

**(Convenience Translation of Consolidated Financial Report Originally Issued in Turkish)**

## **Tekstil Bankası Anonim Şirketi**

Consolidated Interim Financial Statements

As of and for the Period Ended

30 June 2010

With Independent Auditor's Review Report Thereon

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi  
11 August 2010

*This report contains 1 page of  
independent auditor's review report  
and 56 pages of consolidated financial  
statements together with their  
explanatory notes.*



**TEKSTİL BANKASI A. Ş.**  
**CONSOLIDATED INTERIM FINANCIAL REPORT AS OF 30 JUNE 2010**

Address of the Bank's  
Headquarters: : Büyükdere Caddesi No: 63 34398 Maslak - İstanbul  
Telephone Number : (0212) 335 53 35  
Fax Number : (0212) 328 13 28  
Website of the Bank : www.tekstilbank.com.tr

The interim consolidated financial report prepared in accordance with the statement "Financial Statements and Related Disclosures and Footnotes to be Announced to Public" as required by the Banking Regulation and Supervision Agency (BRSA), is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS
- DISCLOSURES ON APPLIED ACCOUNTING POLICIES IN RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION OF THE CONSOLIDATED GROUP
- DISCLOSURES AND FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S REVIEW REPORT

The subsidiaries, associates and jointly controlled companies included in the interim consolidated financial report are as follows:

1. **Tekstil Menkul Değerler A.Ş.**
2. **The Euro Textile International Banking Unit Ltd.**

The interim consolidated financial statements and related disclosures and footnotes that were subject to independent review, are prepared in accordance with the "Regulation on Accounting Principles and Documentations", Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements, and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in thousands of Turkish Lira.

Akgün TÜNER	İ.Sencan DEREBEYOĞLU	H.Çim GÜZELAYDINLI	Nuriye PLOTKIN	M.Sercan ÇOBAN
Chairman of Board of Directors and Audit Committee	Member of Board of Directors and Audit Committee	Chief Executive Officer and Member of Board of Directors	Executive Vice President	Unit Manager

Contact information for questions on this financial report:

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## SECTION ONE GENERAL INFORMATION

### I. Parent Bank's date of establishment, beginning statute, its history including changes on its statute

Tekstil Bankası A.Ş. ("the Parent Bank") was established on 29 April 1986, to carry out all types of banking activities according to the Banking Law and later changes in the laws and regulations, with the permission of the Council of Ministers in accordance with the resolution numbered 85/9890 and dated 24 June 1985 and started its operations on 13 October 1986. "Articles of Association" of the Bank was published in the Official Gazette dated 31 January 1986. The statute of the Parent Bank was not changed since its establishment.

### II. Capital structure, shareholders controlling the management and supervision of the Bank directly or indirectly, and if exists, changes on these issues and the Group that the Bank belongs to

The capital of the Parent Bank is TL 420,000 as at 30 June 2010 and is fully paid. GSD Holding Anonim Şirketi ("GSD Holding") owns 75.50% of the outstanding shares of the Bank. The Bank is a subsidiary of GSD Holding. Remaining shares have been listed on Istanbul Stock Exchange since 23 May 1990.

The ultimate business of GSD Holding, which was initially established as a foreign trade company in 1986 and became a holding company to build a more efficient corporate structure for GSD Group Companies in 1996, is management of assets. GSD Holding also aims to manage the growth of the Group, finance and invest in profitable businesses. GSD Holding's shares have been listed on Istanbul Stock Exchange since November 1999. Almost all of its shares, which have nominal value of TL 250,000 as at 30 June 2010, are held by public.

Main operations of GSD Group Companies are;

<b>Foreign Trade:</b>	GSD Dış Ticaret A.Ş.
<b>Banking :</b>	Tekstil Bankası A.Ş., GSD Yatırım Bankası A.Ş., The Euro Textile International Banking Unit Ltd ("ETB")
<b>Financial Services:</b>	Tekstil Finansal Kiralama A.Ş., Tekstil Faktoring Hizmetleri A.Ş., Tekstil Menkul Değerler A.Ş. ("Tekstil Menkul")
<b>Other:</b>	Tekstil Bilişim Hizmetleri ve Ticaret A.Ş., GSD International Ltd., GSD Reklam ve Halkla İlişkiler Hizmetleri A.Ş., GSD Plan Proje Etüd A.Ş., GSD Gayrimenkul Yatırım ve Geliştirme A.Ş.

**III. President and members of the Board of Directors, audit committee members, general manager and executive vice presidents, and if exists, changes in these positions and Bank's shares they hold**

Title	Name	Job Description	Education
Chairman of the Board of Directors ve Audit Committee	Akgün TÜRER	Chairman of the Board of Directors and Audit Committee	Graduate
Member of Audit Committee:	I.Sencan DEREBEYOĞLU	Member of Audit Committee	Graduate
Member of Board of Directors:	I.Sühan ÖZKAN	Vice Chairman of Board of Directors	Under-Graduate
	Cezmi ÖZTÜRK	Member	Under-Graduate
	Murat ATIM	Member	Under-Graduate
General Manager:	H. Çim GÜZELAYDINLI	Chief Executive Officer and Member of Board of Directors	Graduate
Head of Board of Inspectors:	Senan DAĞAL	President of Inspectors' Group	Under-Graduate
Executive Vice Presidents:	Ümit ALTINAY	Information Technologies and Organization Group	Graduate
	Ümit ALTINAY (*)	Operations Group	Under-Graduate
	Nuriye PLOTKIN	Financial Control Group	Under-Graduate
	D.Halit DÖVER	International Relations Group	Graduate
	Bozok EVRENOSOĞLU (**)	Loans Group	Graduate
	Hüseyin H. İMECE	Treasury and Investors Relations Group	Under-Graduate
	Başbuğ Y. SAMANCIOĞLU	Corporate and Commercial Banking Group	Under-Graduate
Statutory Auditors:	M.Sedat ÖZKANLI	Statutory Auditor	Under-Graduate
	Sedat TEMELTAŞ	Statutory Auditor	Under-Graduate

(\*) Yasef Coyaş has resigned in April 2010. Operations Group and Information Technologies and Organization Group were gathered under the responsibility of Ümit Altınay.

(\*\*) Bozok Evrenosoğlu was appointed as the Executive Vice President of Loans Group in May 2010.

These people mentioned above do not own any share of the Bank.

**IV. Type of services provided and the areas of operations of the Bank**

The operations of the Parent Bank consist of corporate and commercial banking services, fund management transactions (foreign currency, money market and securities trading), international banking services, retail banking services and credit card business. The Bank also operates, through its branches, as insurance agent of Güneş Sigorta A.Ş., Aviva Sigorta A.Ş., Vakıf Emeklilik A.Ş., Ergo Emeklilik ve Hayat A.Ş. and Acıbadem Sigorta A.Ş.

As at 30 June 2010, the Bank has 44 branches close to industrial zones of Turkey and a representative office in Berlin, Germany. The Bank has 912 employees as at 30 June 2010 (As at 31 December 2009 number of branches was 45, number of employees was 940).

The Parent Bank and its subsidiaries Tekstil Menkul Değerler A.Ş. and The Euro Textile International Banking Unit Ltd. have been consolidated. The Parent Bank and its subsidiaries are named as "the Group" as a whole.

As at 30 June 2010, the Group has 968 employees (31 December 2009: 984).

**V. Other information**

Bank's Official Title : Tekstil Bankası Anonim Şirketi  
Reporting Period : 1 January – 30 June 2010  
Address of Bank's Headquarters : Büyükdere Caddesi No: 63 34398 Maslak - Istanbul  
Telephone number : (0212) 335 53 35  
Fax number : (0212) 328 13 28  
Bank's Internet Address : [www.tekstilbank.com.tr](http://www.tekstilbank.com.tr)  
Reporting currency : Thousands of Turkish Lira

## SECTION THREE

### ACCOUNTING POLICIES

#### I. Basis of presentation

##### **Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents:**

The Turkish Banking Law No. 5411 is published in the Official Gazette No. 25983 dated 1 November 2005. The Bank prepared the accompanying consolidated financial statements and the related disclosures and footnotes in accordance with accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents", dated 1 November 2006 which is published in the Official Gazette No.26333, "Communique on Financial Statements and the Accompanying Explanations and Footnotes to be Announced to the Public", dated 10 February 2007 which is published in the Official Gazette No. 26430, Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS").

Unless stated otherwise, the consolidated financial statements and balances in related information and disclosures are presented in thousands of Turkish Lira.

Preparation of financial statements according to TAS requires the Bank management to make assumptions and forecasts about assets and liabilities in the balance sheet. These assumptions and forecasts are regularly revised, adjusted and the effects of these adjustments is reflected to income statement.

##### **Additional paragraph for convenience translation to English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

##### **Accounting policies and valuation principles used in the preparation of the consolidated financial statements**

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are explained in footnotes II through XXVII in the following pages.

## **II. Strategy for the use of financial instruments and the foreign currency operations**

### **Strategy for the use of financial instruments**

The Parent Bank's main area of activities consist corporate, commercial and retail banking, fund management transactions and international banking services. The Parent Bank gives loans mainly to domestic customers by external sources of funds comprised mainly of domestic deposits and foreign borrowings and invests in marketable securities and banks placements to maintain liquidity.

The liability side of the balance sheet is intensively composed of short-term deposits and medium/long term borrowings in line with the general trend in the banking sector. Foreign currency borrowings are predominately floating rate and thus, the Parent Bank aims to minimize the effects of fluctuations in currency and interest rates in the market. Deposits collected are fixed rate and balanced with fixed rate loans and other investments. The fundamental strategy to manage the liquidity risk is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The Parent Bank invests some of its resources to domestic government bonds and short-term placements to reduce liquidity risk.

In order to avoid currency risk, the Parent Bank aims to balance foreign currency assets and liabilities through currency swaps. Currency risk, interest rate risk and liquidity risk are monitored and measured instantly by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

The Parent Bank designates its loan strategy considering international and national economic data and expectations, market conditions, interest, liquidity, currency, credit and other risks. Loan portfolio of the Bank is not concentrated on a specific segment and concentration risk is taken in consideration as much as possible.

### **Transactions denominated in foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated by using currency exchange rates on the balance sheet date. The resulting exchange differences are recorded in the income statement as "Foreign Exchange Gain/Loss".

There is no goodwill related to the Parent Bank's foreign operations.

No foreign operation has been disposed of during the period.

## **III. Presentation of information regarding the Bank and consolidated subsidiaries and associates**

The Parent Bank has no consolidating associate.

Tekstil Menkul and ETB which are financial subsidiaries of the Bank are consolidated to accompanying financial statements by using "Full Consolidation" method as of 30 June 2010 and 31 December 2009.

The Parent Bank and the consolidated companies are named as "the Group".

The carrying amount of the Parent Bank's investment in each subsidiary and the Bank's portion of equity of each subsidiary are eliminated. All intercompany transactions and intercompany balances between the consolidated subsidiaries and the Parent Bank are eliminated. The financial statements which have been used in the consolidation are prepared as at 30 June 2010 and appropriate adjustments are made to financial statements to use uniform accounting policies for similar transactions and events in same circumstances.

Tekstil Bilişim, subsidiary of the Parent Bank, is not consolidated in consideration of not being a financial subsidiary as per the BRSA Communiqué; "Regulation on Preparation of Banks' Consolidated



Financial Statements” article 5, division 1 published on the Official Gazette no.26340 dated 6 November 2006.

Stated in the same Communiqué article 5, division 8, all the banks have to prepare consolidated financial statements including all subsidiaries according to TAS within a content determined by the BRSA and publish these financial statements on their web sites. The Parent Bank publishes consolidated financial statements, in which Tekstil Bilişim is included in consolidation, within the required periods on its web site.

#### **IV. Forward transactions, options and derivative instruments:**

The derivative transactions of the Group mainly consist of foreign currency swaps, foreign currency options and forward contacts.

