



**Bankpozitif Kredi ve Kalkınma  
Bankası Anonim Şirketi**

**Independent Auditors' Report on Review of  
Condensed Financial Information  
31 March 2008**

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

5 May 2008

*This report contains 1 page of independent auditors' report on review of condensed financial information and 49 pages of financial statements and notes to the financial statements.*

## **Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi**

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## **Independent report on review of condensed consolidated interim financial information**

To the Board of Directors of  
Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi:

### **Introduction**

We have reviewed the accompanying condensed consolidated balance sheet of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi ("the Bank") and its subsidiaries (collectively "the Group") as at 31 March 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the three-month period then ended ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 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 interim financial information of the Group is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

5 May 2008  
Istanbul, Turkey

*KPMG Akis Bağımsız Denetim ve SMMM AŞ*

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Balance Sheet****As of 31 March 2008***(Currency - In thousands of New Turkish Lira)*

		<b>Reviewed</b>	<b>Audited</b>
		<b>31 March</b>	<b>31 December</b>
	<i>Note</i>	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>			
Cash and balances with central banks		7,013	12,740
Due from banks and financial institutions		170,399	88,335
Interbank and other money market placements		18,620	29,467
Reserve deposits at central banks		109,998	79,608
Trading assets	6	2,281	3,118
Investment securities	7	118,054	116,837
Loaned securities	7	1,859	664
Receivables from customers due to brokerage activities		2,224	7,528
Loans and advances to customers	8	983,961	764,738
Finance lease receivables	9	30,114	32,645
Property and equipment	10	17,947	16,837
Intangible assets	10	45,967	42,095
Deferred tax assets	5	3,823	2,907
Other assets		15,509	7,970
<b>Total assets</b>		<b>1,527,769</b>	<b>1,205,489</b>
<b>LIABILITIES</b>			
Deposit from other banks	11	148	130
Customer deposits	11	99,456	93,632
Other money market deposits	11	1,836	2,185
Trading liabilities	6	15,396	5,954
Funds borrowed	12	890,049	660,608
Other liabilities		73,489	82,353
Provisions		1,316	526
Current tax liabilities	5	2,358	1,775
Deferred tax liabilities	5	92	89
<b>Total liabilities</b>		<b>1,084,140</b>	<b>847,252</b>
<b>EQUITY</b>			
Share capital and share premium	13	301,408	301,408
Prepaid share reserve	13	79,316	-
Retained earnings		64,638	56,940
Available-for-sale reserve, net of tax	13	(1,721)	(235)
Currency translation reserve	13	(12)	124
<b>Total equity</b>		<b>443,629</b>	<b>358,237</b>
<b>Total equity and liabilities</b>		<b>1,527,769</b>	<b>1,205,489</b>

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Income Statement****For the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)*

		<b>Reviewed</b>	<b>Reviewed</b>
	<i>Note</i>	<b>31 March</b>	<b>31 March</b>
		<b>2008</b>	<b>2007</b>
<b>Interest income</b>			
Interest on loans and advances		29,486	11,298
Interest on deposits with other banks and financial institutions		1,400	2,353
Interest income on investment securities		4,675	2,108
Interest on interbank and other money market placements		383	108
Interest on financial leases		720	905
Other interest income		1,508	2,919
<b>Total interest income</b>		<b>38,172</b>	<b>19,691</b>
<b>Interest expense</b>			
Interest on deposit		(267)	-
Interest on other money market deposits		(639)	(514)
Interest on funds borrowed		(13,103)	(4,078)
Other interest expense		(2,875)	(1,318)
<b>Total interest expense</b>		<b>(16,884)</b>	<b>(5,910)</b>
<b>Net interest income</b>		<b>21,288</b>	<b>13,781</b>
Fees and commission income	4	5,215	3,500
Fees and commission expense	4	(701)	(465)
<b>Net fee and commission income</b>		<b>4,514</b>	<b>3,035</b>
Net trading income		53	70
Foreign exchange gain, net		1,960	602
Other operating income		873	102
<b>Total operating income</b>		<b>28,688</b>	<b>17,590</b>
<b>Net impairment loss on financial assets</b>		<b>(2,529)</b>	<b>(773)</b>
Personnel expenses		(8,436)	(4,181)
Depreciation and amortisation		(1,547)	(682)
Administrative expenses		(5,598)	(2,253)
Taxes other than on income		(289)	(207)
Other expenses		(552)	(640)
<b>Total operating expense</b>		<b>(16,422)</b>	<b>(7,963)</b>
<b>Profit from operating activities before income tax</b>		<b>9,737</b>	<b>8,854</b>
Income tax	5	(2,039)	(1,760)
<b>Net profit for the period</b>		<b>7,698</b>	<b>7,094</b>

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the period ended 31 March 2008**

(Currency - In thousands of New Turkish Lira)

	Note	Share capital	Share premium	Adjustment to share capital	Prepaid share reserve	Retained earnings	Available-for-sale reserve, net of tax	Currency translation reserve	Total
<b>At 1 January 2007</b>		111,896	70,701	23,311	-	29,855	(58)	-	235,705
Share capital increase		-	9,100	-	-	-	-	-	9,100
Net change in unrealised gain on available-for-sale investments		-	-	-	-	-	(238)	-	(238)
Net profit for the period		-	-	-	-	7,094	-	-	7,094
<b>At 31 March 2007</b>		<b>111,896</b>	<b>79,801</b>	<b>23,311</b>	<b>-</b>	<b>36,949</b>	<b>(296)</b>	<b>-</b>	<b>251,661</b>
<b>At 1 January 2008</b>		278,097	-	23,311	-	56,940	(235)	124	358,237
Prepaid share reserve	13	-	-	-	79,316	-	-	-	79,316
Net change in unrealised loss on available-for-sale investments	13	-	-	-	-	-	(1,486)	-	(1,486)
Currency translation differences	13	-	-	-	-	-	-	(136)	(136)
Net profit for the period		-	-	-	-	7,698	-	-	7,698
<b>At 31 March 2008</b>		<b>278,097</b>	<b>-</b>	<b>23,311</b>	<b>79,316</b>	<b>64,638</b>	<b>(1,721)</b>	<b>(12)</b>	<b>443,629</b>

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

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Condensed Consolidated Interim Cash Flow Statement****For the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)*

