17,007	74,191	15.00	0.38-3.75
Receivables from reverse repurchase agreements	--	--	--	--	--	77,474	--	1.60
<b>Total</b>	<b>110,339</b>	<b>279,402</b>			<b>26,480</b>	<b>495,751</b>		

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

	31 December 2009		31 December 2008	
	Carrying value	Effective Interest Rate (%)	Carrying value	Effective Interest Rate (%)
<i>Debt instruments:</i>				
Eurobonds issued by the Turkish Government	31,016	4.58-9.00	22,236	6.88-12.38
Government bonds in TL	133,807	5.68-19.18	12,639	14.00-21.16
Treasury bills in TL	5,025	7.03	156	17.76-19.66
Equity securities	873		--	
<b>Total financial assets at fair value through profit or loss</b>	<b>170,721</b>		<b>35,031</b>	

Debt instrument is given as collateral under repurchase agreements as of 31 December 2009.

	31 December 2009	31 December 2008
Deposited at financial institutions for repurchase transactions	9,893	--

As at 31 December 2009, carrying values of underlying financial assets at fair value through profit or loss collateralized against repurchase agreements were amounted to TL 9,893 (31 December 2008: None).

As at 31 December 2009, the carrying and the nominal values of government securities kept at Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Takasbank - Istanbul Stock Exchange Clearing and Custody Incorporation) and in Capital Markets Board of Turkey for legal requirements and as a guarantee for stock exchange and money market operations are amounted to TL 33,061 and TL 32,114 (31 December 2008: TL 2,218 and TL 2,000), respectively.

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### 10. Derivative financial instruments

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments of the Group mainly include foreign currency forwards, cross currency interest rate swaps, foreign currency options, and credit default swaps.

The table below shows the favourable (assets) and unfavourable (liabilities) fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments is calculated by using forward exchange rates at the reporting date and option pricing models. In the absence of reliable forward rate estimations in a volatile market, current market rate is considered to be the best estimate of the present value of the forward exchange rates.

	31 December 2009								
	Fair value assets	Fair value liabilities	Notional amount in	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
			Turkish Lira equivalent						
<i>Derivatives financial instruments held for trading purpose:</i>									
Forward purchase contract	265	--	133,765	123,683	9,110	324	648	--	--
Forward sale contract	--	60	131,279	121,301	8,975	335	668	--	--
Currency swap purchase	31,891	--	1,427,345	1,247,323	--	--	--	6,866	173,156
Currency swap sale	--	62,503	1,435,441	1,248,307	--	--	--	8,109	179,025
Credit default swap sale	28	--	6,023	6,023	--	--	--	--	--
Interest rate swap purchase	141	--	11,805	--	--	--	--	11,805	--
Interest rate swap sale	--	287	11,805	--	--	--	--	11,805	--
Put option purchase	--	--	159,030	151,558	7,472	--	--	--	--
Put option sale	--	--	158,984	151,504	7,480	--	--	--	--
<b>Total</b>	<b>32,325</b>	<b>62,850</b>	<b>3,475,477</b>	<b>3,049,699</b>	<b>33,037</b>	<b>659</b>	<b>1,316</b>	<b>38,585</b>	<b>352,181</b>

	31 December 2008								
	Fair value assets	Fair value liabilities	Notional amount in	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
			Turkish Lira equivalent						
<i>Derivatives financial instruments held for trading purpose:</i>									
Forward purchase contract	19,198	--	440,512	438,773	765	974	--	--	--
Forward sale contract	--	1,267	438,938	437,160	811	967	--	--	--
Currency swap purchase	1,639	--	591,179	441,009	9,074	132,476	--	8,620	--
Currency swap sale	--	2,433	569,761	436,877	8,014	114,868	--	10,002	--
Credit default swap sale	--	600	28,734	--	--	22,685	--	6,049	--
Interest rate swap purchase	--	52	14,821	--	--	--	--	14,821	--
Interest rate swap sale	45	--	14,821	--	--	--	--	14,821	--
Put option purchase	--	243	70,444	5,037	--	65,407	--	--	--
Put option sale	--	202	58,557	5,037	--	53,520	--	--	--
<b>Total</b>	<b>20,882</b>	<b>4,797</b>	<b>2,227,767</b>	<b>1,763,893</b>	<b>18,664</b>	<b>390,897</b>	<b>--</b>	<b>54,313</b>	<b>--</b>



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### 11. Investment securities

As at 31 December 2009 and 2008, investment securities classified as held-to maturity comprised of the following:

	31 December 2009		31 December 2008	
	Amount	Effective Interest rate (%)	Amount	Effective Interest rate (%)
<i>Debt instruments:</i>				
Turkish government bonds	313,304	8.66-20.57	382,186	14.00
Eurobonds issued by the Turkish Government	356,642	7.40-7.46	359,133	7.25-11.88
Foreign currency denominated corporate bonds	44,347	7.60	5,733	7.82
<b>Total held to maturity securities</b>	<b>714,293</b>		<b>747,052</b>	

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

	31 December 2009	31 December 2008
Deposited at financial institutions for repurchase transactions	353,353	331,536
Other collaterals	136,481	178,878

As at 31 December 2009, carrying values of underlying financial assets classified as held-to-maturity investments collateralized against repurchase agreements were amounted to TL 353,353 (31 December 2008: TL 331,536).

As at 31 December 2009, the carrying and the nominal values of the securities issued by the Turkish Government kept at the Central Bank of Turkey, Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Takasbank – Istanbul Stock Exchange Clearing and Custody Incorporation) and Vadeli İşlem ve Opsiyon Borsası Anonim Şirketi (Derivatives Exchange) for legal requirements and as a guarantee for stock exchange and money market operations are amounted to TL 95,703 and TL 90,190 (31 December 2008: TL 176,740 and TL 168,790), respectively.

As at 31 December 2009, carrying values and nominal values of held to maturity securities kept at De Nederlandsche Bank (Dutch Central Bank) as reserve requirement against the Group's foreign operations in the Netherlands are amounted to TL 40,778 (31 December 2008: TL 2,138) and TL 47,047 (31 December 2008: TL 2,141).