Derivatives are classified as held for trading in accordance with TAS 39 “Financial Instruments: Recognition and Measurement”. Group do not have any embedded derivatives.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values.

The derivative transactions are valued at fair value subsequent to initial recognition and are presented in the “Positive Value of Trading Derivatives” under the “Financial Assets at Fair Value Through Profit or Loss” and “Negative Value of Trading Derivatives” items of the balance sheet depending on the resulting positive or negative amounts of the computed value. Gains and losses arising from a change in the fair value of trading purpose derivatives are recognized in the consolidated income statement. Fair values of derivatives are determined using quoted market prices in active markets or using discounted cash flow techniques within current market interest rates.

#### **V. Interest income and expense:**

Interest is recognized 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) defined in TAS 39. Interest income and expense computed by using internal rate of return are recognized on an accrual basis. In accordance with the related legislation, the Parent Bank ceases to accrue interest income on loans that become non-performing. Interest accrual does not start until such loans become performing and are classified as performing loans or until collection.

#### **VI. Fees and commissions:**

Fee and commission income/expenses are accounted on accrual or cash basis relatively, regarding the nature of the transactions.

#### **VII. Financial assets:**

##### **1. Financial assets at fair value through profit or loss:**

Financial assets at fair value through profit or loss consist of “trading assets” and “financial assets designated at fair value”. The Group does not have any financial assets classified as “financial assets designated at fair value”..

Trading assets are financial assets acquired for generating a profit from short term fluctuations in price or dealer’s margin. Trading assets are recognized and derecognized on settlement date basis when purchased and disposed of. Trading assets are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, trading assets are measured at fair value and gains and losses arising from a change in the fair value are recognized in the income statement. Interest earned whilst holding trading assets is reported as interest income.

## **2. Investment securities available-for-sale**

Available-for-sale assets are financial assets other than financial assets at fair value through profit or loss, loans and advances to banks and customers, or financial assets held to maturity.

Financial assets available-for-sale are measured at their fair values subsequently following the initial recognition at cost. However, assets for which fair values could not be determined reliably are valued using discounting method with internal rate of return for the ones with a fixed maturity; and using valuation models or discounted cash flow techniques for the ones which do not have a fixed maturity. Unrecognized gain/losses derived from the difference between their fair value and the discounted values are recorded in "securities value increase fund" under the shareholders' equity. In case of sales, the realized gain/losses are recognized directly in the income statement.

## **3. Loans and receivables:**

Loans and receivables arise when the Bank provides money, goods or services directly to a debtor. Such assets are initially recognized at cost and are carried at amortized cost using the effective interest method. Duties paid, transaction expenditures and other similar expenses on assets received against such risks are not considered as part of transaction costs and are recorded as expense.

Specific and collective allowances are made against the loans, which the Parent Bank assesses and estimates as having limited or doubtful collectibility or being uncollectible, in accordance with the "Regulation on the Principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions Shall be Set Aside by Banks and to the Provisions to be Set Aside" published on the Official Gazette no.26333 dated 1 November 2006. Provisions are deducted from the income of the current year. When collections are made on loans that have been provided for, they are credited to the income statement accounts "Provision for Loan Losses or Other Receivables" if the provision was made in the current year, otherwise such collections are credited to "Other Operating Income" account with respect to allowances made in the prior years. The Parent Bank's general policy is to write-off loans and receivables which are not possible to be collected during the legal process.

## **4. Investment securities held-to-maturity:**

Held-to-maturity securities are financial assets with fixed maturities and pre-determined payment schedules that the Parent Bank has the intent and ability to hold until maturity, excluding loans and receivables. Investment securities held-to-maturity are initially recognized at cost. Investment securities held-to-maturity are accounted for by using a discounting method based on internal rate of return applied on the net investment amounts after the deduction of provision for impairments. Interest earned on held-to-maturity securities are recognized as interest income in the consolidated income statement.

In the first quarter of 2009, the Parent Bank has sold a significant portion of its securities classified in held to maturity portfolio before the maturity dates of such securities. Financial assets would not be classified as held to maturity securities in 2010 and 2011.

## **VIII. Impairment of financial assets:**

As financial asset or group of financial assets are reviewed at each balance sheet date to determine whether there is an objective indicator of impairment. If any such indicator exists, the Parent Bank estimates the amount of impairment.

Impairment loss incurs if, and only if, there is an objective evidence that the expected future cash flows of the financial asset or group of financial assets are adversely affected by an event or events ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank provides specific and collective allowances for loans and other receivables classified in accordance with the “Regulation on the Principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions Shall be Set Aside by Banks and to the Provisions to be Set Aside” published on the Official Gazette no.26333 dated 1 November 2006. The allowances are recorded in the income statement of the related period.

**IX. Offsetting financial instruments:**

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**X. Sale And Repurchase Agreements And Transactions Related To The Lending Of Securities**

Securities sold under repurchase agreements (“repo”) are classified as “trading”, “available for sale” or “held to maturity” based on the Parent Bank’s management’s intention and measured with the measurement principles of the portfolio they belong to. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis based on the difference between selling and repurchase prices using effective interest rate method.

Securities purchased under resale agreements are classified under “Receivables from Reverse Repurchase Agreements”. An income accrual using the effective interest rate method is accounted for the positive difference between the purchase and resale prices earned during the period. The Parent Bank does not have any securities related to the lending.

**XI. Assets held for sale and discontinued operations:**

Assets held for sale consist of assets that have high sales probability, have been planned to be sold, and an active programme has been started to complete the plan and determine the buyers. Asset should be marketed the price compatible with fair value. Furthermore, the sales, starting from the day of classification as held for sale, should be expected to be completed at within a year and the necessary activities should demonstrate that the possibility of having significant change in the plan or the cancellation of the plan is low.

The Parent bank does not have any assets held for sale.

The Parent Bank does not have any discontinued operations.

**XII. Goodwill and other intangible assets:**

There is no goodwill in the accompanying consolidated financial statements as at 30 June 2010 and 31 December 2009.

Intangible assets are initially recognized at their cost that includes expenditures that are directly attributable to the acquisition of the asset. Intangibles are reflected in the consolidated balance sheet at cost less amortization and any accumulated impairment losses.

Intangible assets have been restated for the effects of inflation, until 31 December 2004. The new additions to intangible assets after 31 December 2004 are recorded with their historic costs excluding any currency exchange differences and financing expenses capitalized.

Intangible assets are amortized on amortization rates between 2% and 33%.

Intangible assets are amortized on a straight-line basis based on their estimated useful lives. Useful life of an asset is estimated by assessment of the expected life span of the asset and technical and technological wear outs of the asset. The amortization rates used approximate the useful lives of the assets.

### **XIII. Tangible assets:**

Tangible assets are initially recognized at their cost that includes expenditures that are directly attributable to the acquisition of the asset. Tangible assets (except buildings as stated below) are reflected in the consolidated financial statements at cost less accumulated depreciation and any accumulated impairment.

Tangible assets that are acquired before 31 December 2004 have been restated for the effects of inflation, until 31 December 2004. The new additions to tangible assets after 31 December 2004 are shown with their historic costs excluding any currency exchange differences and financing expenses capitalized.

Tangible assets are depreciated on a straight-line basis based on the in estimated useful lives. The estimated useful lives are as follows:

Buildings	50 years
Furniture and fixtures	3 – 50 years
Leasehold improvements	5 years

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

In cases where the expected future benefits of the assets are less than their book values, the book values of such assets are reduced to their net realizable values and impairment losses are recorded as expense.

Gains and losses on disposal of an item of assets are determined by deducting the carrying amount of the asset from the proceeds from disposal.

The regular maintenance and repair expenditures are accounted as expense. The investment expenditures, made to increase the future benefits of the asset by improving the capacity of the asset, are added to the cost of the asset. Investment expenditures comprised of the costs which increase the useful life of the asset, improve the capacity of the asset, increase the quality or decrease the cost of production.

As at 31 December 2007, the Parent Bank has started to implement revaluation model for the buildings as permitted by TAS 16 “Property, Plant and Equipment”. For this purpose, fair value of the buildings are determined by a third party appraiser. The fair value difference is recognized in “Revaluation Fund on Tangible Assets” within the equity items. As at 30 June 2010, revaluation difference on tangible assets amounts to TL 5,292 (31 December 2009: TL 5,292).

### **XIV. Leasing activities:**

Leased assets are recognized by recording an asset and a liability at the same amount. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Tangible assets acquired by way of financial leasing are recognized in tangible assets and depreciated in line with tangible assets group they relate to. In cases where leased assets are impaired or the expected future benefits of the assets are less than their book values, the book values of such leased assets are reduced to their net realizable values. The obligations under financial leases arising from the lease contracts are presented under “Financial Lease Payables” account in the balance sheet. Interest expense and currency exchange rate differences related to leasing activities are recognized in the income statement. The Parent Bank does not enter into financial lease transactions by acting as the “lessor”.

In operating leases, the rent payments are charged to the income statement on an accrual basis.

**XV. Provisions and contingencies:**

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Parent Bank management. Whenever the amount of such obligations cannot be measured, they are regarded as "Contingent". If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can be measured with sufficient reliability, a provision is recognized. If the amount of the obligation cannot be measured with sufficient reliability or the possibility of an outflow of resources embodying economic benefits is remote, such liabilities are disclosed in the notes to the consolidated financial statements.

**XVI. Contingent assets:**

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Parent Bank or its subsidiaries. If an inflow of economic benefits has become probable, then the contingent asset is disclosed in the notes to the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs.

**XVII. Obligations concerning employee rights:**

Obligations concerning employee severance indemnities and vacation pay are accounted in accordance with the Turkish Accounting Standard 19 ("TAS 19") "Employee Benefits".

In accordance with existing legislation in Turkey, the banks have to make certain lump-sum payments to employees who has completed one year of service with the bank and whose employment is terminated due to retirement or reasons other than resignation or misconduct. Provision for employee severance benefits has been accounted for using discounting total provision and reflected to the consolidated financial statements.

**XVIII. Taxation:**

**a. Current taxes:**

In Turkey, the corporate tax rate is 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 in Turkey are not subject to withholding tax. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, 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.

In accordance with the tax legislation, corporate taxes are paid in advance based on the tax base calculated on the quarterly earnings of the companies at the rate of 20%. These payments can be deducted from the annual corporate tax calculated for the whole year earnings. Such taxes paid in advance are deducted from the final corporate tax liability.

In accordance with the Turkish tax legislation, the tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

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.

**b. Deferred taxes:**

In accordance with TAS 12 “Income Taxes”, the Parent Bank accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are based on tax rates (and tax laws) that have been enacted at the balance sheet date.

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

Deferred tax assets and liabilities of the Parent Bank have been offset in the Parent Bank’s financial statements. Net deferred tax assets or liabilities of the subsidiaries in the Group which are calculated individually have not been offset.

Deferred taxes directly related to equity items are recognized and offset in related equity accounts.

The Parent Bank has calculated deferred tax based on the principles above and reflected to the consolidated financial statements.

**c. Transfer pricing**

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 for corporate income tax purposes.

Corporate tax-payers required in “section 7.1 annual documentation” part of related communiqué, have to fill the “form relating to transfer pricing, controlled foreign companies and thin capitalization” (“the Form”) as associated with purchasing and selling goods or services with related parties in an accounting period and send it to the tax office submitted as an appendix to the corporate tax return. The Parent Bank fills the related form and submits to tax office in the required time.

**XIX. Additional explanations on borrowings:**

Financial liabilities held for trading and negative value of derivative instruments are carried at fair value and all other financial liabilities are carried at amortized cost using effective interest rate method.

**XX. Issued shares:**

There is no issued share in the current period.

**XXI. Acceptances:**

Acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts, if any.

**XXII. Government grants:**

As at 30 June 2010 and 31 December 2009, the Group does not have any government grants.