	<b>Reviewed</b>	<b>Reviewed</b>
	<b>31 March</b>	<b>31 March</b>
<i>Notes</i>	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Interest received	40,472	13,258
Interest paid	(13,884)	(4,044)
Fees and commissions received	6,622	3,500
Trading income	53	70
Recoveries of loans previously written off	761	22
Fees and commissions paid	(3,848)	(762)
Cash payments to employees and other parties	(7,779)	(5,081)
Cash received from other operating activities	16,610	7,859
Cash paid for other operating activities	(6,701)	(1,756)
Income taxes paid	(1,886)	(439)
	<b>30,420</b>	<b>12,627</b>
Change in trading assets	227	(80)
Change in reserve deposits at central banks	(30,393)	(15,669)
Change in loans and advances	(220,547)	(133,218)
Change in finance lease receivables	2,290	2,866
Change in other assets	(4,392)	(2,843)
Change in receivables from customers due to brokerage activities	5,304	852
Change in deposit from other banks	18	-
Change in customer deposits	5,824	-
Change in interbank and other money market deposits	(349)	6,325
Change in other liabilities	(9,957)	27,040
<b>Net cash used in operating activities</b>	<b>(221,555)</b>	<b>(102,100)</b>
<b>Cash flows from investing activities</b>		
Purchases of available for sale securities	(25,575)	(23,467)
Proceeds from sale and redemption of available for sale securities	17,568	1,231
Purchases of property and equipment	(2,715)	(810)
Proceeds from the sale of premises and equipment	318	-
Purchases of intangible assets	-	(97)
<b>Net cash used in investing activities</b>	<b>(10,404)</b>	<b>(23,143)</b>
<b>Cash flows from financing activities</b>		
Proceeds from share capital increase	13 79,316	9,100
Proceeds from funds borrowed	775,785	237,925
Repayment of funds borrowed	(549,658)	(116,674)
<b>Net cash provided by financing activities</b>	<b>305,443</b>	<b>130,351</b>
Effect of net foreign exchange difference on monetary items	(7,994)	(531)
<b>Net increase in cash and cash equivalents</b>	<b>65,490</b>	<b>4,577</b>
Cash and cash equivalents at 1 January	130,542	116,103
<b>Cash and cash equivalents at 31 March</b>	<b>196,032</b>	<b>120,680</b>

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

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

#### **1. Corporate information**

##### **General**

Bankpozitif Kredi ve Kalkınma Bankası A.Ş. (“Bankpozitif” or “the Bank”) was incorporated in Turkey on 9 April 1999 as Toprak Yatırım Bankası A.Ş. as a subsidiary of Toprakbank A.Ş. On 1 December 2001, Toprakbank A.Ş. (the previous parent company) was taken over by the Saving Deposit Insurance Fund (“SDIF”). As a result, SDIF became the controlling shareholder of Toprak Yatırım Bankası A.Ş. C Faktoring A.Ş. (formerly Elit Finans Faktoring Hizmetleri A.Ş.) acquired 89.92% of the Bank’s shares on 1 November 2002 in an auction from Savings Deposit Insurance Fund. Following the acquisition, the name of the Bank was changed as C Kredi ve Kalkınma Bankası A.Ş. and the share capital was increased to YTL 47,500. C Faktoring A.Ş. and its nominees increased their shareholding to 100% by share capital increases and by purchasing other third party minority shareholders’ shares.

Negotiations of the new shareholding structure of the Bank which began in 2005 were finalised and a final share subscription agreement was signed on 13 December 2005. Under this agreement, the Bank Hapoalim B.M. (“Bank Hapoalim”), Israel’s leading financial group and the largest bank, was to acquire a 57.55% stake in Bankpozitif by means of a capital injection to be made through Tarshish-Hapoalim Holdings and Investments Ltd. (“Tarshish”), a wholly-owned subsidiary of Bank Hapoalim.

On 23 December 2005, the name of the Bank was changed as Bankpozitif Kredi ve Kalkınma Bankası A.Ş. Legal approvals have been obtained from Israeli and Turkish authorities in 2006 and Extraordinary General Assembly of the Bank was convened on 31 October 2006 concerning the new partnership.

At the Extraordinary General Assembly meeting held on 31 October 2006, the Bank’s share capital was increased by YTL 64,396 to YTL 111,896 and the share premium amount for the new issued shares paid by Tarshish was decided to be equal to YTL 70,701. Tarshish deposited YTL 135,097 in the Bank’s account on 2 November 2006. Banking Regulatory and Supervision Agency (“BRSA”) approved the transfer of capital payment amount by Tarshish on 16 November 2006 and the share capital increase was finalised.

At the Extraordinary General Assembly meeting held on 15 January 2007 and 17 December 2007, the Bank’s share capital was increased from YTL 111,896 to YTL 278,097. The Bank obtained all the regulatory and legal approvals related with the share capital increases in 2007 and share capital increases were finalised.

At the Extraordinary General Assembly meeting held on 25 March 2008, the Bank’s share capital was increased from YTL 278,097 to YTL 337,292. Based on the other shareholders’ waiver of their pre-emption rights, Tarshish committed to pay YTL 59,195 nominal value and the premiums to the share capital of the Bank. The share premium amount to be paid by Tarshish for newly issued shares is YTL 20,121. Total amount of YTL 79,316 was deposited to the Bank’s account on 25 March 2008. The Bank obtained all the regulatory and legal approvals related with the share capital increase and on 8 April 2008 and share capital increase was finalised.

As at 31 March 2008, 65.00% (2007 – 57.55%) of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim and 35.00% (2007 – 42.45%) of the shares belong to C Faktoring A.Ş.



## BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

### Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 31 March 2008

(Currency - In thousands of New Turkish Lira)

#### 1. Corporate information (continued)

The registered head office address of the Bank is located at Rüzgarlıbahçe Mah. Kayın Sok. No: 3 Yasa Blokları Kavacık 34805 Beykoz – Istanbul / Turkey.

#### Nature of activities of the Bank / Group

The Bank carries out its activities as corporate and retail banking. The Bank's corporate services mainly include corporate lending, project finance, trade finance and financial leasing. In retail banking, the Bank mainly provides retail lending products such as mortgages, home equity, vehicle and consumer loans to its customers. Apart from lending business, the Bank provides insurance and investment products to its customers. As a non-deposit taking bank, the Bank borrows funds from financial markets and from its counterparties. The Bank's subsidiary; Joint Stock Company Demir Kazakhstan Bank ("Demir Kazakhstan") is entitled to accept deposit from public. Any deposit related financial information is solely results of the operation of Demir Kazakhstan.

Demir Kazakhstan is a commercial bank and provides general banking services to its clients, accepts deposit, grants cash and non-cash loans, provides broker/dealer services, cash payment and other banking services for its commercial and retail customers through its head office and five branches located in Kazakhstan.

Pozitif Menkul Değerler A.Ş. ("Pozitif Menkul") is involved in intermediary and brokerage activities and also provides corporate finance, initial public offering, advisory, merger and acquisitions and underwriting services to its customers.

C Bilişim Teknolojileri ve Telekomünikasyon Hizmetleri A.Ş. ("C Bilişim") is specialised in software development and provides other technological support services to the financial sector including the Bank and its subsidiaries.

Pratic İletişim ve Teknoloji Hizmetleri Ticaret Anonim Şirketi ("Pratic") is a dormant company. The Group's effective shareholding in Pratic is 99% and it is carried at cost less impairment losses. Since Pratic is not operating; the financial statements of Pratic were not included to the accompanying condensed consolidated interim financial statements.

As at 31 March 2008, the Bank provides services through its head office and 11 branches located in Istanbul, Ankara and Izmir. As at 31 March 2008, the number of employees for Bank and its consolidated subsidiaries are 312 and 402, respectively (2007 – 274 and 364).

For the purposes of the condensed consolidated interim financial statements, the Bank and its consolidated subsidiaries are referred to as "the Group".