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**12. Loans and receivables**

	31 December 2009						
	Amount				Effective Interest Rate (%)		
	TL	FC	FC Indexed	Total	TL	FC	FC Indexed
Corporate loans	1,510,346	688,586	170,386	2,369,318	14.60-25.10	2.14-8.75	3.50-16.00
Consumer loans	361,063	--	136,858	497,921	9.24-18.48	--	4.44-13.20
Credit cards	39,721	11	--	39,732	39.10-48.10	--	--
Factoring receivables	143,652	--	--	143,652	9.11-18.98	--	--
<b>Total performing loans</b>	<b>2,054,782</b>	<b>688,597</b>	<b>307,244</b>	<b>3,050,623</b>			
Non-performing loans				85,598			
Less: Reserve for possible loan losses				(70,277)			
<b>Loans and receivables, net</b>				<b>3,065,944</b>			

	31 December 2008						
	Amount				Effective Interest Rate (%)		
	TL	FC	FC Indexed	Total	TL	FC	FC Indexed
Corporate loans	991,563	577,786	221,552	1,790,901	18.50-31.97	3.25-10.00	4.50-10.25
Consumer loans	235,237	--	215,696	450,933	14.54-19.94	--	3.00-9.50
Credit cards	37,095	47	--	37,142	50.28-52.68	--	--
Factoring receivables	59,713	--	--	59,713	15.95-52.00	--	--
<b>Total performing loans</b>	<b>1,323,608</b>	<b>577,833</b>	<b>437,248</b>	<b>2,338,689</b>			
Non-performing loans				45,155			
Less: Reserve for possible loan losses				(42,370)			
<b>Loans and receivables, net</b>				<b>2,341,474</b>			

The specific allowance for possible loan losses is comprised of amounts for specifically identified as being impaired and non-performing loans and advances plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers.

Movements in the reserve for possible loan losses:

	31 December 2008	31 December 2008
Reserve at beginning of the year	42,370	29,065
Acquisitions through new consolidating subsidiary	--	595
Provision for possible loan losses	44,992	20,796
Recoveries	(11,779)	(2,254)
<b>Provision, net of recoveries</b>	<b>33,213</b>	<b>18,542</b>
Loans written off during the year	(5,306)	(5,832)
<b>Reserve at end of the year</b>	<b>70,277</b>	<b>42,370</b>

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**13. Factoring receivables**

As at 31 December 2009 and 2008 short-term and long-term factoring receivables are as follows:

	31 December 2009	31 December 2008
Short-term	126,847	43,911
Long-term	16,805	15,802
<b>Total</b>	<b>143,652</b>	<b>59,713</b>

**14. Property and equipment**

Movements of tangible assets as at and for the year ended 31 December 2009 and 2008 are as follows:

	1 January 2009	Additions	Disposals	31 December 2009
<i>Cost:</i>				
Buildings	4,742	--	--	4,742
Motor vehicles	6,021	680	(47)	6,654
Furniture, office equipment and leasehold improvements	57,147	5,776	(1,122)	61,801
	<b>67,910</b>	<b>6,456</b>	<b>(1,169)</b>	<b>73,197</b>
<i>Accumulated Depreciation:</i>				
Buildings	1,064	92	--	1,156
Motor vehicles	3,599	788	--	4,387
Furniture, office equipment and leasehold improvements	45,073	5,118	(1,101)	49,090
	<b>49,736</b>	<b>5,998</b>	<b>(1,101)</b>	<b>54,663</b>
<b>Net Book Value</b>	<b>18,174</b>			<b>18,564</b>

	1 January 2008	Additions	Disposals	Acquisitions through new consolidating subsidiary	31 December 2008
<i>Cost:</i>					
Buildings	4,742	--	--	--	4,742
Motor vehicles	5,970	308	397	140	6,021
Furniture, office equipment and leasehold improvements	55,349	2,300	552	50	57,147
	<b>66,061</b>	<b>2,608</b>	<b>949</b>	<b>190</b>	<b>67,910</b>
<i>Accumulated Depreciation:</i>					
Buildings	871	193	--	--	1,064
Motor vehicles	2,922	1,052	397	22	3,599
Furniture, office equipment and leasehold improvements	40,732	4,874	547	14	45,073
	<b>44,525</b>	<b>6,119</b>	<b>944</b>	<b>36</b>	<b>49,736</b>
<b>Net Book Value</b>	<b>21,536</b>				<b>18,174</b>

As at 31 December 2009, the cost of fully depreciated property and equipment are still in active use is amounted to TL 45,051 (31 December 2008: TL 38,503).

As at 31 December 2009, tangible assets were insured to the extent of TL 57,477 (31 December 2008: TL 39,091) in total.

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### 15. Intangible assets

Movements of intangible assets as at and for the year ended 31 December 2009 and 2008 are as follows:

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

  

	1 January 2008	Additions	Disposals	Acquisitions through new consolidating subsidiary	31 December 2008
<i>Cost:</i>					
Software	10,375	500	117	53	10,811
Other intangibles	1,381	--	25	--	1,356
	<b>11,756</b>	<b>500</b>	<b>142</b>	<b>53</b>	<b>12,167</b>
<i>Accumulated Amortization :</i>					
Software	8,280	893	117	13	9,069
Other intangibles	1,370	5	19	--	1,356
	<b>9,650</b>	<b>898</b>	<b>136</b>	<b>13</b>	<b>10,425</b>
<b>Net Book Value</b>	<b>2,106</b>				<b>1,742</b>

### 16. Reserve deposits at the Central Bank

As at 31 December 2009, reserve deposits at the Central Bank of Turkey (“CBT”) was amounted to TL 80,241 (31 December 2008: TL 72,827).

In accordance with “Announcement on Reserve Deposits” of CBT numbered 2005/1, all banks operating in Turkey should provide a reserve amounting to 5% (31 December 2008: 6%) of liabilities in Turkish Lira and 9% (31 December 2008: 9%) of liabilities in foreign currencies.

In accordance with the regulation of CBT regarding reserve requirements, dated 5 December 2008 and numbered 2008-63, the foreign currency reserve requirement ratio of the banks which was 11% has been decreased by 2 points to 9%, aiming to diminish the negative effects of the global credit crisis and sustain foreign currency liquidity to the banks.

In accordance with the further regulation of CBT dated 16 October 2009 and numbered 2009-51, Turkish Lira reserve requirement rate has been decreased by 1 point from 6% to 5% in order to diminish the negative effects of the global credit crisis and sustain TL liquidity to the banks.

Interest rate given by CBT is 5.2% for TL reserve deposits and interest rate is nil for foreign currency reserve deposits as at 31 December 2009 (31 December 2008: TL 12.0%, FC nil).

