THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

FINANCIAL STATEMENTS
AT 31 DECEMBER 2009
TOGETHER WITH AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi
No:48 B Blok Kat 9 Akaretler
Beşiktaş 34357 İstanbul-Turkey
www.pwc.com/tr
Telephone +90 (212) 326 6060
Facsimile +90 (212) 326 6050

INDEPENDENT AUDITOR'S REPORT

To the Central Bank of the Republic of Turkey

1. We have audited the accompanying financial statements of the Central Bank of the Republic of Turkey (the "Bank") which comprise the balance sheet as of 31 December 2009 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Central Bank of the Republic of Turkey as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Zeynep Uras, SMMM

Istanbul, 8 March 2010

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

FINANCIAL STATEMENTS
AT 31 DECEMBER 2009

CONTENTS **PAGE**

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS
AT 31 DECEMBER
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	2009 Thousand TL	2008 Thousand TL	2009 Million US$ (*)	2008 Million US$ (*)
ASSETS					
Cash and gold reserves	6	6,874,235	5,647,028	4,565	3,734
Due from banks	7	43,063,546	25,649,432	28,600	16,961
Financial assets at fair value through profit or loss	8	104,665,581	114,220,178	69,513	75,527
Loans and advances to customers	9	512,318	31,440	340	21
Investment securities:					
-Available-for-sale	10	373,071	323,566	248	214
-Held-to-maturity	10	-	339,380	-	224
Property and equipment	11	240,567	244,011	160	161
Intangible assets	12	4,964	4,889	3	3
Other assets	13	59,566	48,360	40	31
Total assets		**155,793,848**	**146,508,284**	**103,469**	**96,876**
LIABILITIES					
Currency in circulation	14	38,340,278	31,743,434	25,463	20,990
Due to banks	15	46,893,296	53,279,066	31,144	35,231
Other deposits	16	43,388,367	38,621,031	28,816	25,538
Due to International Monetary Fund ("IMF")	17	8,201	6,794	5	4
Other borrowed funds	18	14,333,082	9,939,440	9,519	6,572
Other liabilities	19	875,278	945,677	581	625
Taxes on income	20	72,064	166,909	48	110
Deferred income tax liability	20	986,043	1,261,392	655	834
Retirement benefit obligations	21	76,247	70,541	51	47
Total liabilities		**144,972,856**	**136,034,284**	**96,282**	**89,951**
SHAREHOLDERS' EQUITY					
Paid-in share capital	28	47,464	47,464	32	31
Retained earnings		10,437,717	10,139,250	6,932	6,704
Other reserves		335,811	287,286	223	190
Total shareholders' equity		**10,820,992**	**10,474,000**	**7,187**	**6,925**
Total liabilities and shareholders' equity		**155,793,848**	**146,508,284**	**103,469**	**96,876**

Commitments and contingent liabilities 27

(*) US dollar ("US$") amounts presented above are translated from TL for convenience purposes only, at the official US$ bid rate announced by the Bank at 31 December 2009 and 2008, and therefore do not form part of these financial statements (Note 2.c.).

The notes on pages 6 to 53 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	2009 Thousand TL	2008 Thousand TL	2009 Million US$ (*)	2008 Million US$ (*)
Interest income	22	6,054,774	6,726,264	3,913	5,203
Interest expense	22	(4,065,190)	(4,921,303)	(2,627)	(3,807)
Net interest income		**1,989,584**	**1,804,961**	**1,286**	**1,396**
Fee and commission income	23	63,862	60,966	41	47
Fee and commission expense	23	(9,782)	(8,087)	(6)	(6)
Net fee and commission income		**54,080**	**52,879**	**35**	**41**
Dividend income	24	4,841	4,884	3	4
Net (expense)/income from financial assets at fair value through profit or loss		(1,182,053)	1,669,206	(764)	1,291
Foreign exchange gains, net	25	1,549,988	10,914,217	1,002	8,442
Other operating income		1,050	7,245	1	6
Impairment losses on loans and advances	9	2,498	(576,517)	2	(446)
Other operating expenses	26	(593,861)	(491,858)	(384)	(380)
Profit before income tax		**1,826,127**	**13,385,017**	**1,181**	**10,354**
Income tax expense	20	(189,466)	(1,586,960)	(122)	(1,228)
Profit for the year		**1,636,661**	**11,798,057**	**1,059**	**9,126**

(*) US dollar ("US$") amounts presented above are translated from TL for convenience purposes only, at the average daily official US$ bid rate announced by the Bank for the years ended 31 December 2009 and 2008, and therefore do not form part of these financial statements (Note 2.c.).

The notes on pages 6 to 53 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	2009	2008
Net profit for the year		**1,636,661**	**11,798,057**
Other comprehensive income			
Available-for-sale securities' net fair value gains	10	49,505	79,508
Deferred tax effect of available for sale securities' net fair value gains	20	(2,469)	(15,000)
Gains on demonetized banknotes	14	1,489	-
Total comprehensive income for the year		**1,685,186**	**11,862,565**

The notes on pages 6 to 53 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Share capital					
	Share capital	**Adjustment to share capital**	**Total paid-in share capital**	**Other reserves**	**Retained earnings/ (Accumulated deficit)**	**Total**
Balance at 1 January 2008	**25**	**47,439**	**47,464**	**222,778**	**(1,652,086)**	**(1,381,844)**
Cash dividends paid	-	-	-	-	(6,721)	(6,721)
Total comprehensive income for the year ended 31 December 2008	-	-	-	64,508	11,798,057	11,862,565
Balance at 31 December 2008	**25**	**47,439**	**47,464**	**287,286**	**10,139,250**	**10,474,000**
Balance at 1 January 2009	**25**	**47,439**	**47,464**	**287,286**	**10,139,250**	**10,474,000**
Cash dividends paid	-	-	-	-	(1,338,194)	(1,338,194)
Total comprehensive income for the year ended 31 December 2009	-	-	-	48,525	1,636,661	1,685,186
Balance at 31 December 2009	**25**	**47,439**	**47,464**	**335,811**	**10,437,717**	**10,820,992**

The notes on pages 6 to 53 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Notes	2009	2008
Cash flows from operating activities			
Net profit for the year		**1,636,661**	**11,798,057**
Adjustment for:			
Depreciation of property and equipment	11	15,564	13,543
Amortization of intangible assets	12	710	725
Impairment losses on loans and advances	9	(2,498)	576,517
Foreign exchange (losses)/gains on provision for loan losses	9	10,270	(519,051)
Retirement benefit obligations	21	11,351	12,142
Interest income, net	22	(1,989,584)	(1,804,961)
Interest received		5,952,011	6,631,610
Interest paid		(4,615,553)	(4,745,785)
Dividend income	24	(4,841)	(4,884)
Commission income, net	23	(54,080)	(52,879)
Commission received		62,792	60,674
Commission paid		(8,988)	(27,916)
Increase in reserves due to demonetized banknotes	14	1,489	-
Income tax expense	20	189,466	1,586,960
Other non-cash items		(1,209,345)	(8,791,540)
Cash flows from operating profits before changes in operating assets and liabilities		**(4,575)**	**4,733,212**
Changes in operating assets and liabilities:			
Net decrease/(increase) in financial assets at fair value through profit or loss		9,141,699	(7,079,673)
Net increase in loans and advances to customers		(480,847)	(5,498)
Net decrease in other assets		84,005	20,444
Net increase in currency in circulation		6,596,844	4,314,045
Net (decrease)/increase in due to banks		(5,815,019)	11,224,344
Net increase in other deposits		5,000,087	(48,015)
Net decrease in other liabilities		(636,476)	(314,497)
Net cash from operating activities		**13,885,718**	**12,844,362**
Cash flows from/(used in) investing activities			
Purchase of property, equipment and intangible assets, net	11,12	(12,905)	(26,133)
Redemption/(purchase) of securities		336,889	(177,791)
Dividends received		4,997	4,248
Net cash from/(used in) investing activities		**328,981**	**(199,676)**
Cash flows from financing activities			
Repayments of borrowed funds and due to IMF		4,395,049	6,026,317
Dividends paid		(1,338,194)	(6,721)
Net cash from financing activities		**3,056,855**	**6,019,596**
Effects of exchange-rate changes on cash and cash equivalents		**1,238,854**	**2,372,835**
Net increase in cash and cash equivalents		**18,510,408**	**21,037,117**
Cash and cash equivalents at the beginning of year	**30**	**31,296,039**	**10,258,922**
Cash and cash equivalents at the end of year	**30**	**49,806,447**	**31,296,039**

The notes on pages 6 to 53 are an integral part of these financial statements.

NOTE 1 - GENERAL INFORMATION

The Central Bank of the Republic of Turkey (the "Bank") was incorporated in Turkey in 1931. It was established as a joint stock company with the exclusive privilege of issuing banknotes in Turkey and is vested with the powers and duties set forth in the Central Bank of the Republic of Turkey Law No. 1211 (the "Central Bank Law"). The Head Office of the Bank is located in Ankara. The Bank's registered head office is located at the following address: İstiklal Cad. 10 Ulus, 06100 Ankara, Turkey. The Bank now operates a nationwide network of 21 branches and four foreign representatives. As at 31 December 2009, the Bank employed 4,419 people (2008: 4,437).

The primary objective of the Bank shall be to achieve and maintain price stability. The Bank shall determine on its own discretion the monetary policy that it shall implement and the monetary policy instruments that it is going to use in order to achieve and maintain price stability.

The fundamental duties of the Bank are;

a) to carry out open market operations,

b) to take necessary measures in order to protect the domestic and international value of the Turkish Lira ("TL") and to establish the exchange rate policy in determining the parity of TL against gold and foreign currencies jointly with the Government of the Republic of Turkey ("Turkish Government"); to execute transactions such as spot and forward purchases and sales of foreign exchange and banknotes, foreign exchange swaps and other derivatives transactions in order to determine the value of TL against other currencies,

c) to determine the procedures and conditions of reserve requirements by taking into consideration the liabilities of banks and other financial institutions to be deemed appropriate by the Bank,

d) to conduct rediscount and advance transactions,

e) to manage the gold and foreign exchange reserves of the country,

f) to regulate the volume and circulation of the TL, to establish payment, securities transfer and settlement systems and to set forth regulations to ensure the uninterrupted operation and supervision of the existing or future systems, to determine the methods and instruments including electronic environment for payments,

g) to take precautions for enhancing the stability in the financial system and to take regulatory measures with respect to money and foreign exchange markets,

h) to monitor the financial markets, and

i) to determine the terms and types of deposits in banks and the terms of participation funds in special finance houses.

NOTE 2 - BASIS OF PRESENTATION

(a) Turkish Lira financial statements

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). The Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Commercial Practice and Tax Legislation and the Central Bank Law. These financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with IFRS issued by the IASB.

The financial statements are presented in the national currency of the Republic of Turkey.

These financial statements will be submitted to General Assembly of the Bank on 20 April 2010 after the approval of Board on 19 March 2010.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Amendments to published standards and interpretations to existing standards effective 1 January 2009

The following amendments to published standards and interpretations to existing standards effective from 1 January 2009 are relevant to the Bank's operations.

IAS 1, "Presentation of financial statements" (Revised). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Bank has elected to present two statements: an income statement and a statement of comprehensive income.

IFRS 7, "Financial instruments: Disclosures" (Amendment). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Bank.

The following amendments to published standards and interpretations to existing standards effective from 1 January 2009 are not relevant to the Bank's operations.

IFRS 8, "Operating segments". The Standard replaces IAS 14, 'Segment reporting', with its requirement to determine primary and secondary reporting segments.

IFRS 2, "Share-based payment - Vesting conditions and cancellations" (Amendment). The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the company. These changes clarify that vesting conditions are solely service and performance conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled.

NOTE 2 - BASIS OF PRESENTATION (Continued)

IAS 23, "Borrowing costs" (Revised). The revised standard eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use.

IAS 32, "Financial instruments: Presentation" (Amendment). The amendment requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation.

IFRIC 16, "Hedges of a net investment in a foreign operation". This interpretation clarifies the accounting treatment in respect of net investment hedging.