The subsidiaries included in consolidation and effective shareholding percentages of the Group at 31 March 2008 and 31 December 2007 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			31 March 2008	31 December 2007
Pozitif Menkul Değerler A.Ş.	Istanbul/Turkey	Intermediary, brokerage, corporate finance and underwriting activities	100	100
C Bilişim Teknolojileri ve Telekomünikasyon Hizmetleri A.Ş.	Istanbul/Turkey	Software development and technology	100	100
JSC Demir Kazakhstan Bank	Almaty/Kazakhstan	Commercial banking activities	100	100

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

#### **As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

## **2. Basis of preparation**

### **2.1 Statement of compliance**

The condensed consolidated interim financial statements as at 31 March 2008 have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

The Bank and its subsidiaries which are incorporated in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law, accounting standards promulgated by the Capital Market Boards of Turkey, Turkish Commercial Code and Tax Legislation. The Bank's foreign subsidiary maintains its books of account and prepares its statutory financial statements in its local currencies and in accordance with the regulations of the country in which it operates.

The condensed consolidated interim financial statements have been prepared from statutory financial statements of the Bank and its subsidiaries and presented in accordance with IFRS in New Turkish Lira ("YTL") with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise effects of restatement for the changes in the general purchasing power of YTL until 31 December 2005, consolidation of subsidiaries and deferred taxation.

The condensed consolidated interim financial statements as at 31 March 2008 of the Bank are authorised for issue by the management on 5 May 2008. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

### **2.2 Basis of measurement**

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value

### **2.3 Functional and presentation currency**

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

The restatement for the changes in the general purchasing power of YTL until 31 December 2005 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous year be restated in the same terms.

IAS 29 describes the characteristics that may indicate that an economy is hyperinflationary. However, it concludes that it is a matter of judgement when restatement of financial statements becomes necessary. After experiencing hyperinflation in Turkey for many years, as a result of the new economic program, which was launched in late 2001, the three-year cumulative inflation rate dropped below 100% in October 2004. Based on these considerations, restatement pursuant to IAS 29 has been applied until 31 December 2005 and Turkey ceased to be hyperinflationary effective from 1 January 2006.

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

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

##### **2.3 Functional and presentation currency *(continued)***

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Group could realise or settle the same values of assets and liabilities as indicated in the condensed consolidated interim balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

##### **2.4 Use of estimates and judgements**

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the condensed consolidated interim financial statements are as follows;

#### **Key sources of estimation uncertainty**

##### *Impairment of available-for-sale equity instruments:*

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry or sector performance, changes in technology and operational and financing cash flows.

##### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2008 was YTL 39,211 (2007 – YTL 35,987) and there is no impairment recorded related to goodwill.

##### *Allowances for credit losses*

The Group reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the condensed consolidated interim income statement, the Group makes judgements 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 and individual loans. All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed. Other evidence for impairment 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. Impairment and uncollectibility are measured and recognised individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. Total carrying value of such loans, advances, finance lease receivables and receivables related with brokerage activities as at 31 March 2008 is YTL 1,016,299 (2007 – YTL 804,911) net of impairment allowance of YTL 12,527 (2007 – YTL 9,918).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

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

**2.4 Use of estimates and judgements** *(continued)*

**Key sources of estimation uncertainty** *(continued)*

*Determining fair values*

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. To the extent practical, models use only observable data; however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. As at 31 March 2008, the carrying amount of derivative financial instrument assets YTL 2,083 (2007 – YTL 2,692) and the carrying amount of derivative financial instrument liabilities is YTL 15,396 (2007 – YTL 5,954).

*Income taxes*

The Group is subject to income taxes in Turkey and in Kazakhstan. Significant estimates are required in determining the provision for income taxes. Where there are matters the final tax outcome of which is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 March 2008, the Group carried YTL 2,358 net income taxes payable (2007 – YTL 1,775).

Management records deferred tax assets to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. The recoverability of the deferred tax assets is reviewed regularly. As at 31 March 2008, the Group carries a net deferred tax asset amounting to YTL 3,731 (2007 – YTL 2,818).

*Employee termination benefits*

In accordance with existing social legislation in Turkey, companies in Turkey are required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. The carrying value of employee termination benefit provisions as at 31 March 2008 is YTL 133 (2007 – YTL 138).

**Critical accounting judgements in applying the Group's accounting policies**

Critical accounting judgements made in applying the Group's accounting policies include:

*Financial asset and liability classification*

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

In classifying financial assets and liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3.10.

## BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

### Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 31 March 2008

(Currency - In thousands of New Turkish Lira)

### 3. Significant accounting policies

#### 3.1 Basis of consolidation

##### *i) Subsidiaries*

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

The purchase method of accounting is used for acquired businesses. The purchase method of accounting involves allocating the cost of the business combination to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The excess of the cost of acquisition over the fair value of Group's share of the identifiable net assets acquired is recorded as goodwill. There is no negative goodwill recognised by the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Bank, using consistent accounting policies.

##### *(ii) Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in the preparation of the condensed consolidated interim financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### 3.2 Foreign currency

##### *i) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation (see (iii) below).

Foreign currency translation rates used by the Group are as follows:

	USD / YTL (full)	EUR / YTL (full)	KZT / USD (full)
31 March 2007	1.3861	1.8490	-
31 December 2007	1.1708	1.6976	120.30
31 March 2008	1.2765	2.0156	120.69

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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#### **3. Significant accounting policies (continued)**

##### **3.2 Foreign currency (continued)**

###### **ii) Foreign operations**

The asset and liabilities of foreign subsidiary are translated into presentation currency of the Group at the rate of exchange ruling at the balance sheet date. The income statement of foreign subsidiary is translated at the weighted average exchange rates after the acquisition date. On consolidation exchange differences arising from the translation of the net investment in foreign entity are included in equity as currency translation differences.

Foreign currency differences, arising from foreign subsidiary, are recognised directly in equity. Such differences have been recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

###### **iii) Hedge of net investment in foreign operation**

When a derivative (or a non-derivative financial liability) is designated as a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised directly in equity, in the foreign currency translation reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in equity is removed and included in condensed consolidated interim income statement on disposal of the foreign operation.

##### **3.3 Interest**

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

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Any interest income and expense arising from currency swaps and cross currency swaps is presented as other interest income and expense in the accompanying financial statements.

##### **3.4 Fees and commission**

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

Fee for bank transfers and other banking transaction services are recorded as income when collected.

##### **3.5 Net trading income**

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes and interest. Any realised or unrealised fair value changes and interest of non-qualifying derivatives, held for risk management purposes, are recorded as foreign exchange gain.

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

#### **As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

### **3. Significant accounting policies *(continued)***

#### **3.6 Dividends**

Dividends are recognised when the shareholders' right to receive the payments is established.

#### **3.7 Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the condensed consolidated interim income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

#### **3.8 Financial assets and liabilities**

##### *Recognition*

The Group recognises a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument.

##### *Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group does not have any assets where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognised to the extent of the Group's continuing involvement in the asset.

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

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

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**As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

#### **3. Significant accounting policies *(continued)***

##### **3.8 Financial assets and liabilities *(continued)***

###### *Derecognition (continued)*

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the condensed consolidated interim income statement.

The Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

###### *Offsetting*

Financial assets and liabilities are set off and the net amount presented in the condensed consolidated interim balance sheet when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

###### *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

###### *Fair value measurement*

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

###### *Derivative financial instruments*

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading. Derivative financial instruments are initially recognised at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in condensed consolidated interim income statement.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.



## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

#### **3. Significant accounting policies (continued)**

##### **3.8 Financial assets and liabilities (continued)**

###### *Identification and measurement of impairment*

At each balance sheet date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers; or
  - national or local economic conditions that correlate with defaults on the assets in the group

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and estimated recoverable amount. The carrying amount of the asset is reduced through use of an allowance account. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss.

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

#### **3. Significant accounting policies *(continued)***

##### **3.8 Financial assets and liabilities *(continued)***

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

When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary legal and regulatory procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts written off are included in the condensed consolidated interim income statement.

###### *Repurchase and resale transactions*

The Group enters into sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to a repurchase agreement ('repos'), continue to be recognised in the balance sheet and are measured in accordance with the accounting policy of the security portfolio which they are part of. Securities sold subject to repurchase agreements ('repos') are reclassified in the condensed consolidated interim financial statements as loaned securities when the transferee has the right by contract or custom to sell or repledge the collateral. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements using effective interest method.

Securities purchased with a corresponding commitment to resell at a specified future date ('reverse repos') are not recognised in the condensed consolidated interim balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using effective interest method.

##### **3.9 Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the condensed consolidated interim balance sheet.

##### **3.10 Trading assets and liabilities**

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the condensed consolidated interim balance sheet with transaction costs taken directly to condensed consolidated interim income statement. All changes in fair value are recognised as part of net trading income in condensed consolidated interim income statement. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

#### **3. Significant accounting policies *(continued)***

##### **3.11 Due from banks and loans and advances to customers**

“Due from banks and financial institutions” and “Loans and advances to customers” are financial assets with fixed or determinable payments and fixed maturities that are not quoted in active market. They are not entered into with the intention of immediate or short-term resale and are not classified as “Financial assets held for trading”, designated as “Financial investment – available-for-sale” or “Financial assets designated at fair value through profit or loss”. After initial measurement, amounts due from banks and financial institutions and loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. The amortisation is included in “Interest income” in the condensed consolidated interim income statement. The losses arising from impairment are recognised in the condensed consolidated interim income statement in “Net impairment loss on financial assets”.

##### **3.12 Investment securities**

###### *Held-to-maturity*

The Group does not have any held-to-maturity investment securities as of 31 March 2008 and 31 December 2007.

###### *Fair value through profit or loss*

The Group does not have any investment securities at fair value through profit or loss as of 31 March 2008 and 31 December 2007.

###### *Available-for-sale financial investments*

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value. Unrealised gains and losses are recognised directly in equity in the “Available-for-sale reserve”.

Interest income is recognised in condensed consolidated interim income statement using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in condensed consolidated interim income statement.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the condensed consolidated interim income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the condensed consolidated interim income statement. Reversals of impairment losses on debt instruments are reversed through the condensed consolidated interim income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the condensed consolidated interim income statement.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in condensed consolidated interim income statement.

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

### **3. Significant accounting policies *(continued)***

#### **3.13 Property and equipment**

##### *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

##### *Subsequent costs*

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

##### *Depreciation*

Depreciation is recognised in the condensed consolidated interim income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are assigned accordance with the existing statutory tax law.

The estimated useful lives for the current and comparative periods are as follows:

- |  |            |
|--|------------|
| ▪ buildings                                | 50 years   |
| ▪ office equipment, furniture and fixtures | 4-10 years |
| ▪ motor vehicles                           | 5-6 years  |

Leasehold improvements are depreciated on a straight-line method over a period of time of their lease contract.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

#### **3.14 Intangible assets**

##### ***i) Goodwill***

Goodwill arises on the acquisition of subsidiaries or businesses.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in condensed consolidated interim income statement.

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses.

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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*(Currency - In thousands of New Turkish Lira)*

#### **3. Significant accounting policies *(continued)***

##### **3.14 Intangibles *(continued)***

###### ***ii) Software***

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in condensed consolidated interim income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful lives of software are three to fifteen years and are assigned accordance with the existing statutory tax law.

##### **3.15 Leases**

###### **The Group as lessee**

###### ***Operating leases***

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the condensed consolidated interim income statement on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

###### ***Finance leases***

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Capitalised leased assets are depreciated over the estimated useful life of the asset.

###### **The Group as lessor**

###### ***Finance leases***

The Group presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

#### **3. Significant accounting policies *(continued)***

##### **3.16 Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in condensed consolidated interim income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### **3.17 Deposits and funds borrowed**

The Parent Bank is not entitled to collect deposits. Its foreign subsidiary is entitled to collect deposit.

Deposits and funds borrowed are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

##### **3.18 Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**As of and for the period ended 31 March 2008**

*(Currency - In thousands of New Turkish Lira)*

#### **3. Significant accounting policies *(continued)***

##### **3.19 Employee benefits**

The Group has both defined benefit and defined contribution plans as described below:

###### ***i) Defined benefit plans***

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Foreign subsidiary is subject to its local regulation and also required to make lump-sum termination indemnities.

Such defined benefit plan is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. All actuarial gains and losses are recognised in the condensed consolidated interim income statement.

###### ***ii) Defined contribution plans***

For defined contribution plans the Group pays contributions to publicly administered Social Security Funds on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group does not have any internally set defined contribution plan.

##### **3.20 Fiduciary assets**

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the condensed consolidated interim balance sheet, since such items are not treated as assets of the Group.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)***4. Net fee and commission income**

	<b>31 March 2008</b>	<b>31 March 2007</b>
<b>Fee and commission income</b>		
Credit related fees and commissions	2,272	858
Financial guarantee contracts issued	1,360	1,768
Brokerage fees	462	691
Other	1,121	183
<b>Total fee and commission income</b>	<b>5,215</b>	<b>3,500</b>
<b>Fee and commission expense</b>		
Corresponding bank fees	106	269
Other fees and commission expenses	595	196
<b>Total fee and commission expense</b>	<b>701</b>	<b>465</b>
<b>Net fee and commission income</b>	<b>4,514</b>	<b>3,035</b>

**5. Taxation****General information**

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey and Kazakhstan.

In Turkey, corporate tax rate is 20%. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts which are calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the year-end balance sheet date and taxes must be paid in one instalment by the end of the fourth month.

In addition, the Turkish government offers investment incentives to companies that make certain qualifying capital investments in Turkey. Prior to 24 April 2003, the total amount of qualifying capital investments was deducted from taxable income and the remainder of taxable income, if any, was taxed at the corporate rate. A withholding tax of 19.8% was applied to the total amount of qualifying capital investments. With effect from 24 April 2003, the investment incentives scheme was amended such that companies are no longer subject to a withholding tax, but rather directly deduct 40% of qualifying capital investments from their annual taxable income. In addition, corporations that had unused qualifying capital investment amounts from periods prior to 24 April 2003 were entitled to carry forward these and apply the 19.8% withholding tax to these amounts in the manner described above. With the new law enacted, effective from 1 January 2006, Turkish government ceased to offer investment incentives for capital investments. Companies having unused qualifying capital investment amounts from periods prior to 31 December 2005 will be able to deduct such amounts from corporate income until the end of 31 December 2008; however, the corporate tax rate will be 30% for them. The Bank has chosen not to deduct such amounts from corporate income.