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### 17. Other assets

	31 December 2009	31 December 2008
Transfer cheques	53,421	41,450
Assets held for resale	5,998	533
Prepaid expenses	999	1,095
Advances given	96	87
Prepaid taxes	--	274
Others	2,637	2,255
<b>Total</b>	<b>63,151</b>	<b>45,694</b>

As at 31 December 2009, TL 5,998 (31 December 2008: TL 533) of the other assets is comprised of foreclosed real estates acquired by the Bank against its impaired receivables. Such assets are required to be disposed of within three years following their acquisitions per the Turkish Banking Law. This three year period can be extended by a legal permission from BRSA.

### 18. Deposits

#### Deposits from banks

	31 December 2009				31 December 2008			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Demand	21	17	--	--	6	197	--	--
Time	30,017	50,363	6.5-7.82	0.15-2.25	14	33,397	17.50	0.11-7.15
<b>Total</b>	<b>30,038</b>	<b>50,380</b>			<b>20</b>	<b>33,594</b>		

#### Deposits from customers

	31 December 2009				31 December 2008			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
<i>Saving:</i>								
Demand	27,603	348,271	--	--	16,155	274,590	--	--
Time	1,051,078	932,276	7.5-10.75	0.25-5.25	1,061,698	667,243	14.00-24.60	1.00-8.50
	<b>1,078,681</b>	<b>1,280,547</b>			<b>1,077,853</b>	<b>941,833</b>		
<i>Commercial and other deposits:</i>								
Demand	131,216	61,480	--	--	64,930	50,560	--	--
Time	163,839	212,912	7.5-10.75	0.25-5.25	113,244	168,181	13.50-24.25	3-7.85
	<b>295,055</b>	<b>274,392</b>			<b>178,174</b>	<b>218,741</b>		
<b>Total</b>	<b>1,373,736</b>	<b>1,554,939</b>			<b>1,256,027</b>	<b>1,160,574</b>		

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### 18. Deposits (continued)

#### Other money market deposits

	31 December 2009				31 December 2008			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
<i>Obligations under repurchase agreements:</i>								
Due to banks	103,963	219,145	6.50-6.7	1.35-1.48	5,238	228,892	15.19	2.53-3.89
<i>Interbank money market placements</i>								
Due to banks	--	15,063		0.50	--	--	--	--
<b>Total</b>	<b>103,963</b>	<b>234,208</b>			<b>5,238</b>	<b>228,892</b>		

As at 31 December 2009, carrying values of underlying financial assets at fair value through profit or loss collateralized against repurchase agreements were amounted to TL 9,893 (31 December 2008: None) and carrying values of underlying financial assets classified as held-to-maturity investments collateralized against repurchase agreements were amounted to TL 353,353 (31 December 2008: TL 331,536).

### 19. Funds borrowed

	31 December 2009				31 December 2008			
	Amount		Effective Interest Rate (%)		Amount		Effective Interest Rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Short-term <sup>(*)</sup>	102,435	215,233	7.00-13.00	1.95-5.76	32,975	343,194	14.00-23.50	2.68-6.67
Medium/long term <sup>(*)</sup>	--	9,120	--	0.68-2.54	--	112,575	--	3.13-6.00
<b>Total</b>	<b>102,435</b>	<b>224,353</b>			<b>32,975</b>	<b>455,769</b>		

<sup>(\*)</sup> Borrowings are presented considering their original maturities.

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

	31 December 2009	31 December 2008
2009	--	104,893
2010	9,120	--
2011	--	7,682
<b>Total</b>	<b>9,120</b>	<b>112,575</b>

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**20. Other liabilities and provisions**

	<b>31 December 2009</b>	<b>31 December 2008</b>
Transfer orders	78,909	56,864
Other various provisions and expense accruals	11,465	8,555
Taxes other than on income	9,456	10,696
Reserve for employee severance indemnity and liability for unused vacations	5,434	4,917
Cash collaterals and blockages	495	351
Others	31,973	23,232
<b>Total</b>	<b>137,732</b>	<b>104,615</b>

The movement in provision for retirement pay liability and for liability for unused vacations is as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Total provision at the beginning of the year	4,917	4,609
Increase during the year	1,143	447
Paid during the year	(626)	(139)
<b>Total provision at the end of the year</b>	<b>5,434</b>	<b>4,917</b>

As at 31 December 2009 and 2008, other various provisions and expense accruals are as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Provision for personnel bonuses	5,250	3,900
Provisions for law suits against the Group	1,906	1,571
Provisions for non-cash loans that are not indemnified or converted into cash	606	558
Provisions for credit card promotions	452	292
Provision for disabled employee working obligation	423	423
Other various provisions and expense accruals	2,828	1,811
<b>Total</b>	<b>11,465</b>	<b>8,555</b>

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**21. Income taxes**

Major components of income tax expense:

	31 December 2009	31 December 2008
<b>Current income taxes:</b>		
Current income tax charge	(51,412)	(14,109)
<b>Deferred taxes:</b>		
Relating to origination and reversal of temporary differences	14,862	(8,486)
Income tax expense from continuing operations	(36,550)	(22,595)
Income tax expense from discontinued operation	--	(248)
<b>Income tax expense</b>	<b>(36,550)</b>	<b>(22,843)</b>

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

	31 December 2009	31 December 2008
Current income tax charge	51,412	14,109
Prepaid taxes	(46,879)	(12,291)
<b>Income taxes payable</b>	<b>4,533</b>	<b>1,818</b>

As at 31 December 2009 and 2008, deferred tax assets and liabilities are as follows:

	31 December 2009		31 December 2008	
	Deferred tax Assets/ (Liabilities)	Deferred tax Assets/ (Liabilities)	Deferred tax Assets/ (Liabilities)	Deferred tax Assets/ (Liabilities)
<b>Deferred taxes:</b>				
Valuation difference of derivative financial instruments	6,026	--	--	(3,234)
Differences in the measurement of the debt securities	1,267	--	--	(2,519)
Performance premium accrual	1,065	--	804	--
Reserve for employee severance indemnity and liability for unused vacation	1,050	--	874	--
Provision for legal cases	381	--	52	--
Provision for credit card awards	90	--	58	--
Property and equipment and intangibles	--	(39)	--	(111)
Others	172	--	411	--
<b>Total deferred tax assets/(liabilities)</b>	<b>10,051</b>	<b>(39)</b>	<b>2,199</b>	<b>(5,864)</b>
Offsetting	(39)	39	(2,179)	2,179
<b>Deferred tax assets/(liabilities)</b>	<b>10,012</b>	<b>--</b>	<b>20</b>	<b>(3,685)</b>