IFRIC 13, "Customer loyalty programmes". IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement.

Standards, amendments and interpretations to existing standards that are not yet effective

Standards, amendments and interpretations to existing standards that are relevant to the Bank's operations and are not yet effective and have not been early adopted by the Bank

IFRS 9, "Financial instruments part 1: Classification and measurement" (Effective from 1 January 2013). IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

NOTE 2 - BASIS OF PRESENTATION (Continued)

IAS 39, "Financial instruments: Recognition and measurement - Eligible hedged items" (Amendment) (Effective from 1 July 2009). The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations.

Interpretations and amendments to existing standards that are not yet effective and not relevant for the Bank's operations

IFRS 3, "Business combinations" (Revised) (Effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

IAS 27, "Consolidated and separate financial statements" (Revised) (Effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

IFRS 1 and IAS 27, "Cost of an investment in a subsidiary, jointly-controlled entity or associate" (Amendment) (Effective from 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and requires an entity to present dividends from investments in subsidiaries, jointly controlled entities and associates as income in the separate financial statements of the investor.

IFRIC 17, "Distribution to non-cash assets to owners" (Effective from 1 July 2009). The standard addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 18, "Transfers of assets from customers" (Effective from 1 July 2009). The standard clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services.

NOTE 2 - BASIS OF PRESENTATION (Continued)

(b) Accounting for the effect of hyperinflation

Prior to 1 January 2006, the adjustments and reclassifications made to the statutory records for the purpose of fair presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of the Turkish Lira in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of Turkey indicate that hyperinflation has ceased, effective from 1 January 2006, the Bank no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2005 are treated as the basis for the carrying amounts in these financial statements.

(c) US$ translation

US$ amounts shown in the balance sheets are translated from TL for convenience purposes only, at the official bid rates announced by the Bank on 31 December 2009 and 2008 of TL1.5057 = US$1 (2008: TL1.5123 = US$1) and US$ amounts shown in the income statements are translated from TL for convenience purposes only, at the average US$ bid rates calculated from the daily official bid rates announced by the Bank for the years ended 31 December 2009 and 2008 of TL1.5474 = US$1 (2008: TL1.2929 = US$1) and therefore, do not form part of these financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in thousands of TL, which is the Bank's functional and presentation currency.

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Exchange rates

The following TL exchange rates for major currencies are used to convert foreign currency assets and liabilities to TL for reporting purposes.

	2009	2008
US Dollar ("US$")	1.5057	1.5123
Euro ("EUR")	2.1603	2.1408
Swiss Franc ("CHF")	1.4492	1.4300
Great Britain Pound ("GBP")	2.3892	2.1924
Japanese Yen ("JPY")	0.0163	0.0167
Special Drawing Rights ("SDR") (*)	2.3650	2.3513

(*) The SDR is treated in terms of a basket of currencies. Its value is determined as the weighted sum of the exchange rates of the four major currencies (EUR, JPY, GBP, US$). For accounting purposes, SDR is treated as a foreign currency.

(b) Derivative financial instruments and hedge accounting

Derivative financial instruments, including forward agreements, are initially recognized in the balance sheet at cost (including transaction costs) and are subsequently remeasured at their fair value. Derivative financial instruments are classified as held for trading. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

As of 31 December 2009, the Bank has no derivative financial instruments. As of 31 December 2008, notional amount of future contracts undertaken by the Bank as derivative financial instruments amounts to TL107,174 thousand (Note 27).

The best evidence of the fair value of a derivative at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognizes profit or loss on day 1.

Certain derivative transactions, even though providing effective economic hedges under the Bank risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement" and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement.

(c) Interest income and expense

Interest income and expense is recognized in the income statement for all interest bearing instruments measured at amortized cost using the effective interest rate method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Fee and commission income

Unless included in the effective interest calculation, fees and commissions are generally recognized on an accrual basis as the service is provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Other loan commitment fees are recognized over the term of the commitment.

(e) Income taxes

(i) Income taxes currently payable

Income taxes ("corporation tax") currently payable are calculated based in accordance with the Turkish tax legislation.

Taxes other than on income are recorded within other operating expenses (Note 26).

(ii) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized (Note 20).

(f) Gold

(i) Gold bullion

Gold bullion consists of the stocks of gold bars of international standard and non-international standard held at the Bank and held with correspondents. Gold is held by the Bank as part of its foreign reserves and presently represents 5.7% (2008: 4.5%) of aggregate foreign reserves. The Bank has no present intention to dispose of any of its existing gold reserve stocks as the Bank maintains the gold reserve as a part of its foreign reserve management. Gold bullion is recorded in physical weight in troy ounces.

Gold is initially recorded at the prevailing rates at recognition date, excluding transaction costs. Subsequent to initial measurement it is measured at fair value. Fair value is the amount which could be realized from the sale of an asset in an arm's length transaction between knowledgeable, willing parties and is calculated based on the fixing of the London Bullion Market in US$, converted to TL at the spot TL/US$ exchange rate.

Gains and losses from the valuation of gold bullions arising as a result of the changes in the fair value are charged directly to the income statement.

The exchange rate of gold bullion to TL as at 31 December 2009 was TL1,662 per troy ounce (2008: TL1,308 per troy ounce).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Gold coins

Gold coins which are no longer legal tender typically have an artistic or collectors' premium such that they are bought and sold at prices which are higher than the intrinsic value of the metal from which they are formed. However, it is unlikely that such a premium could be realized if the Bank were to release a significant quantity of the coins it holds. Consequently coins are valued at the market value of the gold content and included within gold bullion in the balance sheet. Gains and losses on gold coins are treated and reported consistently with those for gold bullion.

(g) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the management. Derivatives are also categorized as held for trading unless they are designated as hedges. These financial assets are initially recognized at fair value plus transaction costs and subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. All related realized and unrealized gains and losses are included in net income from financial assets at fair value through profit or loss. Interest earned while holding financial assets is reported as interest income and dividends received are included in dividend income.

All regular way purchases and sales of financial assets at fair value through profit or loss are recognised at the settlement date.

(h) Loans and advances to customers and provision for loan impairment

Loans originated by the Bank by providing money directly to the borrower or to a sub-participation agent at draw down are categorized as loans originated by the Bank and are carried at amortized cost, less any provision for loan losses. All originated loans are recognized when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Investment securities

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

Investment securities are initially recognized at transaction prices, which normally reflect their fair values.

Available-for-sale investment debt and equity securities are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from other valuation techniques. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in the shareholders' equity as "other reserves", unless there is a permanent decline in the fair values of such assets, in which case they are charged to the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are transferred to the income statement.

Gains and losses arising from changes in foreign exchange rates are recognized in the income statement in the case of debt securities and are included with the fair value movement in the case of equities.

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

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the income statement.

Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

Interest earned whilst holding investment securities is reported as interest income. Dividends on available-for-sale equity instruments are recognized in the income statement when the entity's right to receive payment is established.

All purchases and sales of investment securities that require delivery with a time frame established by a regulation or market convention ("regular way" purchases and sales) are recognized at the settlement date, which is the date that the asset is delivered to/from the Bank.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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.

(k) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as financial assets at fair value through profit or loss and the counterparty liability is included in amounts due to banks or other deposits as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as due from banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed and securities received as collateral for reverse transactions are not recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

Sale and repurchase agreements of TL denominated securities are undertaken within the scope of the open market operations of the Bank.

(l) Money issuance

The Bank produces currency banknotes. Inventories of work-in progress notes which are produced in the Bank's own printing facilities are stated at cost and included in Other Assets. Expenses associated with the banknotes are initially capitalized and are charged to the income statement upon transfer of the banknotes to reserve funds of the Bank. Finished goods and work-in progress costs include direct costs of conversion and production overheads, including depreciation of machinery, staff costs, other production costs and costs for transportation of banknotes. The unit cost of raw materials is determined on the moving weighted average basis.

When notes are returned to the Bank by the commercial banks they are removed from notes in circulation and depending on their condition or legal tender status, are either sent for destruction or held under the reserve funds of the Bank.

(m) Financial liabilities

Financial liabilities are measured at amortized cost except for financial liabilities designated at fair value through profit and loss.

Financial liabilities are initially recognized at fair value less, in the case of liabilities carried at amortized cost (including due to banks, due to International Monetary Fund, other deposits and other funds borrowed), transaction costs incurred and any difference between the proceeds net of transaction costs and the redemption amount is recognized in the income statement as interest expense over the period to maturity using the effective interest rate method. Financial liabilities which are repayable on demand are recorded at nominal value. Financial liabilities are derecognized when they are extinguished. Due to banks represents reserve deposits of depository institutions' participants and current accounts of the Bank.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Property and equipment

Land and buildings comprise mainly branches and offices. Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	50 years
Equipment and motor vehicles	5 years

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Expenditure for the repair and renewal of property and equipment is charged against income.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net realizable value and value in use"), it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and these are included in other operating expenses in the income statement.

(o) Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful life (five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives.

(p) Banknotes and coins in circulation

(i) Currency in Circulation - Turkish Lira

Currency issued by the Bank represents a claim on the Bank in favor of the holder. The liability for currency in circulation is recorded at face value in these financial statements.

In accordance with the Article 1 of the Law No. 5083 concerning the "Currency of the Republic of Turkey" and according to the Decision of The Council of Ministers dated 4 April 2007 and No: 2007/11963, the prefix "New" used in the "New Turkish Lira" and the "New Kurus" was removed as of 1 January 2009. When the prior currency, New Turkish lira ("YTL"), values are converted into TL and Kr, one YTL (TL1) and one YKr (YKr1) shall be equivalent to one TL (TL1) and one Kr (Kr1).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All references made to New Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to TL at the conversion rate indicated above. Consequently, effective from 1 January 2009, the TL replaces YTL and Kr replaces Ykr as a unit of account in keeping and presenting of the books accounts and financial statements. Accordingly, comparative figures have been presented in TL to confirm to changes in presentation in the current year.

(ii) Demonetized Currency - Turkish Lira and New Turkish Lira

The legal circulation period of Turkish Lira banknotes, which were in circulation along with New Turkish Lira banknotes between 1 January 2005 and 31 December 2005 according to provisional article 1 of the Law on the Currency Unit of the Republic of Turkey No:5083, expired as of 31 December 2005 and these banknotes will be redeemed for a period of ten years starting from 1 January 2006 to the close of the working hours at 31 December 2015 which is the end of the 10-year legal redemption period, at the branches of the Bank and T.C. Ziraat Bankası A.Ş.. The banknotes will be of no value as of 1 January 2016.

With the Council of Ministers' decision issued in Official Gazette on 5 May 2008, it was decided that the phrase "New" on the New Turkish Lira and New Kuruş that were put into circulation on 1 January 2005, will be removed as of 1 January 2009, and Turkish Lira banknotes have been put into circulation as of the same date. Accordingly, the legal circulation period of New Turkish Lira banknotes that were in circulation between 1 January 2009 and 31 December 2009 along with Turkish Lira banknotes are expired as of 31 December 2009. New Turkish Lira banknotes will be redeemed for a period of 10 years starting from 1 January 2010 to 31 December 2019 in the branches of the Bank and T.C. Ziraat Bankası A.Ş..

Although it is most unlikely that significant amounts of demonetized currency will be returned for redemption, the Bank is not able to derecognize any part of the liability unless and until it is legally released from the obligation.

The liability for Turkish Lira and New Turkish Lira banknote in circulation is recorded at face value under "Currency in circulation" in these financial statements.

The Bank has recorded gain under equity reserves in the amount of TL1,489 thousand since the legal redemption period of banknotes in the same amount has been expired as of 31 December 2009. There were no such gains as of 31 December 2008 (Note 14).

(q) Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Retirement benefit obligations

Retirement benefit obligations represent the present value of the estimated total reserve for the future probable obligation of the Bank arising from the retirement of the employees, calculated in accordance with the Turkish Labor Law and IFRS (Note 21).

(s) Related parties

For the purpose of these financial statements the shareholders of the Bank together with state-controlled entities in Turkey are considered and referred to as related parties (Note 31).