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Furthermore, qualifying capital investments to be made until the end of 31 December 2008 within the scope of the investment projects started before 31 December 2005 will be subject to investment incentive until the end of 31 December 2008.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the condensed consolidated interim balance sheet, has been calculated on a separate-entity basis.

The corporate tax rate for foreign subsidiary in Kazakhstan is 30% as at 31 March 2008 and 31 December 2007.

As at 31 March 2008 and 31 December 2007, prepaid income taxes are netted off with the current tax liability as stated below:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Income tax liability	2,358	9,488
Prepaid income tax	-	(7,713)
<b>Income taxes payable</b>	<b>2,358</b>	<b>1,775</b>

**Income tax recognised in the income statement**

The components of income tax expense as stated below:

	<b>31 March 2008</b>	<b>31 March 2007</b>
<b>Current tax</b>		
Current income tax	4,297	2,129
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	(2,258)	(369)
<b>Income tax expense reported in the income statement</b>	<b>2,039</b>	<b>1,760</b>

**Deferred tax**

Movement of net deferred tax assets can be presented as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Deferred tax assets, net at 1 January	2,818	347
Acquisition of a subsidiary	-	(46)
Deferred tax recognised in the income statement	2,258	1,950
Deferred income tax recognised in equity	(1,342)	567
Exchange rate differences	(3)	-
<b>Deferred tax assets, net at end of the period/year end</b>	<b>3,731</b>	<b>2,818</b>

Reflected as:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Deferred tax assets	3,823	2,907
Deferred tax liabilities	(92)	(89)

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)***6. Trading assets and liabilities**

	31 March 2008		31 December 2007	
	Amount	Effective interest rate	Amount	Effective interest rate
<b>Trading assets at fair value</b>				
<b>Debt instruments</b>				
Turkish government bonds - YTL denominated	7	16.15%	30	16.22%
	<b>7</b>		<b>30</b>	
<b>Others</b>				
Equity investment	191	-	396	-
	<b>191</b>		<b>396</b>	
<b>Derivative transactions</b>				
Derivative financial instruments	2,083	-	2,692	-
	<b>2,281</b>		<b>3,118</b>	

There are no trading securities pledged under repurchase agreements as at 31 March 2008 and 31 December 2007.

As at 31 March 2008 and 31 December 2007, no trading securities are kept for legal requirements and as a guarantee for stock exchange and money market operations.

As at 31 March 2008 and 31 December 2007, all trading debt securities have fixed interest rates.

**Sensitivity analysis – equity price risk**

The Group's equity investment is listed in Istanbul Menkul Kıymetler Borsası ("İMKB"). A five percent increase in the share price of equity investment at the reporting date would have increased profit before tax by YTL 10 (2007 – YTL 20), an equal change in the opposite direction would have decreased profit before tax by YTL 10 (2007 – YTL 20). The analysis is performed on the same basis for 2007.

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

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

	<b>31 March 2008</b>		
	<b>Fair value assets</b>	<b>Fair value liabilities</b>	<b>Notional amount in New Turkish Lira equivalent</b>
<b>Derivatives held for trading</b>			
Forward purchase contract	14	394	9,403
Forward sale contract	98	-	9,683
Currency swap purchase	1,531	6,415	120,641
Currency swap sale	427	796	122,345
Future purchase contract	13	-	204,821
Future sales contract	-	7,791	213,375
Option purchase contract	-	-	51,060
Option sale contract	-	-	52,587
Option interest rate purchase contract	-	-	294,999
<b>Total derivatives held for trading</b>	<b>2,083</b>	<b>15,396</b>	<b>1,078,914</b>
	<b>31 December 2007</b>		
	<b>Fair value assets</b>	<b>Fair value liabilities</b>	<b>Notional amount in New Turkish Lira equivalent</b>
<b>Derivatives held for trading</b>			
Forward purchase contract	241	1	17,365
Forward sale contract	67	36	17,077
Currency swap purchase	469	5,771	111,725
Currency swap sale	40	146	115,315
Future purchase contract	1,875	-	124,781
Future sales contract	-	-	122,859
Option purchase contract	-	-	29,270
Option sale contract	-	-	29,063
Option interest rate purchase contract	-	-	95,303
<b>Total derivatives held for trading</b>	<b>2,692</b>	<b>5,954</b>	<b>662,758</b>

The Group undertakes approximately all of its transactions in derivative financial instruments with banks and other financial institutions.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)***7. Investment securities****Available-for-sale securities**

	<b>31 March 2008</b>		<b>31 December 2007</b>	
	<b>Amount</b>	<b>Effective interest rate</b>	<b>Amount</b>	<b>Effective interest rate</b>
<b>Available-for-sale securities at fair value</b>				
<b>Debt instruments</b>				
Turkish government bonds – YTL denominated, net	113,029	18.54%	106,615	19.49%
- <i>Gross amount</i>	<i>113,032</i>		<i>106,615</i>	
- <i>Impairment on government bonds</i>	<i>(3)</i>		-	
Corporate bond – USD denominated, net	4,948	9.25%	5,291	9.25%
- <i>Gross amount</i>	<i>6,383</i>		<i>5,854</i>	
- <i>Impairment on corporate bond</i>	<i>(1,435)</i>		<i>(563)</i>	
Foreign government bonds – KZT denominated	-	-	4,855	5.50%
<b>Total available-for-sale securities at fair value</b>	<b>117,977</b>		<b>116,761</b>	
<b>Available-for-sale securities at cost</b>				
Equity instruments – unlisted	77		76	
<b>Total available-for-sale securities</b>	<b>118,054</b>		<b>116,837</b>	

Carrying value of available-for-sale securities given as collateral under repurchase agreements which are classified as loaned securities and related liability are as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Available-for-sale securities	1,859	664
Related liability (Note 11)	1,836	664

Repurchase agreements mature within one month.

## BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

### Notes to the Condensed Consolidated Interim Financial Statements

#### As of and for the period ended 31 March 2008

(Currency - In thousands of New Turkish Lira)

#### 7. Investment securities (continued)

As at 31 March 2008 and 31 December 2007, YTL denominated available-for-sale securities comprise Turkish Government floating rate notes (“FRN”) and inflation indexed notes with semi-annual and quarterly coupon payments having a maturity range of July 2008 – February 2014 and July 2008 – February 2014, respectively. As at 31 March 2008, USD denominated available-for-sale securities comprise a fixed rate corporate bond with semi-annual coupon payment having maturity of July 2012. As at 31 December 2007, KZT denominated available-for-sale securities comprise a National Bank of the Republic of Kazakhstan bond.

As at 31 March 2008, government securities with carrying value of YTL 97,937 (2007 – YTL 49,027) are kept in the Central Bank and Istanbul Stock Exchange Clearing and Custody Incorporation for legal requirements and as a guarantee for possible stock exchange, money market operations and for derivative transactions.

As at 31 March 2008, the Group has not reclassified any financial asset as one measured at amortised cost rather than at fair value during the current period (2007 – none).