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**21 Income taxes (continued)**

A reconciliation of income tax expense applicable to profit from operating activities before income taxes at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 December 2009 and 2008 were as follows:

	31 December 2009	Tax rate (%)	31 December 2008	Tax rate (%)
<b>Net profit from ordinary activities before income taxes and non-controlling interest</b>	<b>182,245</b>		<b>113,330</b>	
Taxes on income per statutory tax rate	36,449	20.00	22,666	20.00
Disallowable expenses	386	0.21	152	0.13
Effect of income not subject to tax	(29)	(0.02)	(43)	(0.04)
Others	(256)	(0.14)	(180)	(0.16)
<b>Income tax expense</b>	<b>36,550</b>	<b>20.05</b>	<b>22,595</b>	<b>19.93</b>

**22. Equity****Share capital**

	31 December 2009	31 December 2008
<b>Number of common shares</b> , TL 0.01 (in full TL), par value		
Authorized, issued and outstanding 40,950 millions;	409,500	409,500

As at 31 December 2009 and 2008, the authorized nominal share capital of the Bank amounted to TL 409,500 thousands.

As per the resolution of the Board of Directors on 30 March 2008, it was decided to increase the Bank's statutory share capital from TL 225,000 thousands to TL 382,500 thousands by cash contribution amounting to TL 27,000 and transferring from retained earnings of TL 130,500. In addition, the statutory share capital was increased by TL 27,000 by the cash injection of Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ as at 30 September 2008.

As at 31 December 2009 and 2008, the composition of shareholders and their respective percentage of ownership can be summarized as follows:

	31 December 2009		31 December 2008	
	Amount	%	Amount	%
Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ	286,559	69.98	286,559	69.98
Mehmet Rüştü Başaran	111,858	27.32	111,858	27.32
Other shareholders	11,083	2.70	11,083	2.70
<b>Nominal value</b>	<b>409,500</b>	<b>100.00</b>	<b>409,500</b>	<b>100.00</b>
Restatement effect per IAS 29	2,619		2,619	
<b>Total</b>	<b>412,119</b>		<b>412,119</b>	

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### 22 Equity (continued)

#### Other reserves

Other reserves comprised of the legal reserves and other reserves amounted to TL 15,577 and TL 925, respectively.

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. As at 31 December 2009, the Group's legal reserves were amounted to TL 15,577 (31 December 2008: TL 11,234).

#### Non-controlling interest

As at 31 December 2009 net non-controlling interest amounts to TL 1,611 (31 December 2008: TL 1,383). Non-controlling interest is detailed as follows:

	31 December 2009	31 December 2008
Capital and other reserves	981	979
Retained earnings	404	339
Profit for the year	226	65
<b>Total</b>	<b>1,611</b>	<b>1,383</b>

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

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

	31 December 2009	31 December 2008
Balance at the beginning of the year	(5,946)	(6,891)
Net gains/(losses) from changes in fair value	--	--
Related deferred and current income taxes	--	--
Net losses transferred to profit or loss on amortization	2,140	1,134
Related deferred taxes	(428)	(189)
<b>Balance at the end of the year</b>	<b>(4,234)</b>	<b>(5,946)</b>

During 2006, the Bank has reclassified the securities from available-for-sale financial assets to held-to-maturity investment securities in accordance with the decision of Board of Directors. The loss of TL 10,345, net off deferred taxes at the transfer date that has been recognized directly in equity has been accounted to be amortized to profit or loss over the remaining life of the transferred securities using the effective interest method. As at 31 December 2009, such losses recognized under equity amounted to TL 4,234 (31 December 2008: TL 5,946).

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### 23. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group is controlled by Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ which owns 69.98% (31 December 2008: 69.98%) of ordinary shares, and included in Habaş Group of companies. For the purpose of these consolidated financial statements, shareholders and Habaş Group companies are referred to as related parties. Related parties also include individuals that are principal owners and management and members of the Group's Board of Directors and their families.

In the course of conducting its banking business, the Group conducted various business transactions with related parties on commercial terms.

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

#### Outstanding balances

	31 December 2009	31 December 2008
Cash loans	40,429	42,982
Non-cash loans	57,525	4,478
Deposits taken	37,916	56,789
Notional amount of derivative transactions	--	751

#### Transactions

	31 December 2009	31 December 2008
Interest income	7,236	6,619
Interest expense	683	3,814
Other operating income	1,838	630
Other operating expense	1,666	1,101
Profit/(Loss) from derivatives	23	655

#### Directors' Remuneration

As at and for the year ended 31 December 2009, the key management (nine executives including the general manager) and the members of the Board of Directors received remuneration and fees amounted to TL 6,553 (31 December 2008: TL 6,513).

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**24. Salaries and employee benefits**

	31 December 2009	31 December 2008
<i>Staff costs:</i>		
Wages and salaries	80,910	73,212
Cost of defined contribution plan (employer's share of social security premiums)	10,225	11,356
Other fringe benefits	10,775	9,998
Provision for employee termination benefits and liability for unused vacations	1,143	447
<b>Total</b>	<b>103,053</b>	<b>95,013</b>

The average number of employees during the year is:

	31 December 2009	31 December 2008
The Bank	1,851	1,726
Subsidiaries	73	79
<b>Total</b>	<b>1,924</b>	<b>1,805</b>

**25. Other expenses**

	31 December 2009	31 December 2008
Operating lease charges	11,811	10,962
Communication expenses	4,791	4,526
Saving Deposit Insurance Fund premium	2,447	2,920
Transportation expenses	2,933	2,914
Other provisions	2,338	1,686
Maintenance expenses	1,198	1,156
Hosting cost	1,577	1,315
Energy costs	1,922	1,676
Cleaning service expense	1,718	1,623
Disallowable expenses	1,581	533
Advertising expenses	973	844
Office supplies	953	1,179
POS service expenses	951	798
Expertise expenses	852	648
Chartered accountants	718	952
BRSA participation fee	606	415
Credit card service expense	295	240
Raw credit card expenses	124	423
Various administrative expenses	4,529	4,580
<b>Total</b>	<b>42,317</b>	<b>39,390</b>

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### 26. Commitment and contingencies

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

	31December 2009	31 December 2008
Letters of guarantee	648,177	710,024
Letters of credit	158,056	103,464
Acceptance credits	1,511	20,801
Other guarantees	61,451	189,657
<b>Total non-cash loans</b>	<b>869,195</b>	<b>1,023,946</b>
Credit card limit commitments	107,340	129,627
Other commitments	295,547	229,236
<b>Total</b>	<b>1,272,082</b>	<b>1,382,809</b>

#### Litigations

##### (a) The Bank

- (i) A lawsuit was filed against the Bank by a correspondent bank during the previous reporting periods claiming the collection of US Dollar 14,750,000 plus of any accrued interest thereon since the legal proceedings were instituted. The Bank's lawyers have advised that they do not consider that the suit has merit and they have contested it. No provision has been made in the financial statements as the Group's management does not consider that there will be any probable loss.