(t) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with an original maturity of less than three months including cash, gold reserves and current accounts with banks (Note 30).

(u) Appropriations

In accordance with the Central Bank Law article 60, the appropriation of the statutory net annual profit of the Bank is as follows:

i) 20% to the reserve fund,

ii) 6% to the shareholders as an initial dividend,

iii) after deducting the above-stated percentages a maximum of 5% of the remaining amount to the Bank personnel in an amount not exceeding the total of two months' salaries, and 10% percent to the extraordinary reserve fund,

iv) 6% as a secondary dividend to the shareholders, with the decision of the General Assembly.

The remaining balance shall be transferred to T.C. Başbakanlık Hazine Müsteşarlığı ("Turkish Treasury") after this allocation.

As the Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Commercial Practice and Tax Legislation and the Central Bank Law; the statutory net profit of the Bank is the basis for appropriation, in accordance with the Central Bank Law.

(v) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and financial institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets or income of the Bank. Fiduciary capacity at 31 December 2009 and 2008 is as follows:

	2009	**2008**
Securities held in custody	314,651,258	260,753,692
	314,651,258	**260,753,692**

NOTE 4 - FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

By nature, the Bank's activities necessitate the use of financial instruments, including derivatives. The Bank accepts deposits from other banks and public institutions; the required reserves from banks and financial institutions operating in Turkey; and foreign exchange deposits from Turkish workers resident abroad. The Bank also accepts or places short-term funds/securities through open market operations in order to influence short-term interest rates, the primary tool of monetary policy to achieve the inflation target and establish price stability.

Foreign exchange deposits placed with the Bank and foreign exchange acquired by the Bank through regular auctions and direct purchases constitute the sources of foreign exchange reserves of the Bank. The Bank holds foreign exchange reserves both for its own foreign exchange liabilities and for the purposes of rendering foreign debt service with the capacity of the financial agent of the Turkish Government, maintaining foreign exchange liquidity against external shocks, underpinning implementations of monetary and exchange rate policies, and providing confidence to the markets. In view of the Bank's priorities of safe investment, liquidity and return, respectively, as stipulated by the Central Bank Law, the Bank subjects its foreign exchange reserves to investments in international markets with a prudent approach.

In this framework, almost all the financial risks to which the Bank is exposed arise while fulfilling its legal duties, such as implementing monetary and exchange rate policies, managing foreign exchange reserves and rendering certain banking services to the banking sector and the Turkish Government. The Bank is exposed to credit, market and liquidity risks due to the aforementioned operations. The financial risks to which the Bank, as a monetary authority, is exposed in the process of the implementation of monetary and exchange rate policies are the consequences of the selected policy targets. On the other hand, financial risks that arise during the management of foreign exchange reserves are the outcome of an investment choice. Nevertheless, the Bank endeavors to minimize such risks by managing them with a conservative approach. Foreign exchange reserves are managed by observing the investment criteria defined in the Foreign Exchange Reserve Management Guidelines ("the Guideline") approved by the Board and in compliance with the targets and limits stipulated in the Strategic Benchmark Portfolio ("SBP"), which is set at the end of each year by the Foreign Exchange Risk and Investment Committee and put into force the following year upon the approval of the Executive Committee.

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

During its financial operations, the Bank is exposed to credit risk, defined as the probability of complete or partial failure of a counterparty to fulfill its obligations arising from a financial transaction. The credit risk basically originates from the open market operations carried out in order to provide short-term liquidity to banks within the framework of monetary policy implementations, the funds extended to banks under the Intra-Day Limit Facility in order to ensure the proper functioning of payment systems, and the investments made during foreign exchange reserve management. Although the credit risk faced during the implementation of monetary policy and Intra-Day Limit transactions is an inevitable risk, such risks are managed by securing the entire transaction amount, also including a certain amount of margin, by assets that have high credit quality and are tradable in secondary markets (foreign exchange deposits, government securities and securities issued by the treasuries of developed countries), and through monitoring the existing risks regularly and requesting additional collateral, when necessary.

The management of the credit risk that the Bank is exposed to during the foreign exchange reserve management is based on the principle of minimizing the default probabilities of the counterparties and the financial loss in case of default. In this framework, the Bank implements a three-stage risk management process in order to minimize the credit risk arising from foreign exchange reserve management operations. In the first stage, the Bank confines its investments to the leading international financial institutions and debtors that meet the minimum credit rating criteria specified in the Guideline based on the credit ratings given by the international credit rating agencies. Accordingly, the Bank can take on exposure to banks having at least A1 or an equivalent credit rating, with a maturity of up to one year; while it can invest in securities issued or directly guaranteed by foreign governments which have at least Aa2 or an equivalent credit rating, in their domestic currencies as long as the remaining maturity is 10 years at the most. The Bank can also invest in securities issued by the World Bank, the Bank for International Settlements and the European Investment Bank, regardless of the credit rating criteria. In the second stage, the total transaction limit, expressed as a percentage of total reserves, is specified in order to control overall credit risk including settlement risk arising from transactions with financial institutions. By setting this overall credit risk limit within the scope of the SBP, the Bank aims to prevent non-sovereign credit risk from exceeding its risk tolerance. In the third stage, the institutions eligible for transactions are chosen among those institutions meeting the minimum credit rating criteria set in the Guideline, using the fundamental and the financial analysis methods and each institution is granted a certain credit risk limit in view of their capital size and credit quality. In all transactions executed with these institutions, credit risk exposures that are calculated on the basis of transaction type are immediately reflected on their limits, and the use of these limits are regularly monitored and reported.

In conclusion, the credit risk assumed during reserve management remains at quite low levels as a great portion of reserves are invested in assets issued or directly guaranteed by foreign governments as well as by supranational institutions such as the World Bank, the European Investment Bank and the Bank for International Settlements.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Total assets of the Bank exposed to credit risk as of 31 December 2009 and 2008 are presented in the table below according to different asset classes (classification according to external credit ratings is done based on the credit ratings published by Moody's):

	31 December 2009		31 December 2008	
	TL	Share (%)	TL	Share (%)
Due from banks	**43,063,546**	**29**	**25,649,432**	**18**
- Demand Deposits	**5,622,665**	**4**	**3,978,165**	**3**
Central Banks	3,182,430	2	3,827,177	3
Supranational Institutions	2,294,082	2	35,146	<1
Foreign Commercial Banks	146,153	<1	115,842	<1
- Time Deposits	**4,089,434**	**3**	**1,422,004**	**1**
Central Banks	742,764	<1	-	-
Supranational Institutions	2,520,323	2	351,255	<1
Foreign Commercial Banks	826,347	1	1,070,749	1
Aaa	389,509	<1	432,761	<1
Aa1	-	-	637,988	<1
Aa2	436,838	<1	-	-
- Funds lent under reverse repurchase transactions	**33,351,447**	**22**	**20,249,263**	**14**
Domestic Commercial Banks	33,351,447	22	20,249,263	14
Financial assets at fair value through profit or loss	**104,665,581**	**71**	**114,220,178**	**82**
Foreign Country Treasury	91,016,528	61	95,306,061	68
Aaa	89,829,169	60	91,376,237	65
Aa1	1,187,359	1	3,929,824	3
Supranational Institutions	4,940,751	4	5,260,615	4
Turkish Treasury	8,708,302	6	13,653,502	10
Loans and advances to customers	**512,318**	**<1**	**31,440**	**<1**
Investment securities	**373,071**	**<1**	**662,946**	**<1**
Supranational Institutions	373,071	<1	323,566	<1
Foreign Country Treasury	-	-	339,380	<1
Other assets	**8,346**	**<1**	**7,225**	**<1**
Total	**148,622,862**	**100**	**140,571,221**	**100**

Although the Turkish Government bonds issued by the Turkish Treasury are included in the above table, the Bank does not consider its receivables from the Turkish Treasury as risky in terms of credit risk and therefore does not take these assets into account when calculating its credit risk exposures. Similarly, the deposits placed with domestic commercial banks for the purpose of monetary policy implementations are also excluded when calculating credit risk exposures because of the fully collateralized nature of these transactions as previously explained. As of 31 December 2009, the Bank has deposits amounting to TL33,351,447 thousand (2008: TL20,249,263 thousand) placed with domestic commercial banks as part of reverse repurchase agreements amounting to TL33,130,033 thousand (2008: TL20,035,812 thousand) and foreign exchange market operations amounting to TL221,414 thousand (2008: TL213,451 thousand). The fair value of the security collaterals obtained for the deposits placed under reverse repurchase agreement as of 31 December 2009 is TL32,683,414 thousand (2008: TL20,035,812 thousand). In addition, the Bank has security collaterals amounting to TL7,126,898 thousand (2008: TL8,298,015 thousand) obtained for all foreign exchange and banknotes markets operations including the placed deposits under foreign exchange deposit market operations amounting to TL221,414 thousand (2008: TL213,451 thousand). As of 31 December 2009 and 2008, the security collaterals are the Turkish Government bonds issued by the Turkish Treasury.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The sectoral classifications of the Bank's credit exposure as of 31 December 2009 and 2008 are as follows:

31 December 2009	Foreign Country Treasury	Foreign Central Banks	Major Supranational Financial Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Turkish Treasury	Total
Due from banks	-	3,925,194	4,814,405	33,351,447	972,500	-	43,063,546
Financial assets at fair value through profit or loss	91,016,528	-	4,940,751	-	-	8,708,302	104,665,581
Loans and advances to customers	-	26,482	-	485,836	-	-	512,318
Investment securities:							
-Available-for-sale	-	-	373,071	-	-	-	373,071
-Held-to-maturity	-	-	-	-	-	-	-
Other assets	-	-	3,864	4,482	-	-	8,346
Total	**91,016,528**	**3,951,676**	**10,132,091**	**33,841,765**	**972,500**	**8,708,302**	**148,622,862**

31 December 2008	Foreign Country Treasury	Foreign Central Banks	Major Supranational Financial Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Turkish Treasury	Total
Due from banks	-	3,827,177	386,401	20,249,263	1,186,591	-	25,649,432
Financial assets at fair value through profit or loss	95,306,061	-	5,260,615	-	-	13,653,502	114,220,178
Loans and advances to customers	-	31,051	-	389	-	-	31,440
Investment securities:							
-Available-for-sale	-	-	323,566	-	-	-	323,566
-Held-to-maturity	-	339,380	-	-	-	-	339,380
Other assets	-	-	3,771	3,454	-	-	7,225
Total	**95,306,061**	**4,197,608**	**5,974,353**	**20,253,106**	**1,186,591**	**13,653,502**	**140,571,221**

As indicated above, the credit risk is mainly concentrated on foreign and domestic governments and major supranational and foreign financial institutions as of 31 December 2009 and 2008.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Geographical concentrations of assets, liabilities and off-balance sheet items of the Bank as of 31 December 2009 and 2008 are as follows:

	31 December 2009					
	Turkey	**Other European Countries**	**Canada and US**	**South - East Asia**	**Other Countries**	**Total**
Cash and gold reserves	2,468,687	2,872,273	1,533,275	-	-	6,874,235
Due from banks	33,351,447	4,192,676	4,277,533	1,234,864	7,026	43,063,546
Financial assets at fair value through profit or loss	8,708,302	49,964,855	45,992,424	-	-	104,665,581
Loans and advances to customers	485,836	5,085	-	-	21,397	512,318
Investment securities:						
-Available-for-sale	-	373,071	-	-	-	373,071
-Held-to-maturity	-	-	-	-	-	-
Property and equipment	240,567	-	-	-	-	240,567
Intangible assets	4,964	-	-	-	-	4,964
Other assets	55,702	3,864	-	-	-	59,566
Total assets	**45,315,505**	**57,411,824**	**51,803,232**	**1,234,864**	**28,423**	**155,793,848**
Currency in circulation	38,340,278	-	-	-	-	38,340,278
Due to banks	46,883,961	2	-	9,333	-	46,893,296
Other deposits	23,312,192	20,076,175	-	-	-	43,388,367
Due to IMF	-	-	8,201	-	-	8,201
Other borrowed funds	14,333,082	-	-	-	-	14,333,082
Other liabilities	98,899	155,908	619,186	445	840	875,278
Taxes on income	72,064	-	-	-	-	72,064
Deferred income tax liability	986,043	-	-	-	-	986,043
Retirement benefit obligations	76,247	-	-	-	-	76,247
Shareholders' equity	10,820,992	-	-	-	-	10,820,992
Total liabilities and shareholders' equity	**134,923,758**	**20,232,085**	**627,387**	**9,778**	**840**	**155,793,848**
Net balance sheet position	**(89,608,253)**	**37,179,739**	**51,175,845**	**1,225,086**	**27,583**	**-**
Off-balance sheet commitments	25,803,223	70,950	-	-	-	25,874,173

