

**TURKLAND BANK  
ANONİM ŐİRKETİ**

**CONDENSED FINANCIAL  
STATEMENTS  
FOR THE PERIOD ENDED  
JUNE 30, 2009**

To the Board of Directors of  
Turkland Bank A.Ş.  
İstanbul

## **Report on Review of Interim Financial Information**

### **Introduction**

We have reviewed the accompanying condensed balance sheet of Turkland Bank A.Ş. as of June 30, 2009 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MUŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU**

İstanbul, August 20, 2009

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**TURKLAND BANK ANONİM ŞİRKETİ****CONDENSED BALANCE SHEET AS AT JUNE 30, 2009**

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

	<b>June 30, 2009</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Cash and cash equivalents	237,213	229,712
Balances with central banks	66,613	62,279
Financial assets at fair value through profit and loss	1,045	930
Derivative financial instruments	-	8
Loans and advances	616,608	589,904
Investment securities:	155,045	100,928
- Available-for-sale	118,870	71,163
- Held-to-maturity	36,175	29,765
Premises and equipment	14,442	16,767
Intangible assets	2,227	2,553
Deferred tax asset	3,012	2,098
Other assets	11,668	11,624
<b>Total assets</b>	<b>1,107,873</b>	<b>1,016,803</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Customers' deposits	646,623	577,431
Deposits from other banks	3,982	456
Obligations under repurchase agreements	7	7
Derivative financial instruments	9	-
Funds borrowed	209,618	203,737
Other liabilities and provisions	27,637	26,615
Income taxes payable	2,155	-
<b>Total liabilities</b>	<b>890,031</b>	<b>808,246</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital issued	318,164	318,164
Unrealized gains/(losses) on available for sale investments, net of tax	1,843	608
Legal reserves	6,044	5,207
Accumulated losses	(108,209)	(115,422)
<b>Total equity</b>	<b>217,842</b>	<b>208,557</b>
<b>Total liabilities and equity</b>	<b>1,107,873</b>	<b>1,016,803</b>

The accompanying policies and explanatory notes are integral parts of these condensed financial statements.

**TURKLAND BANK ANONİM ŞİRKETİ****CONDENSED STATEMENT OF INCOME FOR THE PERIOD ENDED JUNE 30, 2009**

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

	January 1 - June 30, 2009	January 1 - June 30, 2008
<b>Interest income</b>		
Interest on loans and advances	53,482	39,312
Interest on securities	10,997	8,418
Interest on deposits with banks and other financial institutions	297	714
Other interest income	3,923	1,248
<b>Total interest income</b>	<b>68,699</b>	<b>49,692</b>
<b>Interest expense</b>		
Interest on customer deposits	(27,818)	(22,758)
Interest on funds borrowed	(6,378)	(4,142)
Other interest expense	(277)	(1,873)
<b>Total interest expense</b>	<b>(34,473)</b>	<b>(28,773)</b>
<b>Net interest income</b>	<b>34,226</b>	<b>20,919</b>
<b>Fees and commissions and other operating income</b>		
Fees and commissions income	7,388	4,547
Fees and commissions expenses	(343)	(278)
Foreign exchange gain/(loss)	3,206	4,777
Gains less losses on securities	5,205	(4,504)
Other income	421	655
<b>Net banking income</b>	<b>50,103</b>	<b>26,116</b>
<b>Operating expenses</b>		
Salaries and employee benefits	(15,021)	(16,885)
Other expenses	(10,874)	(8,417)
Depreciation and amortization	(2,508)	(1,550)
<b>Gross operating income</b>	<b>21,700</b>	<b>(736)</b>
(Provisions for) / recoveries from impairment of loan receivables	(11,840)	(2,237)
<b>Net operating income</b>	<b>9,860</b>	<b>(2,973)</b>
Income from associates	7	6
Gain/(loss) on sale of investments	-	-
<b>Profit from operating activities before income tax</b>	<b>9,867</b>	<b>(2,967)</b>
Tax reimbursement	-	3,611
Income tax – current	(3,040)	-
Income tax – deferred	1,223	782
<b>Net profit for the period</b>	<b>8,050</b>	<b>1,426</b>
<b>Attributable to :</b>		
Equity holders of the parent	8,050	1,426
Minority interest	-	-
<b>Net profit</b>	<b>8,050</b>	<b>1,426</b>

The accompanying policies and explanatory notes are integral parts of these condensed financial statements.