USD Dollar 14,750,000 that was transferred to the account of a client of the Bank by Citibank N.A. was paid to the related company by the Bank. Citibank N.A. demanded refundment of the money, however since the money was paid to the related company and could not be returned, a lawsuit was filed against the Bank. Court decision about the lawsuit that was filed by Citibank N.A. was cancelled. In addition, claim for indemnity at amount of US Dollar 11,500,000 was cancelled. However, later the court decision was taken to state the insurance companies, that made the related payment, as intervening parties. Court expert reported that the Bank has not responsibility in these claims. As at reporting date, the lawsuits continue as follows; with Citibank N.A. at amount of US Dollar 3,250,000 and with insurance companies at amount of US Dollar 11,500,000.

- (ii) The decision about the temporarily abortion of the capital market operations of Anadolu Yatırım, related with the transfers from another intermediary institution to Anadolu Yatırım and between sub accounts of Anadolu Yatırım was published on the weekly bulletin with number 2003/11 and date 7 March 2007 of the Capital Markets Board on year 2003. The abortion of operations would be starting from 7 March 2003 and continue till the audit work that was conducted for two companies to determine the legal relations between the actual right owners and the transfers ends in accordance with the (g) and (h) articles of 1. clause of 46. paragraph of the Capital Markets Board.

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### **26. Commitment and contingencies (continued)**

Following this, it was decided that Anadolu Yatırım, whose operations was aborted temporarily on 7 March 2003 in accordance with the declaration of the Capital Markets Board on date 13 March 2003 with number DEDA-/-10/180-2905 on the meeting of the Commission Ruling Agency on 13 March 2003, could start to operate in capital markets starting from 13 March 2003 since there is not an obstacle in the financial position of Anadolu Yatırım to operate in the capital markets. With reference to the related situation, a preliminary injunction lawsuit at amount of TL 2,889 was filed against the Bank, Anadolu Yatırım and a person by Investor Protection Fund by proxy of related intermediary institution with the demand of taking back the share certificates and all income returns, which belongs to the clients of the intermediary institution and sold off with lack of will while being under the possession of the related intermediary company and are sold off by lack of will and relevant to prevent to be given to third parties till to the end of the court. The Bank is a party on this court and the Bank management recorded the provision at a rate of 100 % for the uncollected amount in 2003 that is given as loan to the related intermediary institution. Provided that the court is closed on behalf of the Bank, the share certificates that are mentioned above and belong to the clients of the related intermediary institution will be taken into the portfolio of the Bank and will be recorded revenue at the amount of the share certificates. Above mentioned case is resulted against Anadolu Yatırım and the file is in Court of Appeals for reviewing appellate.

- (iii) In addition to the above mentioned cases, there are 112 other law cases opened against the Bank, claims of which in total amount to TL 6,476. At 31 December 2009, the Bank management recorded the provision amounting to TL 1,906 (31 December 2008: TL 1,571) for such cases.

#### **(b) The subsidiaries**

There are 7 law cases opened against Anadolu Yatırım, claims of which in total amount to TL 108. As of 31 December 2009, no provision is recorded for such cases.

#### **Commitments under operating leases**

As at 31 December 2009 and 2008, future minimum rentals payable under non cancellable operating leases are as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Within one year	4,964	8,090
After one year but not more than five years	17,486	13,314
<b>Total</b>	<b>22,450</b>	<b>21,404</b>

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### **27. Financial risk management**

#### **(a) Introduction and overview**

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

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

#### *Risk management framework*

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

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

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

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

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

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

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**27. Financial risk management (continued)****(b) Credit risk**

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

**Exposure to credit risk**

	Loans and advances to customers		Other assets	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Individually impaired	84,922	44,057	676	1,098
Allowance for impairment	69,601	41,272	676	1,098
<b>Carrying amount</b>	<b>15,321</b>	<b>2,785</b>	--	--
Collectively impaired	--	--	--	--
Allowance for impairment	--	--	--	--
<b>Carrying amount</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Past due but not impaired	55,344	74,528	--	--
<b>Carrying amount</b>	<b>55,344</b>	<b>74,528</b>	--	--
Neither past due nor impaired	2,995,279	2,264,161	--	--
Loans with renegotiated terms	--	--	--	--
<b>Carrying amount</b>	<b>2,995,279</b>	<b>2,264,161</b>	<b>--</b>	<b>--</b>
<b>Total carrying amount</b>	<b>3,065,944</b>	<b>2,341,474</b>	<b>--</b>	<b>--</b>

**Impaired loans and receivables**

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

**Past due but not impaired loans**

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

**Loans with renegotiated terms**

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



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**27. Financial risk management (continued)****Credit risk (continued)****Write-off policy**

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

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

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

  

31 December 2008	Cash loans		Other assets	
	Gross	Net	Gross	Net
Grade 3 : Individually Impaired	10,896	1,515	7	--
Grade 4 : Individually Impaired	6,097	919	392	--
Grade 5 : Individually Impaired	27,064	351	699	--
<b>Total</b>	<b>44,057</b>	<b>2,785</b>	<b>1,098</b>	<b>--</b>

**Collateral policy**

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2009 or 2008.