**XXIII. Reserves and profit distribution:**

Retained earnings at statutory books are allowed for distribution except for the following clause on legal reserves.

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital.

**XXIV. Related parties:**

For the purpose of the consolidated financial statements, shareholders, top management and members of board of directors, related companies managed by their own and families, associates and jointly controlled entities are accepted as related parties in accordance with TAS 24 "Related Party Disclosures".

**XXV. Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and balances with central banks, deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less. The reserve requirements blocked at the Central Bank of Turkey are not regarded as "cash equivalents" in the statement of cash flows.

**XXVI. Segment reporting:**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Segment reporting is presented in Section Four, Footnote VI.

**XXVII. Reclassifications:**

Income acquired from fund management fee that amounts to TL 779 presented under "Other Operating Income" in the previous period are presented under "Fees and Commissions Received – Other". There is not any material reclassification in the accompanying consolidated financial statements and related notes other than this.

## SECTION FOUR

### CONSOLIDATED FINANCIAL POSITION

#### I. Consolidated capital adequacy ratio

As at 30 June 2010, the Group's consolidated capital adequacy ratio is 22.19% (31 December 2009: 20.54%).

Risk measurement methods used in the calculation of consolidated capital adequacy ratio is the sum of risk weighted assets and non-cash loans weighted based on the regulation; and market risk on marketable securities, specific risk and foreign currency exchange risk also based on the regulation, which are aggregately defined as Value at Risk calculated by standardized method. The following tables present details of "risk weighted assets" and determination of "capital" which are basis for the calculation of capital adequacy ratio.

#### Consolidated Capital Adequacy Ratio:

	Risk Weights						Risk Weights					
	Unconsolidated						Consolidated					
	0%	20%	50%	100%	150%	200%	0%	20%	50%	100%	150%	200%
<b>Credit Risk Based</b>												
Balance Sheet Items (Net)	440,178	127,579	350,653	1,153,263	791	4	443,747	127,601	350,653	1,147,948	791	4
Cash in Vault	16,219	-	-	-	-	-	16,219	-	-	-	-	-
Due Dated Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	40,216	-	-	-	-	-	40,216	-	-	-	-	-
Domestic and Foreign Banks,												
Foreign Branches	-	126,437	-	-	-	-	-	126,459	-	-	-	-
Interbank Money Market	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Reverse Repos	-	-	-	-	-	-	-	-	-	-	-	-
Reserve Deposits	42,393	-	-	-	-	-	42,393	-	-	-	-	-
Loans	35,537	-	350,653	952,588	791	4	35,537	-	350,653	954,747	791	4
Non-performing Loans (Net)	-	-	-	41,052	-	-	-	-	-	41,052	-	-
Receivables from Leasing												
Operations	-	-	-	-	-	-	-	-	-	-	-	-
Investments Available-for-Sale	297,157	-	-	10,786	-	-	300,713	-	-	10,786	-	-
Investments Held-to-Maturity	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Receivables	784	1,021	-	3,377	-	-	784	1,021	-	3,634	-	-
Accrued Interest and Other Income	5,571	121	-	36,227	-	-	5,575	121	-	36,380	-	-
Investments in Associates,												
Subsidiaries and Joint Ventures												
(Net)	-	-	-	8,138	-	-	-	-	-	98	-	-
Tangible Assets	-	-	-	83,461	-	-	-	-	-	83,605	-	-
Other Assets	2,301	-	-	17,634	-	-	2,310	-	-	17,646	-	-
Off-Balance Sheet Items	9,103	26,658	21,594	400,457	-	-	9,103	26,658	21,594	402,148	-	-
Non-Cash Loans and Commitments	9,103	24,667	21,594	395,803	-	-	9,103	24,667	21,594	397,494	-	-
Derivatives	-	1,991	-	4,654	-	-	-	1,991	-	4,654	-	-
Accounts Not Risk Weighted	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>449,281</b>	<b>154,237</b>	<b>372,247</b>	<b>1,553,720</b>	<b>791</b>	<b>4</b>	<b>452,850</b>	<b>154,259</b>	<b>372,247</b>	<b>1,550,096</b>	<b>791</b>	<b>4</b>



**Summary information related to consolidated and unconsolidated capital adequacy ratio:**

	Unconsolidated		Consolidated	
	Current Period	Prior Period	Current Period	Prior Period
Risk Weighted Assets (RWA)	1,771,885	1,917,204	1,768,266	1,914,342
Market Risk (MR)	30,688	13,813	31,100	13,363
Operational Risk (OR)	323,371	301,371	327,543	304,612
Shareholders' Equity	474,173	463,786	472,018	458,448
Shareholders' Equity /(RWA+MR+OR) *100	22.30	20.78	22.19	20.54

**Components of shareholders' equity :**

	Current Period	Prior Period
<b>CORE CAPITAL</b>		
Paid-in Capital	420,000	420,000
Nominal Capital	420,000	420,000
Capital Commitments (-)	-	-
Capital Reserves Arising From Inflation Adjustments to Paid-in Capital	-	-
Share Premium	(814)	(814)
Share Cancellation Profit	-	-
Legal Reserves	4,929	4,252
I. Legal Reserve (Turkish Commercial Code 466/1)	4,929	4,252
II. Legal Reserve (Turkish Commercial Code 466/2)	-	-
Other Legal Reserve per Special Legislation	-	-
Status Reserves	-	-
Extraordinary Reserves	29,587	14,105
Reserve Allocated at the General Assembly	-	-
Retained Earnings	29,587	14,105
Accumulated Losses	-	-
Foreign Currency Translation Differences	-	-
Inflation Component of Legal Reserves, Status Reserves and Extraordinary Reserves	-	-
Profit	13,646	16,159
Current Period Profit	13,646	16,159
Prior Periods' Profit	-	-
Free Provisions Booked for Possible Losses (Up to 25% of the Core Capital)	-	-
Gain on Sale of Real Estate and Investments in Associates and Subsidiaries to be Added to the Share Capital	-	-
Primary Subordinated Loans (Up to 15% of the Core Capital)	-	-
Accumulated Losses (-)	-	-
Current Period Loss	-	-
Prior Periods' Loss	-	-
Leasehold Improvements (-)	1,097	1,319
Prepaid Expenses (-)	2,767	1,898
Intangible Assets (-)	1,816	2,048
Deferred Tax Assets (Amount Exceeding 10% of the Core Capital) (-)	-	-
Amount Excess of Article 56/3 of the Law (-)	-	-

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<b>Total Core Capital</b>	<b>461,668</b>	<b>448,437</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Loan Loss Reserves	9,408	9,777
45% of Revaluation Fund of Tangible Assets	-	-
45% of Revaluation Fund of Real Estate	2,262	2,262
Bonus Shares from Subsidiaries and Joint Ventures	-	-
Amount not Included in Core Capital for Primary Subordinated Loans	-	-
Secondary Subordinated Loans	-	-
45% of Securities Value Increase Fund (100% in case of a deficit)	695	1,837
Associates and Subsidiaries	-	-
Investments Available-for-Sale	695	1,837
Inflation Component of Capital Reserves, Profit Reserves and Prior Period Profits		
<b>Total Supplementary Capital</b>	<b>12,365</b>	<b>13,876</b>
<b>TIER III CAPITAL</b>		
<b>CAPITAL</b>	<b>474,033</b>	<b>462,313</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>2,015</b>	<b>3,865</b>
Shares in Unconsolidated Banks and Financial Institutions	-	-
Secondary Subordinated Loans Granted to Banks, Financial Institutions (Foreign and Domestic), or Preferred Shareholders, and Primary/Secondary Subordinated Loans Obtained from Them	-	-
Shares in Banks and Financial Institutions Accounted under the Equity Method	-	-
Loans Granted in Violation of the Articles 50 and 51 of the Law	-	-
Amount in Excess of 50% of the Equities of the Net Book Value of the Real Estate of the Banks, and Net Book Value of the Assets Held for Sale that Should Be Disposed of According to the Article 57 of the Law which is not Disposed of in Five Years	2,015	3,865
Others	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>472,018</b>	<b>458,448</b>

## II. Consolidated market risk

Consolidated market risk is the potential risk of loss arising from changes in interest rates, foreign currency exchange rates and equity prices regarding the assets and liabilities of the Parent Bank's on-off balance sheet.

Standard method defined in the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006 is used in calculating the market risk. The criteria for the standard method have been set by the BRSA and are reported on a monthly basis.

Market risk is calculated by employing the Standard Method and internal risk measurement models using value at risk (VaR) methodology. VaR represents the potential losses from adverse changes in market factors for a specified time period and confidence level.

The internal methods used by the Parent Bank are Parametric Method, Historical Simulation and Monte Carlo Simulation. In calculating VaR, a one-tailed 99% confidence level is used regarding one-day holding period. The results are regularly reported to the Senior Level Risk Committee and Asset-Liability Committee.

### Consolidated market risk:

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	1,317
(II) Capital Obligation against Specific Risk - Standard Method	62
III) Capital Obligation against Currency Risk - Standard Method	925
(IV) Capital Obligation against Commodity Risk - Standard Method	-
(V) Capital Obligation against Clearing Risk - Standard Method	-
(VI) Capital Obligation against Options Subject to Market Risk – Standard Method	184
(VII) Capital Obligation against Market Risk at the Banks calculating Risk Measuring Models	-
<u>(VIII) Total Capital Obligation against Market Risk (I+II+III+IV+V+VI) (*)</u>	<u>2,488</u>
<b>(IX Value-At-Risk Amount (12.5 x VIII) or (12.5 x VII)</b>	<b>31,100</b>

(\*) Value at Risk does not represent all of TL 31,100 but 8% of which is TL 2,488 as the market risk. This amount, TL 2,488, is also the minimum capital obligation to eliminate the market risk.

### III. Consolidated foreign currency exchange rate risk

Foreign currency risk indicates the possibilities of the potential losses that banks are subject to due to adverse movements between currencies. The Parent Bank monitors foreign currency exchange rate risk in currency/TL and parity basis and uses different risk methods and tools for each. The Parent Bank hedges parity risks through spot/arbitrage and future transactions.

The Parent Bank's foreign currency exchange rate risk is measured by Standard Method and Value at Risk Method.

The Parent Bank considers all foreign currency assets and liabilities and currency forward transactions in measuring capital obligation against currency risk. Net short and long positions of TL equivalents of all types of currencies are calculated. Position with the higher absolute value, which is the basis for the capital obligation, is used measuring the capital obligation for currency risk.

The Bank's Board of Directors, determines the Parent Bank's limits, within regulatory limitations, related to short/long positions at any period. The Treasury Department of the Parent Bank is responsible from the management of price and liquidity risks on Turkish Lira or foreign currency in the domestic and international markets. Risk Management Department, exercise continuous control on risks in the money markets and transactions creating these risks and reports to the Assets-Liability Committee of the Bank weekly.