Unlisted equity instruments classified as available-for-sale securities represent the Group’s equity holdings in the companies and common shares of Kazakhstan Stock Exchange (“KASE”) (1.3% of shareholding) of Demir Kazakhstan which is a requirement for KASE membership, shares of which are not publicly traded. Consequently, they are reflected at cost less reserve for impairment, as a reliable estimate of their fair values could not be made.

The movement in investment securities (including loaned securities) is summarised as follows:

	31 March 2008	31 December 2007
Balance at 1 January	117,501	35,643
Addition through acquired subsidiary	-	4,854
Additions	20,720	117,053
Interest accrual	746	1,216
Disposals (sale and redemption)	(17,568)	(41,088)
Change in unrealised gains and losses	(1,486)	(177)
<b>Balance at end of the period/year end</b>	<b>119,913</b>	<b>117,501</b>

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

**Notes to the Condensed Consolidated Interim Financial Statements**

**As of and for the period ended 31 March 2008**

(Currency - In thousands of New Turkish Lira)

**8. Loans and advances to customers**

	31 March 2008						
	Amount			Total	Effective interest rate		
	New Turkish Lira	Foreign currency	Foreign currency indexed		New Turkish Lira	Foreign currency	Foreign currency indexed
Corporate loans	155,512	213,501	351,204	720,217	20.75%	USD-7.12%-13.51% EUR-8.44% KZT-14.20%	USD-8.04% EUR-9.24%
Consumer loans <sup>(1)</sup>	169,082	16,133	84,253	269,468	19.24%	USD-13.49% KZT-17.46%	USD-10.95% EUR-6.44% CHF-6.25% JPY-4.92%
<b>Total loans</b>	<b>324,594</b>	<b>229,634</b>	<b>435,457</b>	<b>989,685</b>			
Loans in arrears				6,803			
Less: Specific reserve for impairment				(2,395)			
Less: Portfolio reserve for impairment				(10,132)			
				<b>983,961</b>			

<sup>(1)</sup> Commercial installment loans amounting YTL 37,330 are included in consumer loans.

	31 December 2007						
	Amount			Total	Effective interest rate		
	New Turkish Lira	Foreign currency	Foreign currency indexed		New Turkish Lira	Foreign currency	Foreign currency indexed
Corporate loans	160,456	184,402	194,886	539,744	21.28%	USD-8.36%-12.79% EUR-8.58% KZT-13.63%	USD-9.07% EUR-9.06%
Consumer loans <sup>(1)</sup>	154,126	11,873	62,989	228,988	19.99%	USD-13.82% KZT-16.30%	USD-10.64% EUR- 7.31% CHF- 7.24% JPY- 5.64%
<b>Total loans</b>	<b>314,582</b>	<b>196,275</b>	<b>257,875</b>	<b>768,732</b>			
Loans in arrears				5,924			
Less: Specific reserve for impairment				(2,105)			
Less: Portfolio reserve for impairment				(7,813)			
				<b>764,738</b>			

<sup>(1)</sup> Commercial instalment loans amounting YTL 34,907 are included in consumer loans.

As at 31 March 2008, loans with variable rates are YTL 473,423 (2007 – YTL 403,108) and fixed rates are 516,262 (2007 – YTL 365,624).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)***8. Loans and advances to customers (continued)**

Movements in non-performing loans:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Non-performing loans at 1 January	5,924	2,141
Acquisition of a subsidiary	-	2,210
Additions to non performing loans	1,622	12,804
Recoveries	(761)	(9,031)
Write-offs <sup>(1)</sup>	-	(2,200)
Exchange rate differences	18	-
<b>Non performing loans at the end of the period/year end</b>	<b>6,803</b>	<b>5,924</b>

<sup>(1)</sup> Includes YTL 2,200 write off from foreign subsidiary as at 31 December 2007.

Movements in the reserve for possible loan losses:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Reserve at beginning of year	9,918	3,514
Acquisition of a subsidiary	-	3,115
Provision net of recoveries	2,529	5,489
-Provision for loan impairment	2,924	5,722
- Recoveries	(395)	(233)
Loans written off during the year <sup>(1)</sup>	-	(2,200)
Exchange rate differences	80	-
<b>Reserve at the end of the period/year end</b>	<b>12,527</b>	<b>9,918</b>

<sup>(1)</sup> Includes YTL 2,200 write off from foreign subsidiary as at 31 December 2007.

As at 31 March 2008, loans and advances on which interest is not being accrued, or where interest is suspended amounted to YTL 6,803 (2007 – YTL 5,924). As at 31 March 2008 and 31 December 2007, there is no uncollected interest accrued on impaired loans.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)***9. Finance lease receivables**

	<b>31 March 2008</b>	<b>31 December 2007</b>
Less than one year	17,471	19,202
Between one and five years	16,267	17,473
<b>Finance lease receivables, gross</b>	<b>33,738</b>	<b>36,675</b>
Less: Unearned future income on finance leases	(3,624)	(4,030)
<b>Net investment in finance leases</b>	<b>30,114</b>	<b>32,645</b>
Less: Reserve for impairment	-	-
<b>Finance lease receivables, net</b>	<b>30,114</b>	<b>32,645</b>

The net investment in finance leases comprises:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Less than one year	15,320	16,905
Between one and five years	14,794	15,740
	<b>30,114</b>	<b>32,645</b>

As at 31 March 2008, YTL 5,451 of net investment in finance leases is denominated in USD, YTL 24,322 of net investment in finance leases is denominated in EUR, YTL 165 of net investment in finance leases is denominated in KZT (2007 – YTL 8,280, YTL 23,995 and YTL 171 denominated in USD, EUR and KZT, respectively) and YTL 176 of net investment in finance leases is denominated in YTL (2007 – YTL 199).

As at 31 March 2008, the effective interest rate for finance lease receivables denominated in USD is 7.88% (2007 – 8.43%), in EUR 7.92% (2007 – 7.98%), in KZT 15.00% (2007 – 15.00%), and in YTL 20.26% (2007 – 20.26%).

As at 31 March 2008, finance lease receivables amounting to YTL 19,951 (2007 – YTL 16,736) have floating interest rate and remaining YTL 10,163 (2007 – YTL 15,909) have fixed interest rates.

**10. Property, equipment and intangible assets**

During the three-month period ended 31 March 2008, the Group acquired assets with a cost of YTL 2,715.

It also disposed of certain of its property and equipment with a carrying amount of YTL 122 for proceeds of YTL 318.