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

Cash loans	31 December 2009	31 December 2008
Secured loans:		
Secured by cash collateral	86,072	72,217
Secured by mortgages	661,012	644,753
Secured by government institutions or government securities	5,162	168
Guarantees issued by financial institutions	772	75
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	1,535,720	1,352,632
Unsecured loans	761,885	268,844
<b>Total performing loans and receivables</b>	<b>3,050,623</b>	<b>2,338,689</b>

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**27. Financial risk management (continued)****Credit risk (continued)**

	31 December 2009	31 December 2008
<b>Non-cash loans</b>		
Secured loans:		
Secured by mortgages	23,952	37,470
Guarantees issued by financial institutions	42,893	28,547
Secured by cash collateral	1,949	899
Secured by government institutions or government securities	414	389
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	584,928	815,735
Unsecured loans	215,059	140,906
<b>Total non-cash loans</b>	<b>869,195</b>	<b>1,023,946</b>

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

	31 December 2009	31 December 2008
Cash collateral (*)	--	--
Unsecured	67,532	32,233
Marketable Securities	--	2,889
Promissory notes (*)	--	--
Mortgages	15,170	7,268
Pledge on automobile	2,269	1,153
Corporate and personal guarantees	627	1,612
<b>Total</b>	<b>85,598</b>	<b>45,155</b>

(\*) As a Group policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan which is previously collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral and promissory note are shown as zero in the table above.

**Sectoral and geographical concentration of impaired loans**

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

	31 December 2009	31 December 2008
Construction	7,799	2,510
Food	8,489	3,852
Textile	6,280	4,460
Service sector	6,191	725
Durable consumption	2,907	6,167
Metal and metal products	2,772	330
Consumer loans	8,922	3,025
Agriculture and stockbreeding	2,002	1,503
Others	40,236	22,583
<b>Total non-performing loans and receivables</b>	<b>85,598</b>	<b>45,155</b>

	31 December 2009	31 December 2008
Turkey	85,419	44,953
United States of America	179	202
<b>Total non-performing loans and receivables</b>	<b>85,598</b>	<b>45,155</b>

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### 27. Financial risk management (continued)

#### Credit risk (continued)

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

	31 December 2009				31 December 2008			
	Cash	Cash (%)	Non-cash	Non-cash (%)	Cash	Cash (%)	Non-cash	Non-cash (%)
<b>Agriculture</b>	<b>129,744</b>	<b>4.23</b>	<b>16,585</b>	<b>1.91</b>	<b>131,077</b>	<b>5.60</b>	<b>39,114</b>	<b>3.82</b>
Farming and stockbreeding	112,691	3.68	14,762	1.70	112,758	4.82	37,712	3.68
Forestry	15,334	0.50	1,823	0.21	15,193	0.65	1,379	0.13
Fishing	1,719	0.06	--	--	3,126	0.13	23	--
<b>Industry</b>	<b>1,023,118</b>	<b>33.37</b>	<b>359,562</b>	<b>41.37</b>	<b>960,621</b>	<b>41.03</b>	<b>518,564</b>	<b>50.64</b>
Mining and quarrying	35,995	1.17	9,035	1.04	27,153	1.16	15,623	1.53
Manufacturing	976,037	31.83	280,806	32.31	915,534	39.10	481,453	47.02
Electricity, gas, water	11,086	0.36	69,721	8.02	17,934	0.77	21,488	2.10
<b>Construction</b>	<b>266,234</b>	<b>8.68</b>	<b>195,458</b>	<b>22.49</b>	<b>155,982</b>	<b>6.66</b>	<b>174,719</b>	<b>17.06</b>
<b>Services</b>	<b>1,011,987</b>	<b>33.01</b>	<b>279,305</b>	<b>32.13</b>	<b>562,940</b>	<b>24.04</b>	<b>270,945</b>	<b>26.46</b>
Wholesales and retail trade	301,050	9.82	136,801	15.74	172,531	7.37	101,159	9.88
Hotel and restaurant services	6,150	0.20	2,620	0.30	5,735	0.24	2,169	0.21
Transportation and communication	56,085	1.83	23,978	2.76	79,705	3.40	29,617	2.89
Financial institution	498,524	16.26	66,066	7.60	202,542	8.65	83,674	8.17
Real estate and rent services	2,334	0.08	38	0.01	7,181	0.31	72	0.01
Professional services	62,474	2.04	29,049	3.34	66,181	2.83	40,285	3.93
Educational services	4,464	0.15	484	0.05	3,635	0.16	770	0.08
Health and social services	80,906	2.64	20,269	2.33	25,430	1.09	13,199	1.29
<b>Consumer loans</b>	<b>504,303</b>	<b>16.45</b>	--	--	<b>450,933</b>	<b>19.26</b>	--	--
<b>Credit card</b>	<b>39,732</b>	<b>1.30</b>	--	--	<b>37,142</b>	<b>1.59</b>	--	--
<b>Others</b>	<b>90,826</b>	<b>2.96</b>	<b>18,285</b>	<b>2.10</b>	<b>42,779</b>	<b>1.83</b>	<b>20,604</b>	<b>2.01</b>
<b>Total</b>	<b>3,065,944</b>	<b>100.00</b>	<b>869,195</b>	<b>100.00</b>	<b>2,341,474</b>	<b>100.00</b>	<b>1,023,946</b>	<b>100.00</b>

#### (c) Liquidity risk

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

##### Management of liquidity risk

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

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

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

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### 27. Financial risk management (continued)

#### Liquidity risk (continued)

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

#### Exposure to liquidity risk

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

#### Residual contractual maturities of monetary liabilities

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

31 December 2008	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Deposits from banks	33,614	33,866	198	1,225	9,353	23,090	--	--
Deposits from customers	2,416,601	2,419,997	392,466	1,55,868	1,728,103	113,022	23,118	7,420
Interbank money market borrowings	--	--	--	--	--	--	--	--
Obligations under repurchase agreements	234,130	235,226	--	5,240	--	229,986	--	--
Funds borrowed	488,744	519,218	--	17,946	15,614	373,083	112,575	--
Other liabilities and provisions	91,143	91,143	84,100	775	2,397	634	3,237	--
<b>Total</b>	<b>3,264,232</b>	<b>3,299,450</b>	<b>476,764</b>	<b>181,054</b>	<b>1,755,467</b>	<b>739,815</b>	<b>138,930</b>	<b>7,420</b>

The previous table shows the undiscounted cash flows on the Group's monetary liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

#### Financial guarantees

31 December 2009	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Non-cash loans	-	758,283	11,207	44,140	27,420	28,145	869,195
31 December 2008	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Non-cash loans	-	395,638	101,498	372,854	120,143	33,813	1,023,946

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**27. Financial risk management (continued)****(d) Market risk**