The Parent Bank's spot foreign exchange bid rates as of the balance sheet date and for each of the five days prior to that date (TL full):

	23/06/10	24/06/10	25/06/10	28/06/10	29/06/10	30/06/10
<b>USD</b>	1.5539	1.5580	1.5708	1.5750	1.5643	1.5747
<b>GBP</b>	2.2875	2.3208	2.3514	2.3472	2.3537	2.3696
<b>EURO</b>	1.9099	1.9134	1.9307	1.9373	1.9327	1.9217
<b>JPY</b>	0.0171	0.0172	0.0175	0.0175	0.0175	0.0177

The basic arithmetical average of the Bank's foreign exchange bid rate for the last thirty days from 30 June 2010 (TL full):

	Monthly Average FC Exchange Bid Rates
<b>USD</b>	1.5693
<b>GBP</b>	2.3118
<b>EURO</b>	1.9186
<b>JPY</b>	0.0172

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**Information on consolidated exchange rate risk:**

<b>Current Period</b>	<b>EURO</b>	<b>USD</b>	<b>JPY</b>	<b>OTHER FC</b>	<b>TOTAL</b>
<b>Assets</b>					
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	23,358	46,360	5	251	69,974
Banks	39,593	53,022	133	14,209	106,957
Financial Assets at Fair Value Through Profit or Loss (*)	40	298	-	-	338
Interbank Money Market Placements	-	-	-	-	-
Investment Securities Available-for-Sale	-	21,566	-	-	21,566
Loans (**)	114,683	367,458	36,217	2,162	520,520
Investments in Subsidiaries and Associates	-	-	-	-	-
Investment Securities Held-to-Maturity	-	-	-	-	-
Hedging Purpose Financial Derivatives	-	-	-	-	-
Tangible Assets	-	2	-	-	2
Intangible Assets	-	-	-	-	-
Other Assets	831	1,701	-	2	2,534
<b>Total Assets (*)</b>	<b>178,505</b>	<b>490,407</b>	<b>36,355</b>	<b>16,624</b>	<b>721,891</b>
<b>Liabilities</b>					
Bank Deposits	8	3,540	-	-	3,548
Foreign Currency Deposits	188,532	369,899	22	14,792	573,245
Interbank Money Markets	-	-	-	-	-
Funds Borrowed from Other Financial Institutions	18,700	110,905	-	-	129,605
Marketable Securities Issued	-	-	-	-	-
Miscellaneous Payables	234	1,127	-	-	1,361
Hedging Purpose Financial Derivatives	-	-	-	-	-
Other Liabilities (*)	2,952	2,201	-	108	5,261
<b>Total Liabilities (*) (***)</b>	<b>210,426</b>	<b>487,672</b>	<b>22</b>	<b>14,900</b>	<b>713,020</b>
<b>Net On Balance Sheet Position</b>	<b>(31,921)</b>	<b>2,735</b>	<b>36,333</b>	<b>1,724</b>	<b>8,871</b>
<b>Net Off Balance Sheet Position</b>	<b>23,821</b>	<b>(7,341)</b>	<b>(35,947)</b>	<b>(857)</b>	<b>(20,324)</b>
Financial Derivatives (Assets)	99,247	213,495	797	4,379	317,918
Financial Derivatives (Liabilities)	75,426	220,836	36,744	5,236	338,242
Non-cash Loans (****)	<b>99,332</b>	<b>279,266</b>	<b>612</b>	<b>381</b>	<b>379,591</b>
<b>Prior Period</b>					
<b>Total Assets (*) (**)</b>	<b>155,904</b>	<b>443,364</b>	<b>37,267</b>	<b>8,482</b>	<b>645,017</b>
<b>Total Liabilities (*) (***)</b>	<b>259,903</b>	<b>614,897</b>	<b>14</b>	<b>6,179</b>	<b>880,993</b>
<b>Net On Balance Sheet Position</b>	<b>(103,999)</b>	<b>(171,533)</b>	<b>37,253</b>	<b>2,303</b>	<b>(235,976)</b>
<b>Net Off Balance Sheet Position</b>	<b>103,443</b>	<b>167,862</b>	<b>(36,676)</b>	<b>(2,216)</b>	<b>232,413</b>
Financial Derivatives (Assets)	279,256	352,181	115,019	22,626	769,082
Financial Derivatives (Liabilities)	175,813	184,319	151,695	24,842	536,669
Non-cash Loans (****)	<b>92,321</b>	<b>286,571</b>	<b>598</b>	<b>593</b>	<b>380,083</b>

(\*) As at 30 June 2010, there is an accrual difference in "Financial Assets At Fair Value Through Profit Or Loss" and "Negative Value Of Trading Derivatives" amounting to TL 1,817 and TL 2,385, respectively (31 December 2009: TL 2,473 and TL 2,507).

(\*\*) As at 30 June 2010, "Loans" balance includes, in addition to the balance sheet amount, foreign currency indexed loans and their accruals amounting to TL 223,013 (31 December 2009: TL 255,501).

(\*\*\*) As at 30 June 2010, "Security valuation differences" in equity amounting to TL 496 (31 December 2009: TL 500) were not included.

(\*\*\*\*) Has no effect on net off balance sheet position.

The table below demonstrates prospective increase and decrease in equities and profit/loss as at 30 June 2010 and 31 December 2009 (excluding tax effect) on condition that 10 percent revaluation/devaluation of the foreign currencies below against TL. This analysis has been prepared under the circumstances of assumption of other variables, especially interest rates, to be constant.

	30 June 2010				31 December 2009			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
USD	(510)	510	(461)	461	(417)	417	(367)	367
EURO	(810)	810	(810)	810	(56)	56	(56)	56
Other FC	125	(125)	125	(125)	66	(66)	66	(66)
<b>Total, net</b>	<b>(1,195)</b>	<b>1,195</b>	<b>(1,146)</b>	<b>1,146</b>	<b>(407)</b>	<b>407</b>	<b>(357)</b>	<b>357</b>

\* Equity effect consists of income statement effect in the table.

#### **IV. Consolidated interest rate risk**

Consolidated interest rate risk is the probability of loss due to changes in interest rates depending on the Parent Bank's position regarding the interest bearing financial instruments.

Interest rate risk arises as a result of timing differences on the re-pricing of assets and liabilities, changes in correlation of interest rates between different financial instruments and, unexpected changes in the shape and slope of yield curves. Exposure to interest rate movements arises when there is a mismatch between rate sensitive assets and liabilities.

Interest rate risk is a key component of the Bank's market risk and asset and liability management.

As part of asset and liability management, duration and sensitivity analysis are used to measure the effects of changes in yield curves on the balance sheet. The Parent Bank daily monitors interest rate movements in the market and revises the Bank's interest rates.

**Interest sensitivity of assets, liabilities and off-balance sheet items (based on reprising dates)**

	Up to 1 Month	1 – 3 Months	3 –12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
<b>Current Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	20,842	-	-	-	-	78,452	99,294
Banks	121,162	-	-	-	-	5,306	126,468
Financial Assets at Fair Value Through Profit or Loss	2,173	764	464	164	177	-	3,742
Interbank Money Market Placements	-	-	-	-	-	-	-
Investment Securities Av.-for-Sale	176,320	104,571	472	24,786	10,474	291	316,914
Loans	554,004	152,921	278,528	322,166	70,033	41,052	1,418,704
Investment Securities Held-to-Mat.	-	-	-	-	-	-	-
Other Assets	266	-	-	-	-	116,793	117,059
<b>Total Assets</b>	<b>874,767</b>	<b>258,256</b>	<b>279,464</b>	<b>347,116</b>	<b>80,684</b>	<b>241,894</b>	<b>2,082,181</b>
<b>Liabilities</b>							
Bank Deposits	3,386	-	-	-	-	199	3,585
Other Deposits	952,284	240,967	16,896	117	-	122,749	1,333,013
Interbank Money Market Placements	55,876	-	-	-	-	-	55,876
Miscellaneous Payables	-	-	-	-	-	12,804	12,804
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Fin.Inst.	14,324	98,898	27,780	1,394	-	-	142,396
Other Liabilities	3,576	1,038	462	-	-	529,431	534,507
<b>Total Liabilities</b>	<b>1,029,446</b>	<b>340,903</b>	<b>45,138</b>	<b>1,511</b>	<b>-</b>	<b>665,183</b>	<b>2,082,181</b>
Balance Sheet Long Position	-	-	234,326	345,605	80,684	-	660,615
Balance Sheet Short Position	(154,679)	(82,647)	-	-	-	(423,289)	(660,615)
Off Balance Sheet Long Position	-	-	-	-	-	-	-
Off Balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>(154,679)</b>	<b>(82,647)</b>	<b>234,326</b>	<b>345,605</b>	<b>80,684</b>	<b>(423,289)</b>	<b>-</b>

(\*) Tangible and intangible assets amounting to TL 71,014, subsidiaries amounting to TL 98, assets to be disposed of amounting to TL 17,519, tax assets amounting to TL 1,787 and other assets amounting to TL 26,375 are presented within other assets as non-interest bearing; provisions amounting to TL 17,446, tax liability amounting to TL 6,438, other liabilities amounting to TL 31,628 and equity amounting to TL 473,919 are presented within other liabilities as non-interest bearing.

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

	EURO %	USD %	JPY %	TL %
<b>Current Period (*)</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	5.30
Banks	0.27	0.38	-	7.52
Financial Assets at Fair Value Through Profit or Loss	4.53	4.99	-	7.97
Interbank Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	-	5.69	-	6.90
Loans	6.26	5.65	7.84	13.81
Investment Securities Held-to-Maturity	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	4.39	-	-
Other Deposits	3.56	3.59	-	10.04
Interbank Money Market Placements	-	-	-	6.97
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	4.06	2.67	-	8.10

(\*) Stated at compound interest rates.

**TEKSTİL BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2010**  
**(Currency: Thousands of TL - Turkish Lira)**

**Page No: 27**  
**Convenience Translation of**  
**Consolidated Financial Report**  
**Originally Issued in Turkish**  
*See Note 3.1*

	Up to 1 Month	1 – 3 Months	3 –12 Months	1 – 5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
<b>Prior Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	51,694	-	-	-	-	89,502	141,196
Banks	49,564	3,449	1,280	-	-	5,162	59,455
Financial Assets at Fair Value Through Profit or Loss	2,754	394	214	160	279	-	3,801
Interbank Money Market Placements	-	-	-	-	-	-	-
Investment Securities Av.-for-Sale	83,882	119,303	2,723	14,320	9,936	278	230,442
Loans	890,486	164,841	220,713	214,044	55,601	41,878	1,587,563
Investment Securities Held-to-Mat.	-	-	-	-	-	-	-
Other Assets	311	-	-	-	-	117,239	117,550
<b>Total Assets</b>	<b>1,078,691</b>	<b>287,987</b>	<b>224,930</b>	<b>228,524</b>	<b>65,816</b>	<b>254,059</b>	<b>2,140,007</b>
<b>Liabilities</b>							
Bank Deposits	3,011	-	-	-	-	110	3,121
Other Deposits	930,307	399,982	26,248	44	-	100,601	1,457,182
Interbank Money Market Placements	5,653	-	-	-	-	-	5,653
Miscellaneous Payables	-	-	-	-	-	9,669	9,669
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Fin.Inst.	18,123	91,867	36,376	-	-	-	146,366
Other Liabilities	3,016	1,554	91	2	-	513,353	518,016
<b>Total Liabilities</b>	<b>960,110</b>	<b>493,403</b>	<b>62,715</b>	<b>46</b>	<b>-</b>	<b>623,733</b>	<b>2,140,007</b>
Balance Sheet Long Position	118,581	-	162,215	228,478	65,816	-	575,090
Balance Sheet Short Position	-	(205,416)	-	-	-	(369,674)	(575,090)
Off Balance Sheet Long Position	-	-	-	-	-	-	-
Off Balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>118,581</b>	<b>(205,416)</b>	<b>162,215</b>	<b>228,478</b>	<b>65,816</b>	<b>(369,674)</b>	<b>-</b>

(\*) Tangible and intangible assets amounting to TL 73,262, subsidiaries amounting to TL 104, assets to be disposed of amounting to TL 18,287, tax assets amounting to TL 2,022 and other assets amounting to TL 23,564 are presented within other assets as non-interest bearing; provisions amounting to TL 17,483, tax liability amounting to TL 5,356, other liabilities amounting to TL 27,703 and equity amounting to TL 462,811 are presented within other liability as non-interest bearing.

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

	EURO %	USD %	JPY %	TL %
<b>Prior Period (*)</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	5.30
Banks	0.46	0.56	-	-
Financial Assets at Fair Value Through Profit or Loss	4.21	4.14	-	7.95
Interbank Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	-	6.13	-	8.87
Loans	7.38	6.49	8.04	13.70
Investment Securities Held-to-Maturity	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	2.85	-	-
Other Deposits	2.72	2.80	-	9.75
Interbank Money Market Placements	-	-	-	6.88
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	4.22	2.50	-	9.41

(\*) Stated at compound interest rates.