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)***11. Deposits****Deposit from banks**

	31 March 2008				31 December 2007			
	Amount		Effective interest rate		Amount		Effective interest rate	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
Demand	-	148	-	-	-	130	-	-
<b>Total</b>	<b>-</b>	<b>148</b>			<b>-</b>	<b>130</b>		

**Deposit from customers**

	31 March 2008				31 December 2007			
	Amount		Effective interest rate		Amount		Effective interest rate	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
<b>Retail customers</b>								
Demand	-	7,760	-	-	-	8,692	-	-
Time	-	3,689	-	USD-5.93% EUR-5.86% KZT-7.71%	-	5,366	-	USD-5.67% EUR-5.73% KZT-6.19%
<b>Total</b>	<b>-</b>	<b>11,449</b>			<b>-</b>	<b>14,058</b>		
<b>Corporate customers</b>								
Demand	-	60,610	-	-	-	57,332	-	-
Time	-	27,397	-	USD-2.99% KZT-4.54%	-	22,242	-	USD-4.05% KZT-7.13%
<b>Total</b>	<b>-</b>	<b>88,007</b>			<b>-</b>	<b>79,574</b>		
		<b>99,456</b>				<b>93,632</b>		

**Other money market deposits**

	31 March 2008				31 December 2007			
	Amount		Effective interest rate		Amount		Effective interest rate	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
<b>Obligations under repurchase agreements</b>								
Due to customers (Note 7)	1,836	-	14.62%	-	664	-	17.33%	-
	<b>1,836</b>	<b>-</b>			<b>664</b>	<b>-</b>		
Other money market deposits	-	-	-	-	1,521	-	15.95%	-
<b>Total</b>	<b>1,836</b>	<b>-</b>			<b>2,185</b>	<b>-</b>		

As at 31 March 2008, other money market deposits of YTL 1,836 (2007 – YTL 2,185) have fixed interest rates.

## BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

### Notes to the Condensed Consolidated Interim Financial Statements

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(Currency - In thousands of New Turkish Lira)

#### 12. Funds borrowed

	31 March 2008				31 December 2007			
	Amount <sup>(1)</sup>		Effective interest rate		Amount <sup>(1)</sup>		Effective interest rate	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
<b>Short-term</b>								
Fixed interest	6,530	63,029	15.92%	USD-3.77%	2,411	37,010	17.06%	USD-6.24% EUR-6.03% JPY-1.36%
Floating interest	-	251,790	-	USD-3.83% EUR-5.81%	-	295,500	-	USD-5.83%
<b>Medium/long-term</b>								
Fixed interest	9,329	424,632	16.25%	USD-7.32% EUR-6.03% JPY-1.62%	9,534	214,467	17.71%	USD-7.54% EUR-5.00% JPY-1.65%
Floating interest	-	134,739	-	USD-3.63% EUR-6.50%	-	101,686	-	USD-6.24% EUR-5.17%
<b>Total</b>	<b>15,859</b>	<b>874,190</b>			<b>11,945</b>	<b>648,663</b>		

<sup>(1)</sup> Based on original maturities.

Repayments of medium/long term borrowing are as follows:

	31 March 2008		31 December 2007	
	Floating rate	Fixed rate	Floating rate	Fixed rate
2008	8,073	21,949	13,459	48,245
2009	107,459	29,062	87,308	136
2010	13,013	-	785	-
2011	6,194	-	134	-
2012	-	191,475	-	175,620
Thereafter	-	191,475	-	-
<b>Total</b>	<b>134,739</b>	<b>433,961</b>	<b>101,686</b>	<b>224,001</b>

The Bank received a 5 year USD 150 million loan from Deutsche Bank Luxembourg S.A. through a loan participation note issue lead managed by Deutsche Bank AG on a sole basis at 27 June 2007.

As at 13 February 2008, the Bank paid back USD 59.25 million of the first tranche of syndicated loan amounting USD 125 million obtained on 22 February 2007.

On 20 February 2008, the Bank has received a 5 year USD 150 million loan from Commerzbank International S.A. through a loan participation note issue jointly managed by Citibank and Commerzbank under its newly established USD 1.0 billion Loan Participation Notes Medium Term Note Programme.

Floating rate borrowings bear interest at rates fixed in advance for periods of 3 to 6 months.

As at 31 March 2008 and 31 December 2007, funds borrowed are unsecured.

The Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants as at 31 March 2008 (2007 – none).

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)***13. Capital and reserves**

	<b>31 March 2008</b>	<b>31 December 2007</b>
<b>Number of common shares, YTL 0.1 (in full YTL), par value</b> (Authorised and issued)	3,372,923,500	2,780,973,480

**Share capital and share premium**

As at 31 March 2008 and 31 December 2007, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	<b>31 March 2008</b>		<b>31 December 2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Tarshish Hapoalim Holdings and Investments Ltd.	219,240	65.00	160,045	57.55
C Faktoring A.Ş.	118,052	35.00	118,052	42.45
Others	0.1	-	0.1	-
	<b>337,292</b>	<b>100.00</b>	<b>278,097</b>	<b>100.00</b>
Share premium	20,121		-	
Restatement effect	23,311		23,311	
<b>Share capital and share premium and prepaid share reserve</b>	<b>380,724</b>		<b>301,408</b>	

There are no rights, preferences and restrictions on the distribution of dividends and the repayment of capital.

At the Extraordinary General Assembly Meeting held on 25 March 2008, the Bank's share capital was increased from YTL 278,097 to YTL 337,292 and the share premium amount for the new issued shares paid by Tarshish was decided to be equal to YTL 20,121. Tarshish deposited totally YTL 79,316 in the Bank's account at 25 March 2008 and share capital increase and together with share issue premiums presented as prepaid share reserve in the accompanying financial statements. The Bank obtained all the regulatory and legal approvals related with the share capital increase on 8 April 2008 and share capital was increase finalised. The Bank obtained all the regulatory and legal approvals related with the share capital increase on 8 April 2008 and share capital increased finalised.

The Bank obtained all the regulatory and legal approvals related with the share capital increase on 8 April 2008 and share capital increased finalised. After the share capital increase, the shares of the Bank belonging to Tarshish increased to 65.00% from 57.55%.

**Legal reserves**

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)***13. Capital and reserves (continued)****Other reserves**

Movement in other reserves are as follows:

	<b>Available-for-sale reserve</b>	<b>Foreign currency translation reserve</b>	<b>Total</b>
At 1 January 2007	(58)	-	(58)
Net unrealised gains on available-for-sale financial investments	(238)	-	(238)
<b>At 31 March 2007</b>	<b>(296)</b>	<b>-</b>	<b>(296)</b>
At 1 January 2008	(235)	124	(111)
Net unrealised gains on available-for-sale financial investments	(1,486)	-	(1,486)
Foreign currency translation	-	(136)	(136)
<b>At 31 March 2008</b>	<b>(1,721)</b>	<b>(12)</b>	<b>(1,733)</b>

**Available-for-sale reserve**

This reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

**Foreign currency translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Bank's net investment in foreign operations.

**Dividends**

The Group did not declare or pay dividends out of the profits for 2007 as of the date of preparation of these condensed consolidated interim financial statements.

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**14. Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Group is controlled by Bank Hapoalim and C Faktoring A.Ş. which owns 65.00% and 35.00% of ordinary shares, respectively (2007 – 57.55% and 42.45%, respectively). The ultimate owner of the Group is Bank Hapoalim. For the purpose of these condensed consolidated interim financial statements, unconsolidated subsidiaries, shareholders, and companies controlled by Bank Hapoalim and C Faktoring A.Ş. are referred to as related parties.

In the course of conducting its banking business, the Group conducted various business transactions with related parties. These include loans, customer accounts, funds borrowed, non-cash transactions, and derivative transactions. These are all commercial transactions and realised on an arms-length basis. The volumes of related party transactions, outstanding balances at period-end and relating expense and income for the period are as follows:

	Shareholders		Directors and key management personnel		Others	
	2008	2007	2008	2007	2008	2007
	<b>Loans</b>					
At 1 January	4,658	-	208	-	88	75
At end of the period/year	5,057	4,658	-	208	75	88
Interest income	252	-	5	-	4	4

As at 31 March 2008 no provisions have been recognised in respect of loans given to related parties (2007 – none).