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

**Management of market risk**

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

**Exposure to market risk – trading portfolios**

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

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

The consolidated value at market risks as of 31 December 2009 and 2008 calculated as per the statutory consolidated financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006, are as follows:

	31 December 2009			31 December 2008		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rates risk	6,198	7,526	3,792	5,774	8,570	1,147
Common share risk	2	2	2	--	--	--
Currency risk	2,713	4,007	1,874	4,646	5,898	2,978
Option risk	--	--	--	377	856	--
<b>Total value at risk (12.5 times)</b>	<b>111,413</b>	<b>144,188</b>	<b>70,850</b>	<b>134,963</b>	<b>191,550</b>	<b>51,563</b>

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### 27. Financial risk management (continued)

#### Market risk (continued)

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

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

31 December 2009	Less than one month	1-3 months	3-12 months	1 -5 years	Over 1 year	Non-Interest	Carrying amount
Cash and balances with the Central Bank	29,687	--	--	--	--	141,182	170,869
Loans and advances to banks	215,408	--	--	--	--	25,540	240,948
Loans and advances to customers	1,428,185	166,220	596,998	619,726	240,271	14,544	3,065,944
Investment securities	21,329	9,642	102,706	223,973	356,643	--	714,293
Reserve deposits at the Central Bank	80,241	--	--	--	--	--	80,241
Other assets	--	549	--	--	--	62,602	63,151
<b>Total assets</b>	<b>1,774,850</b>	<b>176,411</b>	<b>699,704</b>	<b>843,699</b>	<b>596,914</b>	<b>243,868</b>	<b>4,335,446</b>
Deposits from banks	60,353	7,078	12,949	--	--	38	80,418
Deposits from customers	1,698,733	792,354	173,038	554	--	263,996	2,928,675
Obligations under repurchase agreements and interbank money market borrowings	175,060	56,551	106,560	--	--	--	338,171
Funds borrowed	101,636	71,245	153,907	--	--	--	326,788
Other liabilities and provisions	1,088	1,519	--	--	--	135,125	137,732
Income taxes payable	--	--	--	--	--	4,533	4,533
<b>Total liabilities</b>	<b>2,036,870</b>	<b>928,747</b>	<b>446,454</b>	<b>554</b>	<b>--</b>	<b>403,692</b>	<b>3,816,317</b>
<b>Net</b>	<b>(262,020)</b>	<b>(752,336)</b>	<b>253,250</b>	<b>843,145</b>	<b>596,914</b>	<b>(159,824)</b>	<b>519,129</b>

  

31 December 2008	Less than one month	1-3 months	3-12 months	1 -5 years	Over 1 year	Non-Interest	Carrying amount
Cash and balances with the Central Bank	8,678	--	--	--	--	260,531	269,209
Loans and advances to banks	250,708	--	--	--	--	26,818	277,526
Loans and advances to customers	1,074,005	343,781	228,349	401,105	291,449	2,785	2,341,474
Investment securities	--	2,138	91,674	294,127	359,113	--	747,052
Reserve deposits at the Central Bank	72,827	--	--	--	--	--	72,827
Other assets	--	424	--	--	--	45,270	45,694
<b>Total assets</b>	<b>1,406,218</b>	<b>346,343</b>	<b>320,023</b>	<b>695,232</b>	<b>650,562</b>	<b>335,404</b>	<b>3,753,782</b>
Deposits from banks	20,427	8,440	4,544	--	--	203	33,614
Deposits from customers	1,647,552	302,045	259,314	37,193	8,144	162,353	2,416,601
Obligations under repurchase agreements	45,510	188,620	--	--	--	--	234,130
Funds borrowed	41,430	173,014	274,300	--	--	--	488,744
Other liabilities and provisions	680	--	--	--	--	103,935	104,615
Income taxes payable	--	--	--	--	--	1,818	1,818
<b>Total liabilities</b>	<b>1,755,599</b>	<b>672,119</b>	<b>538,158</b>	<b>37,193</b>	<b>8,144</b>	<b>268,309</b>	<b>3,279,522</b>
<b>Net</b>	<b>(349,381)</b>	<b>(325,776)</b>	<b>(218,135)</b>	<b>658,039</b>	<b>642,418</b>	<b>67,095</b>	<b>474,260</b>

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### 27. Financial risk management (continued)

#### Market risk (continued)

The following table indicates the effective interest rates by major currencies for the major components of the consolidated statement of financial position for 2009 and 2008:

	EUR %	US Dollar %	Other currencies %	TL %
<b>31 December 2009</b>				
Cash and balances with Central Bank	--	--	--	5.20
Loans and advances to banks	0.34	0.19	--	--
Loans and advances to customers	3.55	3.88	5.05	14.11
Investment securities	--	7.52	--	14.67
Deposits from banks	--	0.15	2.00	7.03
Deposits from customers	3.06	2.63	1.69	9.52
Obligations under repurchase agreements and interbank money market borrowings	--	1.48	--	6.52
Funds borrowed	4.22	2.21	2.01	7.23
<b>31 December 2008</b>				
Cash and balances with Central Bank	--	--	--	12.00
Loans and advances to banks	2.09	1.64	--	18.25
Loans and advances to customers	7.35	6.79	4.33	24.98
Investment securities	--	7.34	--	15.24
Deposits from banks	5.50	5.19	--	16.50
Deposits from customers	5.05	5.25	--	19.50
Obligations under repurchase agreements	--	3.03	--	15.19
Funds borrowed	5.74	3.89	--	16.71

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

Interest rate sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the consolidated net interest income as at and for the year ended 31 December 2009, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2009. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 31 December 2008.

	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2009</b>				
Financial assets at fair value through profit or loss	(1,138)	1,187	(1,138)	1,187
Floating rate financial assets	11,274	(11,274)	11,274	(11,274)
Floating rate financial liabilities	(45)	45	(45)	45
Derivative financial instruments	9,117	(9,956)	9,117	(9,956)
<b>Total, net</b>	<b>19,208</b>	<b>(19,998)</b>	<b>19,208</b>	<b>(19,998)</b>
<b>31 December 2008</b>				
Financial assets at fair value through profit or loss	(146)	147	(146)	147
Floating rate financial assets	17,339	(17,339)	17,339	(17,339)
Floating rate financial liabilities	(76)	76	(76)	76
Derivative financial instruments	311	(221)	311	(221)
<b>Total, net</b>	<b>17,428</b>	<b>(17,337)</b>	<b>17,428</b>	<b>(17,337)</b>

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

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### 27. Financial risk management (continued)

#### Market risk (continued)

##### Currency risk

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

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

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limit on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to foreign currency exchange rate risk at 31 December 2009, on the basis of the Group's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table.