**Possible effects of financial assets and debts' sentivity to interest on net income and equities in the future**

The interest rate sensitivity of the income statement as at 30 June 2010 and 31 December 2009 is calculated by the effect of possible changes in interest rates on the floating rate, non-trading financial assets and liabilities. The sensitivity of the equity is calculated by the revaluation of the available for sale securities portfolio based on possible interest rate changes. Tax effects are ignored during calculations. Other variables, especially foreign exchange rates are held constant in the analysis.

	Income Statement		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>30 June 2010</b>				
Financial assets at fair value through profit or loss	(18)	18	(18)	18
Financial assets available for sale	-	-	(2,183)	2,200
Floating rate financial liabilities	(102)	97	(102)	97
<b>Total, net</b>	<b>(120)</b>	<b>115</b>	<b>(2,303)</b>	<b>2,315</b>
	Income Statement		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	(20)	20	(20)	20
Financial assets available for sale	-	-	(1,632)	1,641
Floating rate financial liabilities	(474)	432	(474)	432
<b>Total, net</b>	<b>(494)</b>	<b>452</b>	<b>(2,126)</b>	<b>2,093</b>

(\*) Equity effect includes the sensitivity of income statement when interest rate increases or decreases 100 bp.

**V. Consolidated liquidity risk**

Liquidity risk occurs when there is an insufficient amount of cash or cash inflows to fulfill the cash outflows in full and on time, resulting from the unstable cash inflows.

Liquidity risk may occur when there is an inadequate market penetration and the open positions cannot be closed on a timely basis with an appropriate price and sufficient amount due to barriers and break-ups at the markets.

The Parent Bank monitors the liquidity position on a daily basis. Cash flow pojections are examined and accordingly appropriate amounts of positions are determined in the weekly Asset-Liability Commission meetings. Alternative strategies are evaluated in case of a liquidity shortage. The available free lines in the ISE Settlement and Custody Bank's Stock Exchange Money Market, Interbank and secondary market are monitored frequently. Regarding maturity mismatch risk in the balance sheet, the maximum limits have been set by the Board of Directors.

Major part of the liquidity has been maintained by the deposits in the Parent Bank. Additionally, the volume of deposits has retained a stable path during the period. On the contrary, the parent Bank executes the strategy of increasing long-term loans from international markets rather than loans from domestic secondary market.

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

<b>Current Period</b>	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Undist. (*)	Total
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	78,452	20,842	-	-	-	-	-	99,294
Banks	5,306	121,162	-	-	-	-	-	126,468
Financial Assets at Fair Value Through Profit or Loss	500	1,673	764	464	164	177	-	3,742
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Investment Securities Available-for-Sale	291	93	10,820	64,610	206,044	35,056	-	316,914
Loans	-	310,076	221,417	442,464	333,662	70,033	41,052	1,418,704
Investment Securities Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets	-	25,830	-	298	-	1,787	89,144	117,059
<b>Total Assets</b>	<b>84,549</b>	<b>479,676</b>	<b>233,001</b>	<b>507,836</b>	<b>539,870</b>	<b>107,053</b>	<b>130,196</b>	<b>2,082,181</b>
<b>Liabilities</b>								
Bank Deposits	199	3,386	-	-	-	-	-	3,585
Other Deposits	122,749	952,284	240,967	16,896	117	-	-	1,333,013
Funds Borrowed from Other Financial Institutions	-	1,974	95,782	28,215	16,425	-	-	142,396
Interbank Money Markets	-	55,876	-	-	-	-	-	55,876
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	8,062	4,742	-	-	-	-	-	12,804
Other Liabilities	31,629	6,910	4,141	462	-	-	491,365	534,507
<b>Total Liabilities</b>	<b>162,639</b>	<b>1,025,172</b>	<b>340,890</b>	<b>45,573</b>	<b>16,542</b>	<b>-</b>	<b>491,365</b>	<b>2,082,181</b>
<b>Net Liquidity Gap</b>	<b>(78,090)</b>	<b>(545,496)</b>	<b>(107,889)</b>	<b>462,263</b>	<b>523,328</b>	<b>107,053</b>	<b>(361,169)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	94,942	797,006	297,837	341,051	396,931	78,200	134,040	2,140,007
Total Liabilities	136,651	949,729	407,482	132,606	33,245	-	480,294	2,140,007
<b>Net Liquidity Gap</b>	<b>(41,709)</b>	<b>(152,723)</b>	<b>(109,645)</b>	<b>208,445</b>	<b>363,686</b>	<b>78,200</b>	<b>(346,254)</b>	<b>-</b>

(\*) Assets on the balance sheet which are not convertible into cash in short period; tangible and intangible assets amounting to TL 71,014, subsidiaries amounting to TL 98, stationary supplies amounting to TL 513, assets to be disposed of amounting to TL 17,519, loans in follow-up amounting to TL 41,052 and liabilities on the balance sheet which are necessary for the banking operations; provisions amounting to TL 17,466 and equity amounting to TL 473,919 are included.

As per the BRSA Communiqué published on the Official Gazette no.26333 dated 1 November 2006 and became effective starting from 1 January 2007, "Measurement and Assessment of the Adequacy of Banks' Liquidity", the weekly and monthly liquidity ratios on a bank-only basis for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. The Parent Bank's liquidity ratios for the first six months of 2010 are as follows:

Liquidity Ratios	First Maturity Bracket		Second Maturity Bracket	
	FC Liquidity Adequacy Ratio	Total Liquidity Adequacy Ratio	FC Liquidity Adequacy Ratio	Total Liquidity Adequacy Ratio
30 June 2010	199.0	216.1	100.0	131.5
Average (%)	200.8	205.3	119.4	137.8
Max. (%)	267.2	249.1	139.9	150.7
Min. (%)	155.3	165.7	100.0	126.0

The undiscounted cash outflows of the residual contractual maturities of the Parent Bank's financial liabilities are shown below.

<b>30 June 2010</b>	Book Value	Gross		Undated	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and more
		Nominal Disposal							
Bank Deposits	3,585	3,585	199	3,386	-	-	-	-	-
Deposits from Customers	1,333,013	1,337,749	122,749	954,755	242,964	17,144	137	-	-
Due to Money Markets	55,876	55,876	-	55,876	-	-	-	-	-
Funds Borrowed	142,396	144,324	-	1,989	96,011	29,029	17,295	-	-
<b>Total</b>	<b>1,534,870</b>	<b>1,541,534</b>	<b>122,948</b>	<b>1,016,006</b>	<b>338,975</b>	<b>46,173</b>	<b>17,432</b>		<b>-</b>

  

<b>31 December 2009</b>	Book Value	Gross		Undated	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and more
		Nominal Disposal							
Bank Deposits	3,121	3,121	110	3,011	-	-	-	-	-
Deposits from Customers	1,457,182	1,462,507	100,601	932,300	402,791	26,750	65	-	-
Due to Money Markets	5,653	5,653	-	5,653	-	-	-	-	-
Funds Borrowed	146,366	148,992	-	2,287	4,648	107,468	34,589	-	-
<b>Total</b>	<b>1,612,322</b>	<b>1,620,273</b>	<b>100,711</b>	<b>943,251</b>	<b>407,439</b>	<b>134,218</b>	<b>34,654</b>		<b>-</b>

Presentation of residual maturities of the derivative financial assets and liabilities:

<b>Current Period</b>	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and more	Total
<b>Currency Derivative Instruments (I)</b>	<b>710,589</b>	<b>197,812</b>	<b>128,107</b>	-	-	<b>1,036,508</b>
Forward Foreign Currency Purchases	131,652	33,302	20,994	-	-	185,948
Forward Foreign Currency Sales	131,773	33,896	21,016	-	-	186,685
Currency Swaps-Purchases	67,680	10,945	7,434	-	-	86,059
Currency Swaps-Sales	68,218	10,669	7,471	-	-	86,358
Currency Futures-Purchases	-	-	-	-	-	-
Currency Futures-Sales	-	-	-	-	-	-
Currency Options-Purchases	155,712	54,592	35,591	-	-	245,895
Currency Options-Sales	155,554	54,408	35,601	-	-	245,563
<b>Interest Rate Derivative Instruments (II)</b>	-	-	-	-	-	-
Forward Foreign Currency Purchases/Sales	-	-	-	-	-	-
Interest Rate Swaps-Purchases/Sales	-	-	-	-	-	-
Interest Rate Options-Purchases/Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases/Sales	-	-	-	-	-	-
<b>Others (III)</b>	-	-	-	-	-	-
<b>Total (I+II+III)</b>	<b>710,589</b>	<b>197,812</b>	<b>128,107</b>	-	-	<b>1,036,508</b>

## **VI. Consolidated Segment Reporting:**

The Group is active in three areas, namely, retail banking, corporate banking and investment banking and treasury.

Corporate banking offers TL and foreign currency loans, corporate deposit operations, cash management, foreign currency purchases and sales, non-cash transactions (letters of credit, letters of guarantee, prefinancing, bills of exchange) and custody services.

Treasury department is consisted of marketing, foreign currency-TL and securities units and markets, both in the name of the Bank and its customers, bonds, foreign exchange transactions and hedging purpose derivative products including swaps and options. Tekstil Menkul gives agency services in capital markets products and provides investment fund and portfolio management services.

Servicing the middle-upper segment of retail customers who require sophisticated banking and investment services falls within the scope of retail banking. Credit card services is also within the activities of retail banking.

**Information related to the Segments of the Group:**

Segment reporting is prepared according to the 28th article of the BRSA's "Communique on Financial Statements and the Accompanying Explanations and Footnotes to be Announced to the Public", dated 1 November 2006 which is published in the Official Gazette No. 26333.

<b>Current Period</b>	Retail Banking	Corporate Banking	Investment Banking and Others	Total Operations
Operating income	9,166	37,287	29,026	75,479
Others	-	-	-	-
<b>Operating Income</b>	<b>9,166</b>	<b>37,287</b>	<b>29,026</b>	<b>75,479</b>
Operating profit of segment	1,363	21,215	(5,378)	17,200
Costs not distributed	-	-	-	-
Operating profit	-	-	-	-
Income from subsidiaries	-	-	-	-
Profit before tax	1,363	21,215	(5,378)	17,200
Tax provision	-	-	3,554	3,554
Profit after tax	1,363	21,215	(8,932)	13,646
Minority interests	-	-	-	-
<b>Net Profit</b>	<b>1,363</b>	<b>21,215</b>	<b>(8,932)</b>	<b>13,646</b>
Segment assets (*)	238,253	1,180,451	663,379	2,082,083
Investments in subsidiaries	-	-	98	98
<b>Total Assets</b>	<b>238,253</b>	<b>1,180,451</b>	<b>663,477</b>	<b>2,082,181</b>
Segment liabilities (*)	940,118	396,480	271,664	1,608,262
Equity	-	-	473,919	473,919
<b>Total Liabilities</b>	<b>940,118</b>	<b>396,480</b>	<b>745,583</b>	<b>2,082,181</b>
<b>Other Segment Items</b>	<b>179</b>	<b>497</b>	<b>4,649</b>	<b>5,325</b>
Capital expenditure	-	-	235	235
Depreciation and amortization	179	497	3,158	3,834
Impairment losses (**)	-	-	1,256	1,256
Other non-cash income-expenses	-	-	-	-
Restructuring costs	-	-	-	-

(\*) Assets in others column contain tangible assets, intangible assets, assets held for sale, deferred tax assets and assets not distributed. Liabilities in others column contain general provisions, reserve for employee benefits, current tax liabilities and liabilities not distributed.

(\*\*) Includes loss in value of marketable securities, fixed assets and associates.

In the table above, corporate banking, retail banking and investment banking and others represent 57%, 11% and 32%, respectively, of the balance sheet. Corporate banking, investment banking and others, and retail banking represent 49%, 38% and 12%, respectively, of the operating income.