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2008					
	Turkey	**Other European Countries**	**Canada and US**	**South - East Asia**	**Other Countries**	**Total**
Cash and gold reserves	2,180,087	2,260,332	1,206,609	-	-	5,647,028
Due from banks	20,249,263	1,825,005	2,079,754	1,489,710	5,700	25,649,432
Financial assets at fair value through profit or loss	13,653,502	55,312,563	45,254,113	-	-	114,220,178
Loans and advances to customers	389	5,230	-	-	25,821	31,440
Investment securities:						
-Available-for-sale	-	323,566	-	-	-	323,566
-Held-to-maturity	-	-	339,380	-	-	339,380
Property and equipment	244,011	-	-	-	-	244,011
Intangible assets	4,889	-	-	-	-	4,889
Other assets	43,453	4,907	-	-	-	48,360
Total assets	**36,375,594**	**59,731,603**	**48,879,856**	**1,489,710**	**31,521**	**146,508,284**
Currency in circulation	31,743,434	-	-	-	-	31,743,434
Due to banks	53,270,325	5	-	8,736	-	53,279,066
Other deposits	17,076,045	21,544,986	-	-	-	38,621,031
Due to IMF	-	-	6,794	-	-	6,794
Other borrowed funds	9,939,440	-	-	-	-	9,939,440
Other liabilities	80,495	223,595	638,342	15	3,230	945,677
Taxes on income	166,909	-	-	-	-	166,909
Deferred income tax liability	1,261,392	-	-	-	-	1,261,392
Retirement benefit obligations	70,541	-	-	-	-	70,541
Shareholders' equity	10,474,000	-	-	-	-	10,474,000
Total liabilities and shareholders' equity	**124,082,581**	**21,768,586**	**645,136**	**8,751**	**3,230**	**146,508,284**
Net balance sheet position	**(87,706,987)**	**37,963,017**	**48,234,720**	**1,480,959**	**28,291**	**-**
Off-balance sheet commitments	26,124,227	70,539	107,174	-	-	26,301,940

The Bank provides specific allowances for possible loan losses on a case by case basis that are approved by the Board and actual allowances established take into account the value of any collateral or third party guarantees. Allowances for possible loan losses are defined as the difference between the carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and assessed collateral, discounted at the original effective interest rate of the loan.

Restructuring activities mainly include extended and/or rescheduled payment arrangements or arrangement of terms of loans such as modification and deferral of payments. Restructuring arrangements signed between the Bank and the counterparties are regulated by the Board.

There are no financial assets that are past due but not impaired at 31 December 2009 and 2008; therefore, there are no collaterals held against such past due financial assets.

As of 31 December 2009 and 2008, the Bank has no assets held for resale.

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk

Market risk signifies the probability of incurring a loss as a result of fluctuations in financial market prices. The most significant sources of the market risk, from the Central Bank's perspective are interest rates pertaining to TL and reserve currencies, foreign exchange rates and gold prices. The Bank, in its capacity as the monetary authority of Turkey, does not actively manage TL interest rate risk stemming from government domestic borrowing securities, which the Bank utilizes mainly for open market operations. Putting aside this TL interest rate risk, it is possible to say that the remaining market risk faced by the Bank arises essentially from the foreign exchange assets and liabilities on its balance sheet.

For the purpose of managing market risk, the Bank has adopted the "Asset/Liability Matching" approach in view of its policy targets and its objectives for holding reserves. Nevertheless, unlike the commercial banks, the liabilities addressed within the context of this approach contain estimated off-balance sheet cash flows such as foreign debt payments to be effected on behalf of the Treasury, in addition to the foreign exchange liabilities on the Bank's balance sheet. Within the framework of this approach, the SBP is set each year to reflect the Bank's risk tolerance. The Bank strives to minimize the market risk by setting targets for currency composition and duration which are the basic variables of the SBP and by setting limits to control deviations from these targets.

(d) Currency risk

The Bank is exposed to currency risk as it holds a foreign exchange position for the purpose of implementing exchange rate policy and achieving other policy targets. Exchange rate risk, which arises from the volatility of exchange rates between TL and foreign currencies on the balance sheet, is directly related to the size of the net balance sheet position in foreign currency. Moreover, the overall net foreign currency position on the balance sheet is the consequence of monetary and exchange rate polices implemented. However, the distribution of net positions in terms of currencies also affects the foreign exchange rate risk exposure of the Bank as a result of the volatilities in cross rates.

Within this framework, the Bank controls currency risk through foreign exchange composition targets and limits of deviation from these targets set for foreign exchange reserves within the scope of the SBP.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The net foreign currency position of the Bank as of 31 December 2009 and 2008 is summarized below. The table presented below provides the Bank's assets, liabilities, and equity at carrying amounts, categorized by currency:

	31 December 2009									
	Foreign currency									
	US$	**EUR**	**JPY**	**CHF**	**GBP**	**SDR**	**Other**	**Total**	**TL**	**Total**
Cash and gold reserves	6,523,536	237,216	90	7,988	13,795	-	3,194	6,785,819	88,416	6,874,235
Due from banks	4,481,984	1,476,183	1,234,437	136,592	230,376	2,292,978	18,610	9,871,160	33,192,386	43,063,546
Financial assets at fair value through profit or loss	45,992,424	48,431,385	-	-	1,533,470	-	-	95,957,279	8,708,302	104,665,581
Loans and advances to customers	410,547	101,771	-	-	-	-	-	512,318	-	512,318
Investment securities:										
-Available-for-sale	-	48	-	-	-	373,023	-	373,071	-	373,071
-Held-to-maturity	-	-	-	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-	-	240,567	240,567
Intangible assets	-	-	-	-	-	-	-	-	4,964	4,964
Other assets	87	145	-	-	223	3,864	632	4,951	54,615	59,566
Total assets	**57,408,578**	**50,246,748**	**1,234,527**	**144,580**	**1,777,864**	**2,669,865**	**22,436**	**113,504,598**	**42,289,250**	**155,793,848**
Currency in circulation	-	-	-	-	-	-	-	-	38,340,278	38,340,278
Due to banks	8,201,311	12,026,456	-	-	245,914	-	-	20,473,681	26,419,615	46,893,296
Other deposits	8,209,830	27,655,016	3,863	76,521	51,870	2,268,089	16	38,265,205	5,123,162	43,388,367
Due to IMF	-	-	-	-	-	8,201	-	8,201	-	8,201
Other borrowed funds	-	-	-	-	-	-	-	-	14,333,082	14,333,082
Other liabilities	595,804	171,978	29	2,427	5,774	-	970	776,982	98,296	875,278
Taxes on income	-	-	-	-	-	-	-	-	72,064	72,064
Deferred income tax liability	-	-	-	-	-	-	-	-	986,043	986,043
Retirement benefit obligations	-	-	-	-	-	-	-	-	76,247	76,247
Shareholders' equity	-	-	-	-	-	-	-	-	10,820,992	10,820,992
Total liabilities and shareholders' equity	**17,006,945**	**39,853,450**	**3,892**	**78,948**	**303,558**	**2,276,290**	**986**	**59,524,069**	**96,269,779**	**155,793,848**
Net balance sheet position	**40,401,633**	**10,393,298**	**1,230,635**	**65,632**	**1,474,306**	**393,575**	**21,450**	**53,980,529**	**(53,980,529)**	**-**

	31 December 2008									
	Foreign currency									
	US$	**EUR**	**JPY**	**CHF**	**GBP**	**SDR**	**Other**	**Total**	**TL**	**Total**
Cash and gold reserves	5,334,649	240,452	219	7,473	3,516	-	1,268	5,587,577	59,451	5,647,028
Due from banks	2,228,875	1,126,323	1,489,710	166,920	529,122	35,304	12,461	5,588,715	20,060,717	25,649,432
Financial assets at fair value through profit or loss	49,084,414	50,339,693	-	-	1,142,569	-	-	100,566,676	13,653,502	114,220,178
Loans and advances to customers	31,051	389	-	-	-	-	-	31,440	-	31,440
Investment securities:										
-Available-for-sale	-	46	-	-	-	323,520	-	323,566	-	323,566
-Held-to-maturity	339,380	-	-	-	-	-	-	339,380	-	339,380
Property and equipment	-	-	-	-	-	-	-	-	244,011	244,011
Intangible assets	-	-	-	-	-	-	-	-	4,889	4,889
Other assets	-	1,136	-	-	-	3,771	-	4,907	43,453	48,360
Total assets	**57,018,369**	**51,708,039**	**1,489,929**	**174,393**	**1,675,207**	**362,595**	**13,729**	**112,442,261**	**34,066,023**	**146,508,284**
Currency in circulation	-	-	-	-	-	-	-	-	31,743,434	31,743,434
Due to banks	8,543,784	12,908,193	3	-	310,123	-	-	21,762,103	31,516,963	53,279,066
Other deposits	9,542,926	26,808,986	5,871	84,392	43,927	-	19	36,486,121	2,134,910	38,621,031
Due to IMF	-	-	-	-	-	6,794	-	6,794	-	6,794
Other borrowed funds	-	-	-	-	-	-	-	-	9,939,440	9,939,440
Other liabilities	639,485	212,892	15	1,962	7,598	-	3,230	865,182	80,495	945,677
Taxes on income	-	-	-	-	-	-	-	-	166,909	166,909
Deferred income tax liability	-	-	-	-	-	-	-	-	1,261,392	1,261,392
Retirement benefit obligations	-	-	-	-	-	-	-	-	70,541	70,541
Shareholders' equity	-	-	-	-	-	-	-	-	10,474,000	10,474,000
Total liabilities and shareholders' equity	**18,726,195**	**39,930,071**	**5,889**	**86,354**	**361,648**	**6,794**	**3,249**	**59,120,200**	**87,388,084**	**146,508,284**
Net balance sheet position	**38,292,174**	**11,777,968**	**1,484,040**	**88,039**	**1,313,559**	**355,801**	**10,480**	**53,322,061**	**(53,322,061)**	**-**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

In order to measure the sensitivity of the foreign exchange gain/loss against volatility in exchange rates, foreign currency net position values were re-calculated under the assumption of the appreciation of the TL by 10% against all foreign currencies. The hypothetic loss that would occur in the total market value of the net foreign exchange positions of the Bank as of 31 December 2009 and 2008 under such an assumption is presented in the tables below:

Sensitivity of the net foreign exchange position:

	31 December 2009									
	Foreign currency									
	US$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	TOTAL
Total assets	57,408,578	50,246,748	1,234,527	144,580	1,777,864	2,669,865	22,436	113,504,598	42,289,250	155,793,848
Total liabilities	17,006,945	39,853,450	3,892	78,948	303,558	2,276,290	986	59,524,069	96,269,779	155,793,848
Net balance sheet position	**40,401,633**	**10,393,298**	**1,230,635**	**65,632**	**1,474,306**	**393,575**	**21,450**	**53,980,529**	**(53,980,529)**	**-**
Scenario of 10% appreciation of TL	**(4,040,163)**	**(1,039,330)**	**(123,063)**	**(6,563)**	**(147,431)**	**(39,358)**	**(2,145)**	**(5,398,053)**	**-**	**(5,398,053)**

	31 December 2008									
	Foreign currency									
	US$	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	TOTAL
Total assets	57,018,369	51,708,039	1,489,929	174,393	1,675,207	362,595	13,729	112,442,261	34,066,023	146,508,284
Total liabilities	18,726,195	39,930,071	5,889	86,354	361,648	6,794	3,249	59,120,200	87,388,084	146,508,284
Net balance sheet position	**38,292,174**	**11,777,968**	**1,484,040**	**88,039**	**1,313,559**	**355,801**	**10,480**	**53,322,061**	**(53,322,061)**	**-**
Scenario of 10% appreciation of TL	**(3,829,217)**	**(1,177,797)**	**(148,404)**	**(8,804)**	**(131,356)**	**(35,580)**	**(1,048)**	**(5,332,206)**	**-**	**(5,332,206)**

(e) Interest rate risk

Interest rate risk is the exposure of the Bank to possible adverse movements in interest rates. Such an exposure can result from a variety of factors, including differences in the timing between the maturities or re-pricing of assets, liabilities, and off-balance sheet instruments. Changes in the level and shape of yield curves may also create interest rate risk.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The tables below summarize the Bank's exposure to interest rate risk at 31 December 2009 and 2008, for TL and foreign currency denominated assets and liabilities. Included in the tables are the Bank's assets and liabilities in carrying amounts classified in terms of time remaining to contractual re-pricing dates.