**TURKLAND BANK ANONİM ŞİRKETİ****CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED JUNE 30, 2009**

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

	January 1- June 30, 2009	January 1- June 30, 2008
<b>Profit for the period</b>	<b>8,050</b>	<b>1,426</b>
<b>Other comprehensive income</b>		
Fair value gains on available-for-sale financial assets, net of tax	1,235	(1,423)
Net change in fair values	10,062	(1,426)
Net amount transferred to income	(8,827)	3
<b>Total comprehensive income for the period</b>	<b>9,285</b>	<b>3</b>
Total comprehensive income attributable to		
Equity holders of the Parent	9,285	3
Minority Interest	-	-
	<b>9,285</b>	<b>3</b>

The accompanying policies and explanatory notes are integral parts of these condensed financial statements.

**TURKLAND BANK ANONİM ŞİRKETİ****CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD ENDED JUNE 30, 2009**

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

	Share Capital	Adjustment to share capital	Legal reserves	Unrealized gains/(losses) on available-for-sale investment, net of tax	Accumulated Losses	Total
<b>At January 1, 2008</b>	70,000	148,164	5,207	-	(116,887)	106,484
Total comprehensive income	-	-	-	(1,423)	1,426	3
Capital increase	100,000	-	-	-	-	100,000
<b>At June 30, 2008</b>	<b>170,000</b>	<b>148,164</b>	<b>5,207</b>	<b>(1,423)</b>	<b>(115,461)</b>	<b>206,487</b>
<b>At January 1, 2009</b>	170,000	148,164	5,207	608	(115,422)	208,557
Total comprehensive income	-	-	-	1,235	8,050	9,285
Transfer to legal reserves	-	-	837	-	(837)	-
<b>At June 30, 2009</b>	<b>170,000</b>	<b>148,164</b>	<b>6,044</b>	<b>1,843</b>	<b>(108,209)</b>	<b>217,842</b>

The accompanying policies and explanatory notes are integral parts of these condensed financial statements.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED JUNE 30, 2009**

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

	January 1- June 30, 2009	January 1- June 30, 2008
<b>Cash flow from operating activities</b>		
Net profit for the period	8,050	1,426
<b>Adjustments for:</b>		
Depreciation and amortization	2,508	1,568
Provision for losses on loans and advances	11,840	1,757
Provision for employment termination benefits	203	403
Other provision expenses	669	331
Provision for leasehold improvements	489	-
Trading income	(20,710)	(1,562)
Foreign exchange gain/(loss)	613	(3,913)
Taxation	1,817	(782)
Accrued interest	18,893	1,435
<b>Operating profits before changes in operating assets/liabilities</b>	<b>24,372</b>	<b>663</b>
<b>Changes in operating assets and liabilities:</b>		
Net (increase)/decrease in reserve deposit at Central Bank	(23,598)	(13,717)
Net (increase)/decrease in banks and other assets	(15,342)	(5,919)
Net (increase) / decrease in marketable securities	(108)	112,914
Net increase from loans and advances	(53,712)	(220,304)
Net increase in deposits	73,724	196,539
Net increase/(decrease) in other creditors, taxes & liabilities	146	8,764
Income taxes paid	(885)	-
Employment termination benefit paid	(5)	(58)
<b>Net cash provided by/(used in) operating activities</b>	<b>4,592</b>	<b>78,882</b>
<b>Cash flows from investing activities</b>		
(Additions) to premises and equipment	(103)	(8,266)
(Additions) to intangible assets	(243)	(1,237)
Cash paid for purchase of financial assets available for sale	(430,122)	(78,146)
Proceeds from sale of financial assets available for sale	397,742	3,491
Cash paid for purchase of investment securities	(22,283)	(25,733)
Proceeds from sale of investment securities	18,000	-
<b>Net cash provided by/(used in) investing activities</b>	<b>(37,009)</b>	<b>(109,891)</b>
<b>Cash flows from financing activities</b>		
Issue of share capital	-	100,000
Proceeds from borrowed funds, net	6,140	39,159
<b>Net cash provided by / (used in) financing activities</b>	<b>6,140</b>	<b>139,159</b>
<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>(613)</b>	<b>3,913</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>	<b>(26,890)</b>	<b>112,063</b>
Cash & cash equivalents at the beginning of the period	249,429	36,276
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>222,539</b>	<b>148,339</b>

The accompanying policies and explanatory notes are integral parts of these condensed financial statements.



# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2009

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

### 1. CORPORATE INFORMATION

#### General

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

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

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

As of June 30, 2009, the Bank has 25 branches in Turkey and its head office is at 19 Mayıs Mah. 19 Mayıs Cad. Şişli Plaza A Blok No: 7 Şişli-İstanbul.

The condensed financial statements of the Bank were authorized for issue by the management on August 20, 2009. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

### 2. BASIS OF PREPARATION

The interim financial statements as of June 30, 2009 have been prepared in accordance with IAS 34 (Interim Financial Reporting).