## SECTION FIVE

### DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

#### I. Information and disclosures related to assets

##### 1. Information related to cash and balances with the Central Bank of Turkey:

###### a) Cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	8,458	7,761	7,116	10,385
Central Bank of Turkey	20,862	62,213	51,721	71,974
Others	-	-	-	-
<b>Total</b>	<b>29,320</b>	<b>69,974</b>	<b>58,837</b>	<b>82,359</b>

###### b) Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	20,862	19,820	51,721	23,992
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	42,393	-	47,982
<b>Total</b>	<b>20,862</b>	<b>62,213</b>	<b>51,721</b>	<b>71,974</b>

###### c) Explanation related to reserve deposits:

According to the circular no. 2005/1 of the Central Bank of Turkey, "Circular on Reserve Deposits", all banks operating in Turkey should provide a reserve amounting to 5% of the liabilities in Turkish Lira and 9.5% of the liabilities in foreign currencies beginning from 5 December 2008. The Central Bank of Turkey makes interest payments on a quarterly basis. As at 30 June 2010, the interest rates applied for Turkish Lira reserve deposits by the Central Bank is 5.2% and interest rate is nil for foreign currency reserve deposits after 5 December 2008.

##### 2. Financial assets at fair value through profit or loss:

###### a) Financial assets at fair value through profit or loss given as collateral/blocked and subject to repurchase agreements:

As at 30 June 2010 and 31 December 2009, the financial assets at fair value through profit or loss are all unrestricted.

b) Positive value of trading derivatives:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	678	958	356	754
Swap transactions	23	857	165	1,680
Futures	-	-	-	-
Options	285	2	101	39
Other	-	-	-	-
<b>Total</b>	<b>986</b>	<b>1,817</b>	<b>622</b>	<b>2,473</b>

**3. Information on banks:**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	19,511	58,983	12	50,163
Foreign	-	47,974	-	9,280
Foreign branches	-	-	-	-
<b>Total</b>	<b>19,511</b>	<b>106,957</b>	<b>12</b>	<b>59,443</b>

**4. Information on investment securities available-for-sale (net):**

a) Investment securities available-for-sale given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as collateral or blocked	30,974	10,474	31,133	9,936
Subject to repurchase agreements	57,278	-	5,696	-
<b>Total</b>	<b>88,252</b>	<b>10,474</b>	<b>36,829</b>	<b>9,936</b>

As at 30 June 2010 investment securities available-for-sale other than given as collateral or subject to repurchase agreements amounting to TL 218,188 (31 December 2009 – TL 183,677).

b) Available-for-sale securities

	Current Period	Prior Period
Debt instruments	321,782	233,494
Listed	310,981	223,130
Unlisted	10,801	10,364
Equity instruments	291	278
Listed	291	278
Unlisted	-	-
Impairment provision (-)	(5,159)	(3,330)
<b>Total</b>	<b>316,914</b>	<b>230,442</b>

5. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	7,607	-
Corporate shareholders	-	-	7,607	-
Individual shareholders	-	-	-	-
Indirect loans granted to shareholders	34,999	3,514	71,090	3,874
Loans granted to employees	1,226	-	1,456	-
<b>Total</b>	<b>36,225</b>	<b>3,514</b>	<b>80,153</b>	<b>3,874</b>

b) Information about loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled.

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled(*)
Non-specialized Loans	1,327,755	-	41,258	8,639
Discount Notes	27,740	-	343	-
Export Loans	201,849	-	4,335	877
Import Loans	-	-	-	-
Loans Given to Financial Sector	92,607	-	-	-
Foreign Loans	-	-	-	-
Consumer Loans	195,220	-	13,114	-
Credit Cards	28,030	-	3,098	-
Precious Metal Loans	-	-	-	-
Other	782,309	-	20,368	7,762
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>1,327,755</b>	<b>-</b>	<b>41,258</b>	<b>8,639</b>

(\*) Loans which are classified in Group II have been restructured or rescheduled in accordance with the Temporary Article 3-1(a) of the "Regulation on the Principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions Shall be Set Aside by Banks and to the Provisions to be Set Aside".

c) Information on consumer loans, credit cards, loans given to employees and employee credit cards:

	Short Term	Medium or Long Term	Total
<b>Consumer Loans-TL</b>	<b>14,550</b>	<b>169,650</b>	<b>184,200</b>
Real estate Loans	2,378	87,773	90,151
Automotive Loans	292	7,613	7,905
Consumer Loans	11,795	73,480	85,275
Other	85	784	869
<b>Consumer Loans-Indexed to FC</b>	<b>260</b>	<b>20,940</b>	<b>21,200</b>
Real estate Loans	260	19,551	19,811
Automotive Loans	-	357	357
Consumer Loans	-	1,032	1,032
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Credit Cards-TL</b>	<b>28,365</b>	<b>-</b>	<b>28,365</b>
Installment	4,745	-	4,745
Non installment	23,620	-	23,620
<b>Credit Cards-FC</b>	<b>292</b>	<b>-</b>	<b>292</b>
With Installment	-	-	-
Without Installment	292	-	292
<b>Loans Given to Employees-TL</b>	<b>132</b>	<b>338</b>	<b>470</b>
Real estate Loans	-	19	19
Automotive Loans	-	-	-
Consumer Loans	132	319	451
Other	-	-	-
<b>Loans Given to Employees – Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Loans Given to Employees – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Employee Credit Cards-TL	<b>744</b>	<b>-</b>	<b>744</b>
With Installment	267	-	267
Without Installment	477	-	477
<b>Employee Credit Cards-FC</b>	<b>12</b>	<b>-</b>	<b>12</b>
Without Installment	-	-	-
Without Installment	12	-	12
<b>Overdraft Account-TL (Individual)</b>	<b>2,464</b>	<b>-</b>	<b>2,464</b>
<b>Overdraft Account-FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>46,819</b>	<b>190,928</b>	<b>237,747</b>



d) Information on installment corporate loans and corporate credit cards:

	Short Term	Medium or Long Term	Total
<b>Installment Corporate Loans – TL</b>	<b>35,737</b>	<b>80,348</b>	<b>116,085</b>
Real Estate Loans	-	6,765	6,765
Automotive Loans	5,099	11,395	16,494
Consumer Loans	2,903	-	2,903
Other	27,735	62,188	89,923
<b>Installment Corporate Loans – Indexed to FC</b>	<b>1,603</b>	<b>46,802</b>	<b>48,405</b>
Real Estate Loans	-	268	268
Automotive Loans	-	4,929	4,929
Consumer Loans	1,318	3,410	4,728
Other	285	38,195	38,480
<b>Installment Corporate Loans – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards – TL</b>	<b>1,688</b>	<b>-</b>	<b>1,688</b>
With Installment	169	-	169
Without Installment	1,519	-	1,519
<b>Corporate Credit Cards – FC</b>	<b>27</b>	<b>-</b>	<b>27</b>
With Installment	-	-	-
Without Installment	27	-	27
<b>Overdraft Account-TL (Individual)</b>	<b>5,487</b>	<b>-</b>	<b>5,487</b>
<b>Overdraft Account-FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>44,542</b>	<b>127,150</b>	<b>171,692</b>

e) Loan concentration according to counterparty:

	Current Period	Prior Period
Domestic loans	1,377,652	1,545,685
Foreign loans	-	-
<b>Total</b>	<b>1,377,652</b>	<b>1,545,685</b>

f) Loans granted to subsidiaries and associates: None.

g) Specific provisions for loans:

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables with Limited Collectibility	1,664	3,375
Loans and Receivables with Doubtful Collectibility	9,579	20,886
Uncollectible Loans and Receivables	46,432	32,251
<b>Total</b>	<b>57,675</b>	<b>56,512</b>

h) Information on non-performing loans (Net):

h.1) Information on loans under follow-up, loans and other receivables those are restructured/rescheduled: None.

h.2) Information on total non-performing loans:

	Group III Loans and receivables with limited collectibility	Group IV Loans and receivables with doubtful collectibility	Group V Uncollectible loans and receivables
<b>Balances at Beginning of Period</b>	8,106	39,848	50,436
Additions (+)	10,130	4,199	15
Transfers from Other Categories of Non- Performing Loans (+)	-	11,288	33,392
Transfers to Other Categories of Non-Performing Loans (-)	11,288	33,392	-
Collections (-)	1,194	5,815	6,867
Write-offs (-)	-	-	131
Corporate and Commercial Loans	-	-	131
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Balances at End of the Period</b>	5,754	16,128	76,845
Specific Provisions (-)	1,664	9,579	46,432
<b>Net Balance on Balance Sheet</b>	<b>4,090</b>	<b>6,549</b>	<b>30,413</b>

h.3) Information on non-performing loans in foreign currencies: None.

h.4) Information on non-performing loans according to beneficiary group:

	Group III	Group IV	Group V
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
<b>Current Period (Net)</b>	<b>4,090</b>	<b>6,549</b>	<b>30,413</b>
Loans Allowed to Real Persons and Corporate Bodies (Gross)	5,754	16,128	76,845
Specific provision (-)	1,664	9,579	46,432
Loans Allowed to Real Persons and Corporate Bodies (Net)	4,090	6,549	30,413
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loan and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loan and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>4,731</b>	<b>18,962</b>	<b>18,185</b>
Loans Allowed to Real Persons and Corporate Bodies (Gross)	8,106	39,848	50,436
Specific provision (-)	3,375	20,886	32,251
Loans Allowed to Real Persons and Corporate Bodies (Net)	4,731	18,962	18,185
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loan and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loan and Receivables (Net)	-	-	-

**6. Information on investment securities held-to-maturity (Net):**

- a) Information on subject to repurchase agreement and given as collateral or blocked:  
As at 30 June 2010 and 31 December 2009, there are no financial assets held-to-maturity.
- b) Information on accounts in which government securities held-to-maturity are reflected :  
As at 30 June 2010 and 31 December 2009, there are no financial assets held-to-maturity.
- c) Information on investment securities held-to-maturity:  
As at 30 June 2010 and 31 December 2009, there are no financial assets held-to-maturity.
- d) Information on the movement of investment securities held-to-maturity during the period :

	Current Period	Prior Period
Balance at the beginning of the period	-	364,068
Foreign exchange differences	-	-
Purchases	-	-
Sales and redemptions	-	(174,536)
Transfers to available for sale portfolio	-	(189,532)
Impairment (-)	-	-
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>

The Parent Bank has sold a significant portion of its securities amounting to TL 364,068 classified in held to maturity portfolio before the maturity dates of such securities. For this reason, the Parent Bank would not classify its financial assets as held to maturity securities in 2010 and 2011.

**7. Investments in associates (Net):**

Tekstil Menkul Değerler A.Ş., the subsidiary of the Parent Bank, participated in “Gelişen İşletmeler Piyasaları A.Ş.” with TL 100 which is 1% of its share capital and paid TL 50 in cash and recorded in the consolidated financial statements.