	31 December 2009														
	Foreign currency							TL							
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total	TOTAL
Cash and gold reserves	-	-	-	-	-	6,785,819	6,785,819	-	-	-	-	-	88,416	88,416	6,874,235
Due from banks	4,310,848	-	-	-	-	5,560,312	9,871,160	25,074,750	8,055,283	-	-	-	62,353	33,192,386	43,063,546
Financial assets at fair value through profit or loss	7,186,613	12,297,324	42,172,105	34,301,237	-	-	95,957,279	8,708,302	-	-	-	-	-	8,708,302	104,665,581
Loans and advances to customers	-	415,844	75,041	13,823	7,610	-	512,318	-	-	-	-	-	-	-	512,318
Investment securities:															
-Available-for-sale	-	-	-	-	-	373,071	373,071	-	-	-	-	-	-	-	373,071
-Held-to-maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	240,567	240,567	240,567
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	4,964	4,964	4,964
Other assets	-	-	3,864	-	-	1,087	4,951	4,995	954	4,569	-	-	44,097	54,615	59,566
Total assets	**11,497,461**	**12,713,168**	**42,251,010**	**34,315,060**	**7,610**	**12,720,289**	**113,504,598**	**33,788,047**	**8,056,237**	**4,569**	**-**	**-**	**440,397**	**42,289,250**	**155,793,848**
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	38,340,278	38,340,278	38,340,278
Due to banks	221,414	-	-	-	-	20,252,267	20,473,681	26,410,235	-	-	-	-	9,380	26,419,615	46,893,296
Other deposits	778,333	1,426,132	7,786,806	10,084,906	-	18,189,028	38,265,205	-	-	-	-	-	5,123,162	5,123,162	43,388,367
Due to IMF	-	1,053	-	-	-	7,148	8,201	-	-	-	-	-	-	-	8,201
Other borrowed funds	-	-	-	-	-	-	-	14,333,082	-	-	-	-	-	14,333,082	14,333,082
Other liabilities	38,242	-	688,087	-	-	50,653	776,982	47,433	-	46,776	-	-	4,087	98,296	875,278
Taxes on income	-	-	-	-	-	-	-	-	-	72,064	-	-	-	72,064	72,064
Deferred income tax liability	-	-	-	-	-	-	-	-	-	-	-	-	986,043	986,043	986,043
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	76,247	76,247	76,247
Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	10,820,992	10,820,992	10,820,992
Total liabilities and shareholders' equity	**1,037,989**	**1,427,185**	**8,474,893**	**10,084,906**	**-**	**38,499,096**	**59,524,069**	**40,790,750**	**-**	**118,840**	**-**	**-**	**55,360,189**	**96,269,779**	**155,793,848**
Net repricing gap	**10,459,472**	**11,285,983**	**33,776,117**	**24,230,154**	**7,610**	**(25,778,807)**	**53,980,529**	**(7,002,703)**	**8,056,237**	**(114,271)**	**-**	**-**	**(54,919,792)**	**(53,980,529)**	**-**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2008														
	Foreign currency							TL							
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total	TOTAL
Cash and gold reserves	-	-	-	-	-	5,587,577	5,587,577	-	-	-	-	-	59,451	59,451	5,647,028
Due from banks	1,635,455	-	-	-	-	3,953,260	5,588,715	20,035,812	-	-	-	-	24,905	20,060,717	25,649,432
Financial assets at fair value through profit or loss	2,238,841	3,229,534	14,070,155	80,849,496	178,650	-	100,566,676	13,653,502	-	-	-	-	-	13,653,502	114,220,178
Loans and advances to customers	-	2,531	2,897	17,731	8,281	-	31,440	-	-	-	-	-	-	-	31,440
Investment securities:															
-Available-for-sale	-	-	-	-	-	323,566	323,566	-	-	-	-	-	-	-	323,566
-Held-to-maturity	-	-	339,380	-	-	-	339,380	-	-	-	-	-	-	-	339,380
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	244,011	244,011	244,011
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	4,889	4,889	4,889
Other assets	-	-	3,771	-	-	1,136	4,907	5,986	158	1,976	-	-	35,333	43,453	48,360
Total assets	**3,874,296**	**3,232,065**	**14,416,203**	**80,867,227**	**186,931**	**9,865,539**	**112,442,261**	**33,695,300**	**158**	**1,976**	**-**	**-**	**368,589**	**34,066,023**	**146,508,284**
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	31,743,434	31,743,434	31,743,434
Due to banks	213,451	-	-	-	-	21,548,652	21,762,103	30,933,032	575,136	-	-	-	8,795	31,516,963	53,279,066
Other deposits	795,916	1,314,273	7,837,840	11,596,958	-	14,941,134	36,486,121	-	-	-	-	-	2,134,910	2,134,910	38,621,031
Due to IMF	-	593	-	-	-	6,201	6,794	-	-	-	-	-	-	-	6,794
Other borrowed funds	-	-	-	-	-	-	-	9,939,440	-	-	-	-	-	9,939,440	9,939,440
Other liabilities	24,427	-	785,429	-	-	55,326	865,182	39,138	-	34,060	-	-	7,297	80,495	945,677
Taxes on income	-	-	-	-	-	-	-	-	-	166,909	-	-	-	166,909	166,909
Deferred income tax liability	-	-	-	-	-	-	-	-	-	-	-	-	1,261,392	1,261,392	1,261,392
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	70,541	70,541	70,541
Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	10,474,000	10,474,000	10,474,000
Total liabilities and shareholders' equity	**1,033,794**	**1,314,866**	**8,623,269**	**11,596,958**	**-**	**36,551,313**	**59,120,200**	**40,911,610**	**575,136**	**200,969**	**-**	**-**	**45,700,369**	**87,388,084**	**146,508,284**
Net repricing gap	**2,840,502**	**1,917,199**	**5,792,934**	**69,270,269**	**186,931**	**(26,685,774)**	**53,322,061**	**(7,216,310)**	**(574,978)**	**(198,993)**	**-**	**-**	**(45,331,780)**	**(53,322,061)**	**-**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

As the Bank is the monetary authority in Turkey, the interest rate sensitive balance sheet positions in the tables should be interpreted carefully. For example, as of 31 December 2009 the relatively high interest rate sensitive position of the Bank in the 0-1 month TL maturity group mostly emanates from the TL reserve requirements that are shown in this maturity bucket. However, as reserve requirements are one of the policy tools of the Bank, the required reserve ratios and the rates of interest paid on them are determined by the Bank to attain the related policy targets, regardless of the self-induced interest rate risk. In fact, the Bank made an important policy decision regarding these accounts on 5 December 2008 and stopped paying interest on foreign currency reserve requirements and increased interest paid on TL reserve requirements in order to support the reverse dollarization process and promote TL deposits and loans. However, it should be noted that similar to any other central bank, the Bank, which uses short-term interest rates as its main monetary policy tool, does not actively manage the interest rate risk stemming from TL assets and liabilities considering that it might contradict the monetary policy implementations of the Bank. Nevertheless, the tables are prepared using all assets and liabilities including asset and liabilities denominated in TL to show the overall interest rate risk that the Bank is exposed to regardless of whether such risk is actively managed or not.

The Bank controls interest the rate risk arising from foreign reserve assets by setting maturity targets for the major reserve currencies within the scope of the SBP. While setting targets for maturities, the Bank makes use of the "duration" values that are considered to be an important indicator of the level of interest rate risk. Meanwhile, the SBP duration targets, which show the Bank's overall tolerance level to interest rate risk, are determined based on the maturity composition of the on-balance sheet liabilities and the off-balance sheet estimated cash flows, and some limits are specified for deviations from these duration targets.

For measuring the sensitivity of the Bank's foreign exchange reserves to interest rate risk, it is possible to forecast the effect of changes in the related interest rates on the market value of assets by using the average modified durations of assets denominated in major foreign reserve currencies (US$ and EUR).

Within this framework, based on the average modified durations of foreign currency assets as of 31 December 2009 and 2008, the prospective decline in the market values of the assets in case of a 1% rise in the related interest rates are presented below. The 1% rise scenario is based on the assumption that the yield curves for the related currencies shift 1% upwards in all maturities simultaneously.

Sensitivity of the market value of foreign currency assets to interest rates;

	31 December 2009			31 December 2008		
	US$	EUR	TOTAL	US$	EUR	TOTAL
Market value of the foreign currency assets	50,474,408	49,907,568	100,381,976	51,652,669	51,466,016	103,118,685
Effect of the scenario of 1% increase in interest rates	**(347,620)**	**(491,618)**	**(839,238)**	**(454,320)**	**(680,771)**	**(1,135,091)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The tables below set out the average effective interest rates by major currencies for monetary financial instruments at 31 December 2009 and 2008:

	31 December 2009		
	US$ (%)	EUR (%)	TL (%)
Assets			
Due from banks	0.14	0.16	7.24
Financial assets at fair value through profit or loss	0.44	0.97	5.61
Loans and advances to customers	0.37	0.82	-
Liabilities			
Due to banks	0.89	-	5.20
Other deposits	2.98	2.86	-
Other borrowed funds	-	-	6.50

	31 December 2008		
	US$ (%)	EUR (%)	TL (%)
Assets			
Due from banks	0.68	1.65	15.55
Financial assets at fair value through profit or loss	0.43	2.28	10.47
Loans and advances to customers	4.50	4.60	-
Investment securities	1.03	-	-
Liabilities			
Due to banks	1.89	-	12.00
Other deposits	3.53	3.10	-
Other borrowed funds	-	-	15.00

(f) Liquidity risk

Liquidity risk is defined as having difficulty in finding sufficient cash to meet the commitments that are due or being compelled to convert assets into cash at prices lower than their fair value. Since the Bank functions as the lender of last resort of the Turkish banking system, it is not relevant to mention TL liquidity risk. In order to manage the liquidity risk stemming from assets and liabilities denominated in foreign currencies, the Bank tries to match its cash flows in currencies and invests only in highly liquid assets in order to avoid any problems meeting unexpected payments.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The table below shows the breakdown of both TL and foreign currency denominated assets and liabilities of the Bank in terms of their relevant maturity groupings at the balance sheet date, based on the remaining time to contractual maturity;