The interim financial statements have been prepared on a basis consistent with the accounting policies set out in the financial statements of the Bank for the year ended December 31, 2008.

The Bank maintains its books of account and prepares its financial statements in Turkish Lira, which is the currency of the primary economic environment in which the Bank operates, in accordance with the Banking Act, based on accounting principles regulated by the Banking Regulation and Supervision Agency (“BRSA”), the other relevant rules and regulations regulated by the Turkish Commercial Code and Turkish tax legislation and relevant accounting rules and regulations.

In the current year, the Bank has adopted all of the new and revised Standards, Amendments and Interpretations issued by the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2009. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group’s accounting policies in the following areas:

- IAS 1(Revised) , “Presentation of financial statements”

The revised standard prohibits the presentation of items of income and expenses (referred to as ‘non-owner changes in equity’) in the statement of changes in equity. Non-owner changes in equity are to be presented separately from owner changes in equity and are required to be disclosed in a Statement of Comprehensive Income. Entities have the option of either presenting one statement or two statements. The Group has applied IAS1 (Revised) from 1 January 2009 and have chosen to present both a statement of income / (loss) and a statement of comprehensive income / (loss).

# **TURKLAND BANK ANONİM ŞİRKETİ**

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2009**

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

### **2. BASIS OF PREPARATION (continued)**

The adoption of IAS 1 (Revised) does not have any impact on the reported results or financial position of the Group.

- IFRS 8 ‘Operating Segments’

IFRS 8 replaces IAS 14 ‘Segment reporting’ and requires segment information to be presented under a ‘management approach’, where segment information is to be shown on the same basis as that used for internal reporting purposes.

### **3. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD**

In General Assembly dated April 20,2009, it is decided that current period profit of 2008 is not going to be distributed as dividends, according to 466/1 article of Turkish Commercial Law 5% Legal reserve will be maintained, the remaining net current period profit at an amount of TRY 580 Thousand will be kept as extraordinary reserves.

In 2009, expenditures in tangible fixed assets those are not expected to form economic benefit in following periods amounting to net TRY 305 Thousand are reflected as expense in the condensed financial statements.

### **4. SEGMENT INFORMATION**

Income and expenses are not segmented by corporate and retail transactions in the current IT system. However, management believes that such segmentation and the omission of the respective disclosure would not have a material effect on readers’ conclusion with respect to the accompanying condensed financial statements since the bank mainly operates in corporate banking.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2009

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

#### 5. RELATED PARTY DISCLOSURES

The accompanying condensed financial statements include the following balances due from or due to related parties:

##### June 30, 2009:

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Related party	Cash loans	Non-cash loans	Deposits taken	Deposit with banks	Deposit from banks	Borrowings	Interest income & commission income	Interest expense
	-	10,097	200	15,413	348	13,314	138	(1,570)

##### December 31, 2008:

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Related party(**)	Cash loans	Non-cash loans	Deposits taken	Deposit with banks	Deposit from banks	Borrowings	Interest income & commission income(*)	Interest expense(*)
	-	20,548	51,510	8	227	5,924	10	(666)

(\*) As of June 30, 2008.

(\*\*) As of December 31, 2008 and June 30, 2008 MNG Group companies are not qualified shareholders and they are not included in the table above.

No provisions have been recognized in respect of loans given to related parties (2008 - nil).

#### Compensation of Key Management Personnel of the Group

The executive and non-executive members of Board of Directors and management received remuneration and fees totaling approximately TRY 1,450 Thousand as of June 30, 2009 (June 30, 2008 – TRY 2,505 Thousand) comprising mainly salaries and other short-term benefit.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2009

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

#### 6. COMMITMENTS AND CONTINGENCIES

In the normal course of business activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the condensed financial statements including:

	June 30, 2009	December 31, 2008
Letters of guarantee issued	454,496	511,219
Letters of credit	56,056	103,938
Acceptance credits	4,844	14,299
Other	23,454	22,495
Total non-cash loans	538,850	651,951
Other commitments	60,835	29,196
Credit card limit commitments	1,756	1,865
<b>Total</b>	<b>601,441</b>	<b>683,012</b>

#### Letters of Guarantee Given to Istanbul Stock Exchange (ISE)

As of June 30, 2009, according to general requirements of the ISE, letters of guarantee amounting to USD 1 million had been obtained from various local banks and were provided to ISE for bond and stock market transactions.

#### Litigation

In the normal course of its operations, the Bank can constantly face legal disputes, claims and complaints. Total amount of the cases faced is TRY 225 Thousand and USD 626,800. The provision of TRY 562 Thousand for those cases was provided based on management estimates and professional advice. (December 31, 2008: TRY 362 Thousand)

#### 7. SUBSEQUENT EVENTS

None noted.