**8. Investments in subsidiaries (Net):**

Information related to subsidiaries:

a) Information on subsidiaries not consolidated:

Description	Address (City/Country)	Bank's share percentage- If different from voting percentage(%)	Bank's Risk Group Share Percentage (%)
Tekstil Bilişim Hizmetleri ve Ticaret A.Ş. (*) (Bilişim)	Istanbul/Turkey	99.97	100.00

(\*)As explained in Section 3, Note III Bilişim is not consolidated.

b) Information on subsidiaries according to information above:

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Trading Income	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
48	48	1	2	-	(6)	(1)	-

c) Movement of subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	54	55
Movements during the Period	(6)	(1)
Purchases	-	-
Bonus shares received	-	-
Dividends from Current Year Profit	-	-
Sales	-	-
Revaluation Increase	-	-
Impairment Provision (+)	(6)	(1)
<b>Balance at the End of the Period</b>	<b>48</b>	<b>54</b>
Capital Commitments	-	-
Share Percentage at the end of Period (%)	-	-

d) Sectoral distribution of subsidiaries:

	Current Period	Prior Period
Subsidiaries		
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	-	-
Other Non Financial Subsidiaries	48	54
<b>Total</b>	<b>48</b>	<b>54</b>

e) Information on consolidated subsidiaries:

Description	Address (City/Country)	Bank's share percentage- If different from voting percentage	Banks Risk Group Share Percentage (%)
Tekstil Menkul Değerler A.Ş. (Tekstil Menkul)	Istanbul/Turkey	99.92	100.00
The Euro Textile International Banking Unit Ltd. (ETB)	Lefkoşa/Cyprus	99.99	100.00

f) Information on subsidiaries according to information above:

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Trading Income	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
13,003	7,678	153	492	2,931	1,720	1,210	-
1,564	(1,595)	2	206	-	(256)	(576)	-

g) Movement of consolidated subsidiaries:

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	10,293	10,794
<b>Movements during the Period</b>	(2,203)	(501)
Purchases	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales	-	-
Revaluation Increase	-	-
Impairment Provision (+)	(1,960)	(501)
Revaluation Increase/(Decrease), Effect of Inflation and F/X Difference	(243)	-
<b>Balance at the End of the Period</b>	<b>8,090</b>	<b>10,293</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the end of Period (%)</b>	-	-

h) Sectoral distribution of consolidated subsidiaries:

	Current Period	Prior Period
Subsidiaries		
Banks	-	2,203
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	8,090	8,090
Other Non Financial Subsidiaries	-	-
<b>Total</b>	<b>8,090</b>	<b>10,293</b>

i) Listed subsidiaries: None.

j) Subsidiaries disposed during the current period: None.

k) Subsidiaries purchased in the current period: None.

**9. Information on joint ventures:**

None.

**10. Information on financial lease receivables (net):**

None.

**11. Information on hedging purpose derivatives:**

None.

**12. Information on investment properties:**

None.

**13. Information on deferred tax assets:**

a) Amount of deferred tax asset recognized in the balance sheet in respect of each type of deductible temporary differences, unused tax credits:

The Parent Bank has net deferred tax asset amounting TL 1,787 (31 December 2009: TL 2,022) which was calculated on deductible temporary differences except general provisions at 30 June 2010.

Deferred tax effects of items charged or credited to equity are also charged or credited directly to equity.

b) Amount and expiry date of deductible temporary differences, unused tax losses, unused tax credits for which no deferred tax asset is recognized in the balance sheet: None.

**14. Information on assets held for sale and discontinued operations**

The Parent Bank has no asset held for sale and discontinued operation as at 30 June 2010 and 31 December 2009.

**15. Other assets**

The Group has property and real assets acquired against non performing loans and are recorded under assets to be disposed of account and presented under other assets amounting TL 17,519 (31 December 2009: TL 18,287).

Other assets, other than assets to be disposed of, amounting to TL 26,641 (31 December 2009: TL 23,875) do not exceed 10% of total assets.

## II. Information and disclosures related to liabilities

### 1. Information on deposits:

#### a) Information on maturity profile of deposits:

The Parent Bank does not have any deposits callable in 7 days informed deposits

##### a.1) Current Period:

	Demand	Up to 1 month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cummulative Deposits	Total
Saving Deposits	20,834	161,917	378,635	12,620	1,123	-	48	575,177
Foreign Currency Deposits	58,448	176,625	310,548	14,449	12,270	901	4	573,245
Residents in Turkey	53,830	169,998	300,205	9,959	4,719	573	4	539,288
Residents Abroad	4,618	6,627	10,343	4,490	7,551	328	-	33,957
Public Sector Deposits	11,264	5	-	-	-	-	-	11,269
Commercial Deposits	31,232	66,039	71,071	2,192	7	3	-	170,544
Other Ins. Deposits	971	697	1,094	8	8	-	-	2,778
Precious Metal Deposits	-	-	-	-	-	-	-	-
Bank Deposits	199	3,386	-	-	-	-	-	3,585
Central Bank	-	-	-	-	-	-	-	-
Domestic Banks	11	3,386	-	-	-	-	-	3,397
Foreign Banks	188	-	-	-	-	-	-	188
Special Financial Inst.	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>122,948</b>	<b>408,669</b>	<b>761,348</b>	<b>29,269</b>	<b>13,408</b>	<b>904</b>	<b>52</b>	<b>1,336,598</b>

##### a.2) Prior Period:

	Demand	Up to 1 month	1-3 Months	3-6 Months	6 Months- 1 Year	1 Year and Over	Cummulative Deposits	Total
Saving Deposits	7,157	154,348	363,522	16,607	1,450	1	40	543,125
Foreign Currency Deposits	54,773	256,563	389,160	16,749	14,571	993	4	732,813
Residents in Turkey	52,842	251,598	372,571	10,957	5,311	621	4	693,904
Residents Abroad	1,931	4,965	16,589	5,792	9,260	372	-	38,909
Public Sector Deposits	4,733	7	-	-	-	-	-	4,740
Commercial Deposits	33,124	100,589	29,286	11,488	6	-	-	174,493
Other Ins. Deposits	814	531	654	8	4	-	-	2,011
Precious Metal Deposits	-	-	-	-	-	-	-	-
Bank Deposits	110	3,011	-	-	-	-	-	3,121
Central Bank	-	-	-	-	-	-	-	-
Domestic Banks	21	3,011	-	-	-	-	-	3,032
Foreign Banks	89	-	-	-	-	-	-	89
Special Financial Inst.	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>100,711</b>	<b>515,049</b>	<b>782,622</b>	<b>44,852</b>	<b>16,031</b>	<b>994</b>	<b>44</b>	<b>1,460,303</b>



b) Information on Deposit Insurance:

b.1) Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit:

Saving Deposits	Covered by Deposit Insurance Fund	Covered by Deposit Insurance Fund	Exceeding the Deposit Insurance Limit	Exceeding the Deposit Insurance Limit
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	261,483	253,926	303,320	280,218
Foreign Currency Savings Deposits	101,302	108,780	253,474	278,997
Other Saving Deposits	-	-	-	-
Foreign branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>362,785</b>	<b>362,706</b>	<b>556,794</b>	<b>559,215</b>

b.2) Explanations on savings deposits, held at Foreign Bank's branch located in Turkey, and covered at the country where HQ is located: None.

b.3) Savings deposits not covered by deposit insurance: TL 24,911 (31 December 2009: TL 25,617)

Saving deposits that are not covered under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Deposits and Other Accounts at Foreign Branches	-	-
Deposits and Other Accounts belong to Major Shareholders with Their Parents, Spouse and Children under Their Wardship	10,452	10,297
Deposits and Other Accounts belong to Members of Board of Directors, CEO and Deputy CEO with Their Parents, Spouse and Children under Their Wardship	11,356	10,444
Deposits and Other Accounts linked to Crimes Mentioned in 282 <sup>nd</sup> Article of 5237 Numbered Turkish Crime Legislation dated on 26/09/2004	-	-
Deposits belong to Off-shore Banks which are established in Turkey.	3,103	4,876

**2. Information on derivative financial liabilities held for trading:**

Negative difference on derivatives held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	1,081	1,206	241	1,727
Swaps	60	1,164	613	721
Futures	-	-	-	-
Options	354	15	283	59
Other	-	-	-	-
<b>Total</b>	<b>1,495</b>	<b>2,385</b>	<b>1,137</b>	<b>2,507</b>

**3. Information on funds borrowed:**

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	12,791	30,822	7,588	31,989
Foreign Banks, Institutions and Funds	-	98,783	-	106,789
<b>Total</b>	<b>12,791</b>	<b>129,605</b>	<b>7,588</b>	<b>138,778</b>

b) Maturities of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	12,791	63,630	7,588	61,792
Medium and Long-Term	-	65,975	-	76,986
<b>Total</b>	<b>12,791</b>	<b>129,605</b>	<b>7,588</b>	<b>138,778</b>

**4. Information on other liabilities:**

Other liabilities are amounting to TL 32,790 (31 December 2009: TL 28,585) and do not exceed 10% of total liabilities excluding the off-balance sheet items.

**5. Obligations under financial leases:**

Lease rent payments are determined according to related asset's cost, market interest rates and lease term. The Group does not have significant obligations on financial lease agreements.

Obligations under financial leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	35	34	139	135
Between 1-4 years	-	-	2	2
More than 4 years	-	-	-	-
<b>Total</b>	<b>35</b>	<b>34</b>	<b>141</b>	<b>137</b>

**6. Information on liabilities arising from hedging purpose derivatives:**

None.

7. Information on provisions:

a) Information on general provisions:

	Current Period	Prior Period
General Provisions		
Provisions for Loans and Receivables in Group I	7,272	7,689
Provisions for Loans and Receivables in Group II	979	913
Provisions for Non Cash Loans	1,071	1,072
Other	86	103
<b>Total</b>	<b>9,408</b>	<b>9,777</b>

b) Information on reserve for employee rights:

In accordance with existing legislation in Turkey, the Bank and its subsidiary in Turkey have to make certain lump-sum payments to employees who has completed one year of service with the Bank and whose employment is terminated due to retirement (retirement age for women and men are 58 and 60, respectively) or reasons other than resignation or misconduct. Provision for employee severance benefits has been accounted for using discounting total provision and reflected to the consolidated financial statements.

Such payments are calculated on the basis of 30 days' pay, as at 30 June 2010, at ceiling amount of TL-full 2,427 (31 December 2009: TL-full 2,365), per year of employment at the rate of pay applicable at the date of retirement of termination. The liability is not funded, since there is no funding requirement.

The Bank reserved for employee severance indemnities in the accompanying financial statements using actuarial method in accordance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits". The major actuarial assumptions used in the calculation of the total liability are as follows:

	Current Period	Prior Period
Discount Ratio (%)	5.92	5.92
Expected Salary/ETI Liability Ceiling Increase Rate (%)	4.80	4.80

It is assumed that the ceiling amount would increase by the rate of inflation.

Movement of ETI liability is below:

	Current Period	Prior Period
Prior Period End Amount	2,144	1,456
Current year provisions/ (reversal of provision)	710	2,626
Paid in current year	(551)	(1,938)
<b>Period end amount</b>	<b>2,303</b>	<b>2,144</b>

The Group also has vacation pay liability amounting TL 2,711 (31 December 2009: TL 2,521) as at 30 June 2010.

c) Provision for foreign exchange gain/loss on foreign currency indexed loans

As at 30 June 2010, foreign exchange differences on foreign currency indexed loans amounting TL 2,376 (31 December 2009: TL 753) are netted with loans on the asset side.

d) Information on other provisions:

d.1) Information on provision for possible risks: None

d.2) Information on provision for promotions related with banking services:

As at 30 June 2010, the Parent Bank has provision for credit card service promotions amounting TL 306 (31 December 2009: TL 357).

**8. Taxation:**

a) Current tax liability: As at 30 June 2010, corporate taxes payable of the Parent Bank is TL 2,115 (31 December 2009: TL 634).

b) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	2,115	634
Taxation on securities	1,102	1,255
Capital gains tax on property	124	118
Banking Insurance Transaction Tax (BITT)	1,043	1,282
Taxes on foreign exchange transactions	-	-
Value added tax payable	30	54
Other	1,104	1,134
<b>Total</b>	<b>5,518</b>	<b>4,477</b>

c) Information on premiums payable:

	Current Period	Prior Period
Social security premiums- employee share	380	383
Social security premiums- employer share	434	413
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	50	29
Unemployment insurance- employer share	56	52
Other	-	2
<b>Total</b>	<b>920</b>	<b>879</b>

d) Information on deferred tax liabilities

Deferred tax liability is netted off with deferred tax assets.

9. Information on shareholders' equity:

a) Paid in capital:

	Current Period	Prior Period
Common Stock	420,000	420,000
Preferred Stock	-	-

The paid-in share capital of the Bank is represented by 4,200 million registered shares of one 0.1 Turkish Liras each.