	31 December 2009																
	Foreign currency								TL								
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total	TOTAL
Cash and gold reserves	6,785,819	-	-	-	-	-	-	6,785,819	88,416	-	-	-	-	-	-	88,416	6,874,235
Due from banks	5,560,312	4,310,848	-	-	-	-	-	9,871,160	62,353	25,074,750	8,055,283	-	-	-	-	33,192,386	43,063,546
Financial assets at fair value through profit or loss	-	7,186,613	12,297,324	42,172,105	34,301,237	-	-	95,957,279	-	2,018,245	-	6,423,888	266,169	-	-	8,708,302	104,665,581
Loans and advances to customers	-	-	415,844	75,041	13,823	7,610	-	512,318	-	-	-	-	-	-	-	-	512,318
Investment securities:																	
-Available-for-sale	-	-	-	-	-	-	373,071	373,071	-	-	-	-	-	-	-	-	373,071
-Held-to-maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240,567	240,567	240,567
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,964	4,964	4,964
Other assets	-	-	-	3,864	-	-	1,087	4,951	724	4,995	954	4,569	-	-	43,373	54,615	59,566
Total assets	**12,346,131**	**11,497,461**	**12,713,168**	**42,251,010**	**34,315,060**	**7,610**	**374,158**	**113,504,598**	**151,493**	**27,097,990**	**8,056,237**	**6,428,457**	**266,169**	**-**	**288,904**	**42,289,250**	**155,793,848**
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,340,278	38,340,278	38,340,278
Due to banks	-	20,473,681	-	-	-	-	-	20,473,681	9,335	26,410,235	-	-	-	-	45	26,419,615	46,893,296
Other deposits	15,567,345	778,333	1,426,132	7,786,806	10,084,906	-	2,621,683	38,265,205	4,987,509	-	-	-	-	-	135,653	5,123,162	43,388,367
Due to IMF	-	-	1,053	-	-	-	7,148	8,201	-	-	-	-	-	-	-	-	8,201
Other borrowed funds	-	-	-	-	-	-	-	-	-	14,333,082	-	-	-	-	-	14,333,082	14,333,082
Other liabilities	3,356	38,242	-	688,087	-	-	47,297	776,982	-	47,433	-	46,776	-	-	4,087	98,296	875,278
Taxes on income	-	-	-	-	-	-	-	-	-	-	-	72,064	-	-	-	72,064	72,064
Deferred income tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	986,043	986,043	986,043
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76,247	76,247	76,247
Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,820,992	10,820,992	10,820,992
Total liabilities and shareholders' equity	**15,570,701**	**21,290,256**	**1,427,185**	**8,474,893**	**10,084,906**	**-**	**2,676,128**	**59,524,069**	**4,996,844**	**40,790,750**	**-**	**118,840**	**-**	**-**	**50,363,345**	**96,269,779**	**155,793,848**
Net liquidity gap	**(3,224,570)**	**(9,792,795)**	**11,285,983**	**33,776,117**	**24,230,154**	**7,610**	**(2,301,970)**	**53,980,529**	**(4,845,351)**	**(13,692,760)**	**8,056,237**	**6,309,617**	**266,169**	**-**	**(50,074,441)**	**(53,980,529)**	**-**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2008																
	Foreign currency								TL								
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total	TOTAL
Cash and gold reserves	5,587,577	-	-	-	-	-	-	5,587,577	59,451	-	-	-	-	-	-	59,451	5,647,028
Due from banks	3,953,260	1,635,455	-	-	-	-	-	5,588,715	16,726	20,035,812	-	-	-	-	8,179	20,060,717	25,649,432
Financial assets at fair value through profit or loss	-	2,238,841	3,229,534	14,070,155	80,849,496	178,650	-	100,566,676	-	-	-	5,232,070	8,421,432	-	-	13,653,502	114,220,178
Loans and advances to customers	-	-	2,531	2,897	17,731	8,281	-	31,440	-	-	-	-	-	-	-	-	31,440
Investment securities:																	
-Available-for-sale	-	-	-	-	-	-	323,566	323,566	-	-	-	-	-	-	-	-	323,566
-Held-to-maturity	-	-	-	339,380	-	-	-	339,380	-	-	-	-	-	-	-	-	339,380
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	244,011	244,011	244,011
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,889	4,889	4,889
Other assets	-	-	-	3,771	-	-	1,136	4,907	3,223	5,986	158	1,976	-	-	32,110	43,453	48,360
Total assets	**9,540,837**	**3,874,296**	**3,232,065**	**14,416,203**	**80,867,227**	**186,931**	**324,702**	**112,442,261**	**79,400**	**20,041,798**	**158**	**5,234,046**	**8,421,432**	**-**	**289,189**	**34,066,023**	**146,508,284**
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,743,434	31,743,434	31,743,434
Due to banks	-	21,762,103	-	-	-	-	-	21,762,103	8,742	30,933,032	575,136	-	-	-	53	31,516,963	53,279,066
Other deposits	11,391,773	795,916	1,314,273	7,837,840	11,596,958	-	3,549,361	36,486,121	1,992,345	-	-	-	-	-	142,565	2,134,910	38,621,031
Due to IMF	-	-	593	-	-	-	6,201	6,794	-	-	-	-	-	-	-	-	6,794
Other borrowed funds	-	-	-	-	-	-	-	-	-	9,939,440	-	-	-	-	-	9,939,440	9,939,440
Other liabilities	9,634	24,427	-	785,429	-	-	45,692	865,182	-	39,138	-	34,060	-	-	7,297	80,495	945,677
Taxes on income	-	-	-	-	-	-	-	-	-	-	-	166,909	-	-	-	166,909	166,909
Deferred income tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,261,392	1,261,392	1,261,392
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,541	70,541	70,541
Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,474,000	10,474,000	10,474,000
Total liabilities and shareholders' equity	**11,401,407**	**22,582,446**	**1,314,866**	**8,623,269**	**11,596,958**	**-**	**3,601,254**	**59,120,200**	**2,001,087**	**40,911,610**	**575,136**	**200,969**	**-**	**-**	**43,699,282**	**87,388,084**	**146,508,284**
Net liquidity gap	**(1,860,570)**	**(18,708,150)**	**1,917,199**	**5,792,934**	**69,270,269**	**186,931**	**(3,276,552)**	**53,322,061**	**(1,921,687)**	**(20,869,812)**	**(574,978)**	**5,033,077**	**8,421,432**	**-**	**(43,410,093)**	**(53,322,061)**	**-**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The gross contractual cash flows of non-derivative financial liabilities are shown in the table below. The payments include amounts of both principal and interest on an undiscounted basis and therefore the totals will not agree to the totals presented in the balance sheet.

	31 December 2009							
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Currency in circulation	-	-	-	-	-	-	38,340,278	38,340,278
Due to banks	9,335	46,883,916	-	-	-	-	45	46,893,296
Other deposits	20,554,854	819,482	1,508,028	8,223,795	10,904,910	-	2,757,336	44,768,405
Due to IMF	-	-	1,053	-	-	-	7,148	8,201
Other borrowed funds	-	14,340,830	-	-	-	-	-	14,340,830
Total financial liabilities	**20,564,189**	**62,044,228**	**1,509,081**	**8,223,795**	**10,904,910**	**-**	**41,104,807**	**144,351,010**

	31 December 2008							
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Currency in circulation	-	-	-	-	-	-	31,743,434	31,743,434
Due to banks	8,742	53,270,271	-	-	-	-	53	53,279,066
Other deposits	13,384,118	856,665	1,289,017	9,075,137	11,675,773	-	3,691,926	39,972,636
Due to IMF	-	-	593	-	-	-	6,201	6,794
Other borrowed funds	-	9,939,440	-	-	-	-	-	9,939,440
Total financial liabilities	**13,392,860**	**64,066,376**	**1,289,610**	**9,075,137**	**11,675,773**	**-**	**35,441,614**	**134,941,370**

(g) Operational risk

Operational risk is the risk of loss due to human or system errors, incompatibility or failure of internal business processes, or external events.

The Bank seeks to minimize losses from operational risk by establishing effective internal control systems which prevent or detect all errors and situations which might cause losses through failure of people or processes in such a way that losses are avoided or reduced to the minimum extent possible.

The Bank has assigned the responsibility for managing the operational risk to the managements of the departments. According to the decrees of the Board, financial losses occurring as a result of operational risk are reported to the appropriate management levels depending on the amount of the financial loss. The limits associated with losses are updated by the Board whenever deemed necessary. The financial loss is recorded under the non-deductible expenses account upon the approval of the authorized management level. The recorded losses are quarterly reported to the Board.

The assessment of risks in terms of their effects and probabilities (including operational risk) and the adequacy, effectiveness and efficiency of the controls established to mitigate the risks are made via audits conducted by the Audit Department ("AD") of the Bank that reports directly to the Governor.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

AD performs risk assessment in two phases. The first phase is to prepare the Annual Audit Plan. AD reviews the fundamental business processes throughout the Bank at the end of each year. Business processes to be audited are ranked on a risk-basis. Each business process is evaluated in terms of financial risk, operational risk, legal risk and reputation risk. Business processes with the highest-ranking risks are included in the following year's Annual Audit Plan.

In the second phase, in every audit assignment processes with higher risk are examined in more detail in terms of risks and controls. Risks that may arise due to human error, system failure, insufficient/ineffective procedures and/or sub-processes are determined. The audited business process is assessed with regard to business continuity procedures, physical safety, system safety, conformity to legal arrangements and written rules, sufficiency of human resources and information safety. In addition, the financial risk and reputation risk are also determined. Controls that are designed to reduce these risks to acceptable levels are assessed in terms of sufficiency and effectiveness; additional controls are proposed in order to increase effectiveness.

Following the audits, the major risks and recommendations are regularly reported to the Executive Committee. Action plans that are taken to reduce the risks to acceptable levels are monitored.

(h) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a current market exchange.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Carrying value		Fair value	
	2009	**2008**	**2009**	**2008**
Financial assets				
Cash and gold reserves	6,874,235	5,647,028	6,874,235	5,647,028
Due from banks	43,063,546	25,649,432	43,074,215	25,649,432
Loans and advances to customers	512,318	31,440	511,163	29,823
Investment securities (held-to-maturity)	-	339,380	-	340,264
Financial liabilities				
Currency in circulation	38,340,278	31,743,434	38,340,278	31,743,434
Due to banks	46,893,296	53,279,066	46,893,296	53,279,066
Other deposits	43,388,367	38,621,031	43,727,766	38,453,295
Other borrowed funds	14,333,082	9,939,440	14,333,082	9,939,440

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

(i) Financial assets

The fair values of certain financial assets carried at amortized cost, including cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The fair value of loans and advances to customers, along with the related allowances for uncollectibility, is based on discounted cash flows using interest rates prevailing at the balance sheet date with similar assets.

Since the available for sale financial assets are unlisted equity participations, investment securities include only held to maturity financial assets as interest-bearing. The fair value for held-to-maturity assets is based on market prices or interest rates at the balance sheet date.

(ii) Financial liabilities

The fair value of currency in circulation represents the face value of the notes in issue.

The fair values of certain financial liabilities carried at amortized cost, including due to banks and other borrowed funds are considered to approximate their respective carrying values due to their short-term nature.

The estimated fair value of other deposits without a quoted market price is based on discounted cash flows using money market interest rates prevailing at the balance sheet date with similar credit risk, currency and maturity.

The following table summarizes the fair values of those financial assets presented on the Bank's balance sheet based on the hierarchy of valuation technique as of 31 December 2009 and 2008.

31 December 2009	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
- Debt securities	98,241,693	6,423,888	-	104,665,581
Available-for-sale financial assets				
- Investment securities - equity	-	373,071	-	373,071
Total assets	**98,241,693**	**6,796,959**	**-**	**105,038,652**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2008	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
Financial assets at fair value through profit and loss				
Financial assets held for trading				
- Debt securities	100,566,676	13,653,502	-	114,220,178
Available-for-sale financial assets				
- Investment securities - equity	-	323,566	-	323,566
Total assets	**100,566,676**	**13,977,068**	**-**	**114,543,744**

(*) Fair values are calculated with quoted prices (unadjusted) in active markets for listed equity securities and debt instruments. This level includes listed debt instruments on exchanges.
(**) Fair values are calculated with observable input parameters (either directly as prices or data indirectly as derived from prices) for debt securities and equity instruments.
(***) Fair values are calculated with unobservable inputs.

(i) Capital management

The Bank's equity capital at 31 December 2009 and 2008 comprises:

	2009	2008
Share capital	47,464	47,464
Retained earnings	10,437,717	10,139,250
Other reserves	335,811	287,286
Equity	**10,820,992**	**10,474,000**

Movements in equity capital during the year are explained in the Statement of Changes in Shareholder's Equity in the financial statements.

The Bank is not subject to any regulatory requirements concerning the level of capital it must maintain, however the Central Bank Law sets out how the statutory annual net profit for the year shall be allocated. The principal source of capital increase is through retention of the undistributed element of the profit.