As at 31 December 2009	US Dollar	Euro	Japanese Yen	Others	Total
<b>Assets:</b>					
Cash and balances with the Central Bank	47,294	4,708	58	175	52,235
Deposits with banks and other financial institutions	169,628	68,506	265	2,164	240,563
Financial assets at fair value through profit or loss	31,014	2	--	--	31,016
Investment securities	375,267	25,722	--	--	400,989
Loans and receivables	407,365	397,717	163,234	27,525	995,841
Derivative financial instruments	253	--	--	--	253
Other assets	80,289	1,106	--	--	81,395
<b>Total assets</b>	<b>1,111,110</b>	<b>497,761</b>	<b>163,557</b>	<b>29,864</b>	<b>1,802,292</b>
<b>Liabilities:</b>					
Deposits from other banks	30,243	7,229	68	12,840	50,380
Deposits from customers	750,391	801,127	277	3,144	1,554,939
Other money market deposits	234,208	--	--	--	234,208
Funds borrowed	218,949	5,162	--	242	224,353
Derivative financial instruments	--	--	--	--	--
Other liabilities and provisions	5,209	3,311	--	1	8,521
<b>Total liabilities</b>	<b>1,239,000</b>	<b>816,829</b>	<b>345</b>	<b>16,227</b>	<b>2,072,401</b>
<b>Net position on the consolidated statement of financial position</b>	<b>(127,890)</b>	<b>(319,068)</b>	<b>163,212</b>	<b>13,637</b>	<b>(270,109)</b>
<b>Off-balance sheet position:</b>					
Net notional amount of derivatives	147,680	313,913	(165,653)	(11,223)	284,717
<b>Net position</b>	<b>19,790</b>	<b>(5,155)</b>	<b>(2,441)</b>	<b>2,414</b>	<b>14,608</b>
<b>As at 31 December 2008</b>					
Total assets	1,328,556	411,896	215,913	31,655	1,988,020
Total liabilities	1,315,105	559,757	322	9,434	1,884,618
<b>Net position on the consolidated statement of financial position</b>	<b>13,451</b>	<b>(147,861)</b>	<b>215,591</b>	<b>22,221</b>	<b>103,402</b>
<b>Off-balance sheet position:</b>					
Net notional amount of derivatives	44,967	95,427	(214,915)	(22,781)	(97,302)
<b>Net position</b>	<b>58,418</b>	<b>(52,434)</b>	<b>676</b>	<b>(560)</b>	<b>6,100</b>

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



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### 27. Financial risk management (continued)

#### Market risk (continued)

##### Exposure to currency risk sensitivity analysis

A 10 percent devaluation of the TL against the following currencies as at 31 December 2009 and 2008 would have increased/(decreased) equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2009		31 December 2008	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	1,979	2,862	5,842	6,571
EUR	(555)	6,577	(5,244)	1,235
Other currencies	(1,264)	(1,264)	5,156	5,156
<b>Total, net</b>	<b>160</b>	<b>8,175</b>	<b>5,754</b>	<b>12,962</b>

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

#### Fair value information

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

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

Fair values of held to maturity investment securities and loans and receivables are TL 765,709 and TL 3,080,020 (31 December 2008: TL 718,494 and TL 2,341,474), respectively, whereas the carrying amounts are TL 714,293 and TL 3,065,944 (31 December 2008: TL 747,052 and TL 2,341,474), respectively, in the accompanying consolidated statement of financial position as at 31 December 2009.

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

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

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**27. Financial risk management (continued)****Market risk (continued)****Classification of fair value measurement**

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

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

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

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

Classification requires using observable market data if possible.

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

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### **27. Financial risk management (continued)**

#### **(e) Operational risk**

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

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

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

The Group calculated the value at operational risk in accordance with the "Computation of Value of Operational Risk" of the circular "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette dated 1 November 2006, using gross profit of the last three years 2006, 2007 and 2008. The amount calculated as TL 34,452 (31 December 2008: TL 28,111) as at 31 December 2009 represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk is amounting to TL 430,650 (31 December 2008: TL 351,388).

#### **(f) Capital management – regulatory capital**

Banking Regulation and Supervision Agency ("BRSA"), the regulator body of the banking industry sets and monitors capital requirements for the banks in Turkey. In implementing current capital requirements, BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets. BRSA regulation requires the calculation of capital adequacy ratio based on the consolidated financial statements of the Bank and its financial subsidiaries.

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

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

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. Operational risk capital requirement as at 31 December 2009 and 2008 is calculated using Basic Indicator Approach and included in the capital adequacy calculations.

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### 27. Financial risk management (continued)

#### Capital management – regulatory capital (continued)

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the year.

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

The Bank's and its subsidiaries' regulatory capital position on a consolidated basis at 31 December 2009 and 2008 was as follows:

	31 December 2009	31 December 2008
Tier 1 capital	666,732	528,487
Tier 2 capital	15,239	10,304
Total regulatory capital	681,971	538,791
Risk-weighted assets	3,054,199	2,628,506
Value at market risk	143,538	88,063
Operational risk	430,650	351,388
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk and operational risk	18.80%	17.55%
Total tier 1 capital expressed as a percentage of risk-weighted assets, value at market risk and operational risk	18.59%	17.32%

### 28. Subsequent events

"The Law for the Amendments to the Law on the Procedure for the Collection of Public Receivables and Certain Laws" has been put into effect after published on the Official Gazette dated 5 February 2010. According to aforementioned Law; banks founded in Turkey and the foreign banks having head offices in Turkey are required to pay TL 200 for each year to obtain operating license. The banks founded to operate in the free trade zones and branches of the foreign banks are required to pay TL 200 for each branch and for each year to obtain operating license. All the branches of the banks including the branches operating in free trade zones (excluding branches of the foreign banks established in free trade zones) are required to pay license fee according to the population of the operating area at the beginning of the prior calendar year; branches operating in the municipalities which have population up to 5,000 are required to pay TL 12; branches operating in the municipalities which have population between 5,000 and 25,000 are required to pay TL 36; and branches operating in the municipalities which have population more than 25,000 and branches operating in the free trade zones are required to pay TL 48 for each year and for each branch.