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital: Not applicable at the Bank

c) Information on share capital increases and their sources; other information on any increase in capital shares during the current period:

None.

d) Information on share capital increases from revaluation funds:

None.

e) Capital commitments for current financial year and following period: None.

f) Prior period indicators of the Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators: None.

g) Information on the privileges given to stocks representing the capital: The Parent Bank's share capital is consist of 70% A Type Shares and 30% B Type Shares. Three out of five Board of Directors members are voted by A Type shareholders, two out of five members are voted by B Type shareholders. There are no other privileges.

h) Information on valuation of securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates and subsidiaries	-	-	-	-
Financial assets available-for-sale	1,048	496	3,582	500
Marketable securities subject to structural position	-	-	-	-
<b>Total</b>	<b>1,048</b>	<b>496</b>	<b>3,582</b>	<b>500</b>

Information on portion of foreign currency securities that are related to marketable securities valuation funds:

Portion of foreign currency securities which are related with the marketable securities valuation funds is presented as difference between fair values and amortized costs of the government bonds classified as investment securities available-for-sale.

### III. Information on disclosures related to consolidated income statement

#### 1. Interest income:

##### a) Information on interest income received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest income received from loans (*)				
Short Term	49,301	5,465	82,598	9,484
Medium and Long Term	18,749	2,058	22,170	1,707
Loans Under Follow-Up	2,587	-	1,025	-
Source Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>70,637</b>	<b>7,523</b>	<b>105,793</b>	<b>11,191</b>

(\*) Includes fees and commissions from cash loans.

##### b) Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	941	-	2,149	-
Domestic Banks	304	101	1,412	45
Foreign Banks	16	74	359	972
Foreign Branches	-	-	-	-
<b>Total</b>	<b>1,261</b>	<b>175</b>	<b>3,920</b>	<b>1,017</b>

c) Information on interest income received from associates and subsidiaries: None.

#### 2. Interest expense:

##### a) Information on interest expense related to funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks (*)</b>	<b>485</b>	<b>1,734</b>	<b>1,129</b>	<b>10,655</b>
Central Bank of Turkey	-	-	-	-
Domestic Banks	430	408	1,129	847
Foreign Banks	55	1,326	-	9,808
Foreign Branches	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>485</b>	<b>1,734</b>	<b>1,129</b>	<b>10,655</b>

(\*) Includes fees and commission expenses related with funds borrowed.

b) Information on interest expense paid to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	2	3

### 3. Trading income / loss (net)

	Current Period	Prior Period
<b>Profit</b>	<b>155,858</b>	<b>202,474</b>
Capital Market Gains	4,514	8,681
Derivative Gains	99,372	114,909
Foreign Exchange Gains	51,972	78,884
<b>Loss (-)</b>	<b>(151,184)</b>	<b>(189,948)</b>
Capital Market Losses	(169)	(73)
Derivative Losses	(115,713)	(116,445)
Foreign Exchange Losses	(35,302)	(73,430)

Net loss from foreign currency exchange rate changes of derivatives is amounted to TL 14,657 (30 June 2009: TL 3,834 net income) .

### 4. Other operating income:

There is not any extraordinary event that would effect the Parent Bank's other operating income.

### 5. Impairment on loans and other receivables:

	Current Period	Prior Period
Specific Provisions on Loans and Other Receivables:	7,535	28,585
<i>Loans and Receivables in Group III</i>	781	6,596
<i>Loans and Receivables in Group IV</i>	3,717	17,618
<i>Loans and Receivables in Group V</i>	3,037	4,371
General Provision Expenses	-	-
Provision for Possible Losses	-	-
Impairment Losses on Securities:	1,250	1,136
<i>Trading securities</i>	2	-
<i>Investment Securities Available-for-Sale</i>	1,248	1,136
Other Impairment Losses:	6	1
<i>Associates</i>	-	-
<i>Subsidiaries</i>	6	1
<i>Joint Ventures</i>	-	-
<i>Investment Securities Held-to-Maturity</i>	-	-
Other	-	-
<b>Total</b>	<b>8,791</b>	<b>29,722</b>

**6. Information related to other operational expenses:**

	Current Period	Prior Period
Personnel Expenses	29,299	33,953
Reserve for Employee Termination Indemnity Benefits	349	493
Reserve for Bank's Social Aid Fund Deficit	-	-
Impairment of Tangible Assets	-	699
Depreciation Expenses of Tangible Assets	2,184	2,288
Impairment of Intangible Assets	-	-
<i>Impairment of Goodwill</i>	-	-
Amortization Expenses of Intangible Assets	288	393
Impairment of Investments in Associates	-	-
Impairment of Securities Held for Sale	-	-
Depreciation of Securities Held for Sale (*)	1,362	455
Impairment of Assets Held for Sale and	-	-
Other Operating Expenses	11,186	13,115
<i>Operational Leases</i>	4,271	5,092
<i>Repair and Maintenance</i>	644	561
<i>Advertising</i>	169	362
<i>Other Expenses</i>	6,102	7,100
Loss on Sale of Assets	284	976
Other	4,536	3,549
<b>Total</b>	<b>49,488</b>	<b>55,921</b>

**7. Profit / loss before taxes for continued and discontinued operations:**

- a) Information on current tax income or expense and deferred tax income or expense:

For the interim period ended 30 June 2010, tax expense is TL 3,410 (30 June 2009: TL 970).

For the interim period ended 30 June 2010 deferred tax expense is TL 144 (30 June 2009: TL 1,317 expense).

- b) Deferred tax charge arising from origination or reversal of temporary differences:

For the interim period ended 30 June 2010, deferred tax expense arising from temporary differences amounting TL 144 (30 June 2009: TL 1,317).

Besides, for the interim period ended 30 June 2010, the change in the deferred tax liabilities due to the revaluation of buildings amounting to TL 91 is not reflected in the income statement, is netted-off from revaluation fund on tangible assets under equity.

- c) Information on deferred tax income or expense by temporary difference, statutory loss and tax deduction and exception reflected to the income statement.

For the interim period ended 30 June 2010, deferred tax expense arising from temporary differences is TL 144 (30 June 2009: TL 1,317 expense).

For the interim period ended 30 June 2010, there is no deferred tax income resulted from statutory loss (30 June 2009: None).



**8. Information on net profit and loss:**

- a) Any further explanation on operating results needed for better understanding of the Parent Bank's performance: None.
- b) Any changes in estimations that might have a material effect on current and subsequent period results: None.

**9. Information related to the components of other items in the income statement exceeding 10% of the group total, or 20% of the sub-accounts belonging to this group:**

None.

#### IV. Information and disclosures related to consolidated off-balance sheet items

##### 1. Disclosures related to other contingent liabilities

a) Type and amount of irrevocable commitments: As at 30 June 2010, loan granting commitments amount to TL 43,689 (31 December 2009: TL 38,723), commitments for credit card limits amount to TL 194,293 (31 December 2009: TL 200,692) commitments for cheque payments amount to TL 77,276 (31 December 2009: TL 68,107), commitments for promotional operations re-credit cards amount to TL 675 (31 December 2009: TL 726). As of 31 December 2009 tax and fund obligations from export commitments is TL 63. As of 30 June 2010, loan limit allocations amounting to TL 9,687,465, which cannot be readily used by customers, have been started to be followed up under irrevocable commitments according to the amendments to the Uniform Chart of Account.

b) Type and amount of possible losses and commitments from off-balance sheet items: None.

Guarantees from off-balance sheet commitments are shown in Off-balance Sheet Items Statements.

As at 30 June 2010, the Group has letters of guarantee amounting to TL 650,305 (31 December 2009- TL 658,495), bills of exchange and acceptances amounting to TL 1,581 (31 December 2009- TL 305), letters of credit amounting to TL 60,791 (31 December 2009- TL 70,640), prefinancing given as guarantee amounting to TL 1,467 (31 December 2009- TL 1,402) and other guarantees amounting to TL 19,641 (31 December 2009- TL 24,724).

c) Non-cash loans

	Current Period	Prior Period
Non-Cash Loans Given for Cash Loan Risks	48,596	59,228
With Original Maturity of 1 Year or Less	-	124
With Original Maturity of More Than 1 Year	48,596	59,104
Other Non-Cash Loans	685,189	696,338
<b>Total</b>	<b>733,785</b>	<b>755,566</b>

d) There is not any fiduciary service rendered on behalf of third parties.

**V. Information and disclosures related to the Parent Bank's risk group**

**1. Information on the volume of transactions with the Parent Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period:**

a) Current Period:

Bank's Risk Group (*)	Associates and subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<u>Loans and Other Receivables</u>						
Balance at the Beginning of the Period	-	-	78,697	3,874	-	-
Balance at the End of the Period	-	-	34,999	3,514	-	-
Interest and Commission Income Received	-	-	2,796	259	-	-

(\*) As described in the Article 49 of Banking Law no.5411.

The Parent Bank also has placements at the banks in its risk group amounting to TL 19,504 (31 December 2009- TL 6,991).

b) Prior Period:

Bank's Risk Group (*)	Associates and subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<u>Loans and Other Receivables</u>						
Balance at the Beginning of the Period	-	-	40,932	5,722	-	-
Balance at the End of the Period	-	-	78,697	3,874	-	-
Interest and Commission Income Received	-	-	1,986	49	-	-

(\*) As described in the Article 49 of Banking Law no.5411.

c) Information on deposits held by the Bank's risk group:

Bank's Risk Group (*)	Associates and subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Balance at the beginning of the Period	53	52	43,800	77,169	-	-
Balance at the End of the Period	47	53	63,821	43,800	-	-
Interest on Deposits	2	3	1,939	3,115	-	-

(\*) As described in the Article 49 of Banking Law no.5411.

d) Information on forward transactions and option agreements and similar other agreements related with the Bank's risk group:

As at 30 June 2010, the Parent Bank has forward and foreign currency swap transactions amounting to TL 9,578 and TL 9,584 (31 December 2009: TL 14,064 and TL 14,623, respectively) with the Parent Bank's risk group.

**VI. Domestic, foreign and off-shore banking branches and foreign representatives**

	Number	Number of Employees		Total Assets	Statutory Share Capital
Domestic branches	44	912			
			Country of Incorporation		
Foreign representation	1	1	Berlin, Germany		
Foreign branch	-	-	-	-	-
Off-shore banking region branches	-	-	-	-	-

**VII. Information and disclosure related to subsequent events**

Transactions that have not been finalized and their effect on the consolidated financial statements and disclosures in accordance with TAS 10 "Events after the balance sheet date":

As at 21 July 2010, share capital of Tekstil Menkul has been increased to TL 10,000 by TL 5,000 of which TL 4,796 in cash and the remaining amount by transferring from reserves. The title of the subsidiary has also been amended as "Tekstil Yatırım Menkul Değerler A.Ş." as at 21 July 2010.

With Board of Directors resolution dated 12 July 2010, it was decided to increase the share capital of ETB by USD 1,250 thousands from USD 4,000 thousands to USD 5,250 thousands.

At 29 July 2010, reserve requirement ratio for foreign currency liabilities has been increased from 9.5% to 10%. For TL liabilities, reserve requirement ratio has remained at 5%.

## **SECTION SIX**

### **INDEPENDENT AUDITORS' REVIEW REPORT**

#### **I. Information on the independent auditor's review report**

The consolidated financial statements of the Parent Bank and its subsidiaries as at 30 June 2010 have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss Cooperative). It was noted in their review report dated 11 August 2010 that nothing has come to their attention that caused them to believe that accompanying consolidated interim financial statements do not present fairly the financial position of Tekstil Bankası Anonim Şirketi and its subsidiaries as at 30 June 2010, and of the results of its operations and its cash flows for the period then ended, in all material respects in accordance with regulations described in Articles 37 and 38 of the (Turkish) Banking Law No. 5411.

#### **II. Information and disclosures prepared by the independent auditors**

None.