Being a non-profit organization, the Bank does not seek profit maximization. Instead it seeks to make a profit commensurate with normal market returns in areas where it conducts normal commercial operations.

The Bank's primary capital management objective is to maintain sufficient capital to absorb unexpected losses arising from the fulfillment of the responsibilities assigned to the Bank by the Central Bank law. The most significant unexpected losses are likely to arise out of support operations and the Bank's role as the lender of last resort or from losses on the foreign exchange reserves should the TL appreciate significantly against other world currencies.

In order to maintain sufficient capital and to obtain the necessary liquidity the Bank focuses on low risk investments prudently to earn an appropriate return taking into consideration the credit risk of the counterparty. Additionally, the Bank, in the employment of strategic assets, takes into consideration the risk tolerance of the Bank and gives importance to the protection of the capital and national reserves of the Bank.

NOTE 5 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of equity investments that are available for sale

The equity investment classified for accounting purposes as available for sale, which is held by the Bank for the long term as part of its central banking activities is valued at fair value, which is calculated as being 70% of the Bank's interest in the net asset value of the equity investment. This valuation method has previously been used to establish the appropriate price for purchase and repurchase transactions in the equity investment (Note 10).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 6 - CASH AND GOLD RESERVES

	2009	2008
Gold bullion - international standards	6,205,039	4,883,049
Cash in hand	499,362	630,097
Gold bullion - non-international standards	165,609	130,557
Gold coins	4,225	3,325
	6,874,235	**5,647,028**

Gold coins and bullion in the amount of TL18,469 thousand (2008: TL14,534 thousand) are kept in the Bank's vaults on behalf of the Turkish Treasury.

NOTE 7 - DUE FROM BANKS

	2009	2008
Funds lent under reverse repurchase transactions	33,351,447	20,249,263
Time deposits	4,089,434	1,422,004
Demand deposits	5,622,665	3,978,165
	43,063,546	**25,649,432**

Reverse repurchase transactions are performed as part of the open market operations of the Bank.

NOTE 8 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009		2008	
	Cost	Carrying value	Cost	Carrying value
Turkish government bonds and treasury bills	8,658,589	8,708,302	13,794,321	13,653,502
Foreign government bonds and treasury bills	90,268,379	91,016,528	93,333,957	95,306,061
Corporate bonds of supranational institutions	4,767,938	4,940,751	5,107,752	5,260,615
	103,694,906	**104,665,581**	**112,236,030**	**114,220,178**

Corporate bonds of supranational institutions are coupon and discount securities mainly issued by the European Investment Bank.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 8 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The breakdown of carrying values of foreign government bonds, corporate bonds and treasury bills by country is as follows at 31 December 2009:

Country of origin	**2009**
United States	45,992,424
Germany	22,688,631
France	12,356,343
Spain	5,803,424
The Netherlands	2,429,201
Belgium	1,187,359
Other	5,499,897
	95,957,279

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	2009	**2008**
Loans to corporate entities:		
Foreign country loans	26,482	31,051
Domestic loans	485,836	389
Performing loans	**512,318**	**31,440**
Impaired loans and advances	2,288,800	2,291,298
Gross loans and advances to customers	**2,801,118**	**2,322,738**
Less: Allowance for loan losses	(2,288,800)	(2,291,298)
Net loans and advances to customers	**512,318**	**31,440**

Movement in the allowance for loan losses is as follows:

	2009	**2008**
Balance at 1 January	2,291,298	1,714,781
Impairment losses on loans and advances	7,772	57,466
Foreign exchange (gain)/loss	(10,270)	519,051
At 31 December	**2,288,800**	**2,291,298**

As of 31 December 2009, the restructured loans and advances of the Bank amount to TL26,482 thousand (2008: TL31,051 thousand). In accordance with the restructuring agreement of the Bank regarding the above mentioned restructured loans, the Bank forwent TL7,096 thousand (US$4,712,511) (2008: TL7,127 thousand (US$4,712,511)) of its interest receivable which will accrue again if the counterparty fails to meet the conditions stated in the restructuring agreement. As of 31 December 2009 and 2008, the Bank provided allowance over such contingent interest receivable.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 10 - INVESTMENT SECURITIES

	2009	2008
Securities available-for-sale		
Equity shares		
- unlisted	373,071	323,566
Total securities available-for-sale	**373,071**	**323,566**
Securities held-to-maturity		
Government bonds	-	339,380
Total securities held-to-maturity	**-**	**339,380**
Total investment securities	**373,071**	**662,946**

The Bank owns shares issued by the BIS. The shares have a par value of SDR5,000 each and are paid up to SDR1,250 each. The balance of SDR3,750 per share is callable at three months' notice by the decision of the BIS Board and the total amount of commitment is disclosed under contingencies and commitments as of 31 December 2009 and 2008 (Note 27).

As of 31 December 2009 and 2008, the Bank's investment in shares issued by the BIS is valued at fair value, which is calculated as being 70% of the Bank's interest in BIS's net asset value in SDR, as of 31 December 2009 and 2008, converted to TL at the year end TL/SDR exchange rate. This valuation method has previously been used to establish the appropriate price for purchase and repurchase transactions in BIS share.

The available-for-sale-securities at 31 December are as follows:

		Ownership (%)		Amount	
Name	**Nature of business**	**2009**	**2008**	**2009**	**2008**
BIS	Banking Supervision	1.5	1.5	373,023	323,520
S.W.I.F.T.	Electronic Fund Transfer Services	0.007	0.007	48	46
				373,071	**323,566**

The movement in investment securities is as follows:

	Available-for-sale	Held-to-maturity	Total
At 1 January 2009	**323,566**	**339,380**	**662,946**
Purchases	-	-	-
Fair value changes	47,620	-	47,620
Redemptions	-	(336,889)	(336,889)
Foreign exchange gain	1,885	(2,491)	(606)
At 31 December 2009	**373,071**	**-**	**373,071**

As of 31 December 2008, held-to-maturity securities consist of government bonds issued by the U.S. Treasury that are financed by the Turkish Defense Fund ("Fund") deposits and are kept under the custody of the Federal Reserve Bank of New York in the name of the Bank. The securities are carried at incurred cost. In 2009, these held-to-maturity securities were matured and the proceeds from these securities were credited to the deposit account of the Fund.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 11 - PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Construction in progress	Total
At 31 December 2007				
Cost	324,630	44,463	4,351	373,444
Accumulated depreciation	(117,029)	(22,230)	-	(139,259)
Net book value	**207,601**	**22,233**	**4,351**	**234,185**
Year ended 31 December 2008				
Opening net book value	207,601	22,233	4,351	234,185
Additions	8,947	11,649	2,810	23,406
Transfers	411	-	(411)	-
Disposals (net)	(21)	(16)	-	(37)
Depreciation charge (Note 26)	(6,898)	(6,645)	-	(13,543)
Closing net book value	**210,040**	**27,221**	**6,750**	**244,011**
At 31 December 2008				
Cost	333,783	55,086	6,750	395,619
Accumulated depreciation	(123,743)	(27,865)	-	(151,608)
Net book value	**210,040**	**27,221**	**6,750**	**244,011**
Year ended 31 December 2009				
Opening net book value	210,040	27,221	6,750	244,011
Additions	1,945	5,050	5,477	12,472
Transfers	2,617	-	(2,617)	-
Disposals (net)	(285)	(67)	-	(352)
Depreciation charge (Note 26)	(6,931)	(8,633)	-	(15,564)
Closing net book value	**207,386**	**23,571**	**9,610**	**240,567**
At 31 December 2009				
Cost	337,391	57,691	9,610	404,692
Accumulated depreciation	(130,005)	(34,120)	-	(164,125)
Net book value	**207,386**	**23,571**	**9,610**	**240,567**

As of 31 December 2009 and 2008, the Bank has sold land and buildings and equipment and vehicles amounting to TL669 thousand (2008: TL184 thousand) and TL2,378 thousand (2008: TL1,010 thousand), respectively which were fully depreciated at the date of sale.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 12 - INTANGIBLE ASSETS

	Cost	Accumulated amortisation	Net book value
Opening balance at 1 January 2008	8,537	(5,687)	2,850
Additions	2,764	(725)	2,039
Balance at 31 December 2008	**11,301**	**(6,412)**	**4,889**
Opening balance at 1 January 2009	11,301	(6,412)	4,889
Additions	785	(710)	75
Balance at 31 December 2009	**12,086**	**(7,122)**	**4,964**

NOTE 13 - OTHER ASSETS

	2009	2008
Raw material and work-in-progress	37,928	28,724
Electronic Fund Transfer ("EFT") commission income accrual	4,478	3,409
Dividend income accrual	3,864	3,771
Prepaid expenses	2,802	2,514
Reclaimed corporate tax	2,057	1,344
Other	8,437	8,598
	59,566	**48,360**

The Bank produces national currency banknotes; expenses associated with the banknotes for the uncompleted banknotes are recorded under the work-in-progress account and the banknote papers that will be used in the production of banknotes are recorded under the raw material account.

NOTE 14 - CURRENCY IN CIRCULATION

	2009	2008
Balance at 1 January	**31,743,434**	**27,429,389**
Banknotes issued into circulation	54,250,067	25,591,848
Banknotes withdrawn from circulation and destroyed	(47,651,734)	(21,277,803)
Demonetized banknotes	(1,489)	-
Balance at 31 December	**38,340,278**	**31,743,434**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 15 - DUE TO BANKS

	2009	2008
Deposits for reserve requirement obligations	39,482,604	45,192,519
Current accounts of banks	7,189,278	7,873,096
Deposits of banks for foreign exchange deposit market	221,414	213,451
	46,893,296	**53,279,066**

Deposits for reserve requirement obligations represent the amount deposited by banks which is based on a proportion of all deposits taken from customers by banks, other than domestic interbank deposits, according to banking regulations in Turkey.

NOTE 16 - OTHER DEPOSITS

	2009	2008
Deposits of Turkish Treasury	20,370,611	13,111,188
Deposits by citizens abroad	20,076,175	21,544,986
Deposits of state owned funds	2,822,406	3,757,925
Deposits of state owned entities	119,175	206,932
	43,388,367	**38,621,031**

Deposits by citizens abroad are time deposits with maturities varying from one to three years; other deposits held by government related institutions are interest-free deposits except for the demand deposits amounting to TL64,730 thousand (2008: TL18,543 thousand).

The breakdown of deposits by citizens abroad by currency type and related interest rates is as follows.

	2009		2008	
	Interest rate (*) (%)	**TL amount**	**Interest rate (*) (%)**	**TL amount**
US$	0.25-3.25	935,599	0.25-3.25	1,077,441
EUR	0.25-2.75	19,056,640	0.25-2.75	20,375,369
CHF	0.25-0.50	76,520	0.25-0.75	84,392
GBP	0.25-1.00	7,416	0.25-1.00	7,784
		20,076,175		**21,544,986**

Accounts denominated in EUR, US$, GBP, CHF and opened with a maturity of one year prior to 6 March 2006 are rolled over at the rate of 0.25%, unless there is a customer request to the contrary. Minimum interest rates of the deposit accounts other than the ones mentioned above are 1.00%, 1.00%, 0.5% and 1.00% for EUR, US$, CHF and GBP respectively as of 31 December 2009 (2008: 2.25%, 2.00%, 0.75% and 1.00% for EUR, US$, CHF and GBP respectively).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 17 - DUE TO IMF

Due to IMF is denominated in SDR. Due to IMF includes borrowings related to Turkey's IMF quota for the year ending 31 December 2009 and 2008. As of 31 December 2009 and 2008, borrowings related to Turkey's IMF quota are non-interest bearing with no stated maturity.

All borrowings from the IMF are guaranteed by promissory notes which have been cosigned by the Turkish Government.

As of 1 November 2006, the country quota of Turkey increased by SDR227,300,000 reaching SDR1,191,300,000. 25% of the quota increase in the amount of SDR56,825,000 has been paid in cash and the rest of the increase in the amount of SDR170,475,000 has been paid in securities to the account of IMF at the Bank.

NOTE 18 - OTHER BORROWED FUNDS

	2009	2008
Funds borrowed from interbank money market	12,316,723	9,939,440
Funds borrowed under repurchase agreements	2,016,359	-
	14,333,082	**9,939,440**

NOTE 19 - OTHER LIABILITIES

	2009	2008
Import transfer orders and deposits	679,678	776,822
Taxes and withholdings payable	83,084	66,140
Expense accruals	49,136	36,956
Blocked accounts for pending court cases	35,518	35,627
Creditors of foreign currencies that were deposited as trust	570	484
Other	27,292	29,648
	875,278	**945,677**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 20 - TAXATION

	2009	2008
Taxes on income	467,284	340,568
Prepaid tax	(395,220)	(173,659)
Income taxes payable - net	**72,064**	**166,909**

The Corporate Tax Law was amended by Law No.5520 dated 13 June 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, have come into force effective from 1 January 2006. Accordingly, corporation tax is payable, at a rate of 20% (2008: 20%) on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and investment and other allowances in accordance with the new tax legislation and the Central Bank Law. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via the issuing of bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set-off against other liabilities to the government.

75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital in accordance with the New Corporate Tax Law or are recorded under a specific fund account for five years.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year 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.

	2009	2008
Provision for taxes as per statement of income at 31 December		
- Current	467,284	340,568
- Deferred	(277,818)	1,246,392
Income taxes payable - net	**189,466**	**1,586,960**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 20 - TAXATION (Continued)

Deferred income taxes

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in fiscal year 2009 under the liability method using a principal tax rate of 20% (2008: 20%).

The Bank recognises deferred tax assets and liabilities based upon temporary differences arising between the carrying amounts of assets and liabilities in the financial statements reported for IFRS purposes and the tax base of assets and liabilities. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes. The principal temporary differences arise from the retirement benefit obligations, net differences between carrying amounts and tax bases of property, plant and equipments, fair value differences on financial assets and transfer of the valuation account to income statement (Note 25).

Deferred income tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized. Since the Bank did not have a plan regarding future taxable profit that would be available against which the deferred income tax asset could be utilized, deferred income tax assets were not recognised before 1 January 2008. As of 31 December 2009 and 2008, the Bank calculated and recognised deferred income tax liability based upon the temporary differences.

The breakdown of such cumulative temporary differences and the resulting deferred income tax assets/(liabilities) at 31 December using enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2009	**2008**	**2009**	**2008**
Retirement benefit obligations	76,247	70,541	15,249	14,108
Net differences between carrying value and tax base of property and equipment	44,928	44,028	8,986	8,806
Other	55,489	42,835	11,098	8,567
Total Assets	**176,664**	**157,404**	**35,333**	**31,481**
Transfer of valuation account to income statement	(5,010,104)	(6,377,223)	(1,002,021)	(1,275,445)
Fair value differences on financial assets	(349,373)	(300,007)	(17,469)	(15,000)
Interest accrual calculation difference of deposits using effective interest rate method	(9,433)	(12,142)	(1,886)	(2,428)
Total Liabilities	**(5,368,910)**	**(6,689,372)**	**(1,021,376)**	**(1,292,873)**
Net Liability	**(5,192,246)**	**(6,531,968)**	**(986,043)**	**(1,261,392)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 20 - TAXATION (Continued)

Movement of deferred income tax liability during the year is as follows:

	2009	2008
Balance at 1 January	1,261,392	-
Deferred income tax charge to income statement, net	(277,818)	1,246,392
Deferred income tax charge to shareholder's equity	2,469	15,000
Balance at 31 December	**986,043**	**1,261,392**

The reconciliation for taxation charge is stated below:

	2009	2008
Profit before income taxes	**1,826,127**	**13,385,017**
Tax charge calculated at a tax rate of 20% (2008: 20%)	365,225	2,677,003
Income exempt from taxation	(181,561)	(1,095,011)
Non-deductible expenses	5,802	4,968
Income tax expense	**189,466**	**1,586,960**

NOTE 21 - RETIREMENT BENEFIT OBLIGATIONS

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL2,365.16 (31 December 2008: TL2,173.19) for each year of service.

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

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

IAS 19 "Employment Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2009	2008
Discount rate (%)	5.92	6.26
Rate to estimate the probability of retirement (%)	99	99

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 21 - RETIREMENT BENEFIT OBLIGATIONS (Continued)

Additionally, the principal actuarial assumption is that the maximum liability of TL2,365.16 for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL2,427.04 effective from 1 January 2010 (1 January 2009: TL2,260.05), has been taken into consideration in calculating the reserve for the retirement benefit obligation of the Bank.

Movement in the retirement benefit obligation recognized in the financial statements is as follows:

	2009	2008
At 1 January	**70,541**	**64,292**
Current year charge	11,351	12,142
Paid during the year	(5,645)	(5,893)
At 31 December	**76,247**	**70,541**

NOTE 22 - NET INTEREST INCOME

	2009	2008
Interest income:		
Financial assets at fair value through profit or loss	3,733,149	4,682,629
Securities purchased under agreements to resell	2,290,840	1,894,753
Due from banks	15,597	95,144
Loans and advances to customers	15,188	53,738
	6,054,774	**6,726,264**
Interest expense:		
Due to banks	1,383,050	2,297,259
Other borrowed funds	1,119,667	1,011,156
Securities sold under repurchase agreements	986,833	835,497
Other deposits	572,620	764,997
Due to IMF	2,989	6,030
Financial liabilities designated at fair value	-	6,290
Other	31	74
	4,065,190	**4,921,303**
Net interest income	**1,989,584**	**1,804,961**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 23 - NET FEE AND COMMISSION INCOME

	2009	2008
Fee and commission income:		
EFT commission income	54,318	52,339
Open market operations	3,987	3,308
Other fund transfer fees	717	1,377
Other	4,840	3,942
	63,862	**60,966**
Fee and commission expense:		
Correspondent bank accounts	3,068	3,107
Other	6,714	4,980
	9,782	**8,087**
Net fee and commission income	**54,080**	**52,879**

NOTE 24 - DIVIDEND INCOME

Dividend income represents cash dividends from the equity participations of the Bank.

	2009	2008
Available-for-sale securities	4,841	4,884
	4,841	**4,884**

NOTE 25 - FOREIGN EXCHANGE GAINS, NET

	2009	2008
Foreign exchange gains, net		
- translation (losses)/gains, net	(1,367,257)	11,082,744
- transaction gains/(losses), net	2,917,245	(168,527)
	1,549,988	**10,914,217**

As of 31 December 2009 and 2008, translation gains/(losses) include the unrealized foreign exchange gains/(losses) and the unrealized gains on gold balances. In the statutory financial statements of the Bank the unrealized foreign exchange gains/(losses) and unrealized gains on gold balances are excluded from the statutory net profit and monitored in a temporary account, namely "Valuation Account", in accordance with the Central Bank Law in Turkey.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 26 - OTHER OPERATING EXPENSES

	2009	2008
Wages and salaries	371,887	318,719
Administrative expenses	124,931	95,429
KOSGEB Fund participation fee	46,728	34,057
Social security costs	32,076	28,004
Depreciation (Notes 11 and 12)	16,274	14,268
Other	1,965	1,381
	593,861	**491,858**

As the Bank's more than 50% of the paid-in share capital is owned by the government entities, the Bank is obliged to pay annual fee at a rate of 2% of the corporate tax base of the Bank to Small and Medium Industries Development Organization ("KOSGEB") in accordance with the establishment law of KOSGEB.

The average number of persons employed by the Bank during the year 2009 was 4,454 (2008: 4,520).

NOTE 27 - COMMITMENTS AND CONTINGENT LIABILITIES

	2009	2008
Guarantees taken	25,803,223	26,124,227
Uncalled BIS shares (Note 10)	70,950	70,539
Futures transactions	-	107,174
	25,874,173	**26,301,940**

As of 31 December 2009, the Bank has no derivative financial instruments and there are no collaterals given related to derivative financial instruments.

As of 31 December 2008, the Bank has undertaken future contracts as derivative financial instruments with a nominal value of TL107,174 thousand accounted for as off-balance sheet liabilities. With reference to these contracts, a valuation is performed on a daily basis with market prices and in the case of profit in favor of the Bank, the profit amount is deposited to the Bank's current account by the counterparty financial institution; in the case of loss, the loss amount is transferred from the current account of the Bank to the account of the counterparty financial institution. As of 31 December 2008, the Bank keeps collateral for future contracts amounting to TL602 thousand in the correspondent bank accounts.

As of 31 December 2009, there are a number of legal proceedings outstanding against the Bank amounting to TL65,928 thousand, US$247,352 and EUR162,810 (2008: TL76,691 thousand, US$379,320 and EUR338,098). As of 31 December 2009, the Bank provided allowance amounting to TL1,665 thousand (2008: TL1,651 thousand) for two of these legal proceedings. For the remaining legal proceedings, no provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 28 - SHARE CAPITAL

The shareholder structure of the Bank as at 31 December 2009 and 2008 is as follows:

	31 December 2009		31 December 2008	
	TL	Share %	TL	Share %
Turkish Treasury	14	55	14	55
T.C. Ziraat Bankası A.Ş.	5	19	5	19
T.C.M.B Mensupları Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	1	5	1	5
Türkiye Garanti Bankası A.Ş.	1	3	1	3
Türkiye İş Bankası A.Ş.	1	2	1	2
Others	3	16	3	16
Historical share capital	**25**	**100**	**25**	**100**
Inflation adjustment on share capital	**47,439**		**47,439**	
Total paid-in capital	**47,464**		**47,464**	

According to 5th article of the Central Bank Law, the capital of the Bank is TL25 thousand and is divided into 250,000 shares, with a value of TL0.1 each. The capital may be increased with the approval of the Turkish Government. The shares are divided into (A), (B), (C), and (D) shares. The (A) group shares belongs solely to the Turkish Treasury while (B) shares belong to national banks, (C) shares belong to banks other than the national banks and to companies possessing certain privileges and (D) shares belong to Turkish commercial institutions and to legal and real persons of Turkish nationality.

NOTE 29 - RETAINED EARNINGS AND LEGAL RESERVES

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution in accordance with the Central Bank Law to the employees, Turkish Treasury and other shareholders, subject to the legal reserve requirement referred to below.

The appropriation of the profit after tax of the Bank is as follows;

i) 20% to the reserve fund,

ii) 6% to the shareholders as an initial dividend,

iii) after deducting the above-stated percentages a maximum of 5% of the remaining amount to the Bank personnel in an amount not exceeding the total of two months' salaries, and 10% percent to the extraordinary reserve fund,

iv) 6% as a secondary dividend to the shareholders, with the decision of the General Assembly.

The remaining balance shall be transferred to the Turkish Treasury after this allocation.

As of the date of this report, no profit appropriation decision has been made by the General Assembly of the Bank for 2009 statutory distributable profit of the Bank.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

NOTE 30 - CASH AND CASH EQUIVALENTS

	2009	2008
Cash and gold reserves	6,874,235	5,647,028
Due from banks (excluding accrued interest)	42,932,212	25,649,011
	49,806,447	**31,296,039**

NOTE 31 - RELATED PARTY BALANCES AND TRANSACTIONS

These financial statements include the following related party balances and transactions.

(i) Balances with related parties

Balances with related parties represent balances with shareholders, except for receivables from BIS amounting to TL2,519,714 thousand (2008: TL350,317 thousand) classified under Due from banks account.

	2009	2008
Assets:		
Financial assets at fair value through profit or loss	8,708,302	13,864,337
Due from banks	31,214,688	19,975,794
Liabilities:		
Due to banks	34,711,335	41,550,054
Other deposits	23,312,192	17,076,045

(ii) Transactions with related parties

	2009	2008
Salaries and other short-term benefits to key management	3,452	2,638
Interest income (*)	730,958	1,701,961
Interest expense (*)	1,033,980	1,709,139
Fee and commission income (*)	28,756	28,234
Dividends paid to shareholders	1,334,625	3

(*) Represent transactions with shareholders.

....