	Shareholders		Directors and key management personnel		Others	
	2008	2007	2008	2007	2008	2007
	<b>Funds borrowed</b>					
At 1 January	193,750	35,328	-	-	14,576	19,835
At end of the period/year	210,976	193,750	-	-	51,345	14,576
Interest expense	2,375	653	-	-	808	535

Other balances with related parties:

Related party		Due from banks	Deposits	Finance lease receivables		Other liabilities	Non-cash loans
Shareholders	2008	-	-	-	-	320	14,092
	2007	-	-	-	-	327	11,617
Others	2008	15	-	175	-	294	4
	2007	78	-	-	-	229	55
Directors and key management personnel	2008	-	91	-	-	7	-
	2007	-	-	-	-	13	-

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Transactions with related parties:

<b>Related party</b>		<b>Foreign exchange trading gain/(loss)</b>	<b>Other interest income</b>	<b>Interest expense</b>	<b>Other operating income</b>	<b>Other operating expense</b>
Shareholders	2008	2	-	(1)	6	-
	2007	381	-	(2)	3	-
Others	2008	-	-	-	-	(107)
	2007	(1)	7	-	-	-
Directors and key management personnel	2008	-	-	-	-	-
	2007	-	-	-	-	-

**Compensation of key management personnel of the Group**

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to YTL 868 (2007 – YTL 520) comprising salaries and other short-term benefits.

**15. Commitments and contingencies**

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

	<b>31 March 2008</b>	<b>31 December 2007</b>
Letters of guarantee	340,561	305,259
Letters of credit	88,550	77,054
Other guarantees	6,519	7,839
<b>Total</b>	<b>435,630</b>	<b>390,152</b>
Letter of guarantee obtained by subsidiaries from other banks	2,071	2,071
<b>Total non-cash loans</b>	<b>437,701</b>	<b>392,223</b>

**Operating lease commitments – Group as lessee**

The Group has entered into commercial leases on head offices, branch premises and vehicles. These leases have an average life of between 1 and 5 years with renewal option and early termination clauses. There are no restrictions placed upon the lessee by entering into these leases. As at 31 March 2008, the Group has non-cancellable operating lease agreements for YTL 3,273 (2007 – YTL 2,858).

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#### **16. Commitments and contingencies (continued)**

##### **Litigation**

There were a number of legal proceedings outstanding against the Group as at 31 March 2008 totalling YTL 278 (2007 – YTL 137). This mainly includes matters relating to claimed interest losses. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

##### **Fiduciary activities**

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in these condensed consolidated interim financial statements.

The Group also manages 3 open-ended investment funds (2007 – 3 open-ended investment funds) which were established under the regulations of the Capital Market Boards of Turkey. In accordance with the funds' charters, the Group purchases and sells securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations. As at 31 March 2008, total size of investment funds is amounting to YTL 1,955 (2007 – YTL 2,268). Management fee and commission income received from investment funds amounted to YTL 8 (2007 – YTL 13).

As at 31 March 2008, the Group had investment custody accounts amounting to YTL 3,974 (2007 – YTL 4,438).

#### **17. Financial risk management**

##### **Strategy in using financial instruments**

Bankpozitif's risk approach is to achieve sound and sustainable low risk profile on consolidated basis, through the identification, the measurement and the monitoring of all types of risks inherent in the nature of the business activities. The main principle of the Group is to manage the credit risk effectively and to eliminate the other types of risk by not carrying positions.

In the course of its normal operations, Bankpozitif is exposed to a number of risks such as credit risk, market risk, liquidity risk, currency risk and operational risk. Bankpozitif's risk policy can be summarised as:

- eliminating currency, interest rate and maturity risk
- minimizing market risk
- well managing the credit risk through a high standardised credit risk management

In accordance with the Bankpozitif's general risk management strategy; the Bank aims to eliminate and hedge its currency, interest rate and maturity positions that might create liquidity or market risk to Bankpozitif. Additionally, in order to minimise the market risk, marketable securities portfolio is limited proportional to the total assets size and most of the securities are floating rate notes.

Board of Directors is the highest authority to set all risk management guidelines, and it is responsible for ensuring that the Bank implements all necessary risk management techniques in compliance with the related regulatory requirements both in Turkey and Israel.

All risk levels are set and approved by the Board of Directors on a regularly basis, and it is announced to the organisation.

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

The main functions and authority of the Board of Directors related to risk management activities are as follows;

- to define the policy of the Bank, including that of all its subsidiaries, regarding exposure to various risks (credit risks, market risks, operational risks, liquidity risks, legal risks, etc.)
- to manage, and guide all the activities of Internal Systems
- to approve new business lines, products or activities that would have a substantial effect on activities of the Bank

The Group manages its exposure to all types of risks through the Asset and Liability Committee, comprising members of senior management, and a representative of main shareholder (Board member nominated by Bank Hapoalim) and also through limits on the positions which can be taken by the Bank's treasury and securities trading division.

In summary, in order not to be exposed to any liquidity, interest rate, market and foreign currency risk, the Bank always keeps its funding structure in line with the asset structure (in terms of currency, maturity and interest rate) and hedges its positions through various derivative transactions. In addition to that, the Group does not take any speculative positions on currency, interest rate and maturity that might create any liquidity or market risk to the Bank.

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk arises where the possibility exists of a counter party defaulting on its obligations. The most important step in managing this risk is the initial decision whether or not to extend credit.

Bankpozitif manages its corporate and retail credit portfolio as per following principles;

#### *Creating credit risk awareness throughout the Bank*

The day-to-day management of credit risk is devolved to individual business units, such as the Loans and Risk Monitoring Departments of corporate and retail business, which perform regular appraisals of quantitative and qualitative information relating to counterparty credit with respect to their loan policies and procedures.

#### *Having a reliable credit allocation function*

Credit approval processes for both retail and corporate loans are centralised, and also Credit Departments are organised independently from the Sales & Marketing Departments. The Retail and Corporate Loans and Risk Monitoring Department do not have any sales targets and is solely responsible for the evaluation and allocation of new loans and monitoring the performance of the loan portfolio. Loans and Risk Monitoring Departments are not included in any phase of the pricing of loans.

All the credit marketing, allocation and follow up stages are defined in Corporate Loan Policy and Retail Loan Policy, which are approved and reviewed regularly by the Board of Directors.

Within the light of "No Exception Policy" applied in the Bank, loan disbursements are checked with internal and legal regulations prior to disbursement by Internal Control Unit.

There are risk limits, set by the board of directors, describing relevant credit limits such as single borrower limit, group exposure limit, sectoral limit, credit approval authorities and their approval limits. Single borrower limit, which is approved by Board of Directors, of the Bank is 15% of total equity subject to capital adequacy calculation. And also there are sectoral and borrower concentration limits set by Board of Directors.



## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

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

All credit authority levels are kept in head-quarter. Regions or branches do not have authority to grant loans or approve the credit file.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

As at 31 March 2008, the share of the Group's receivables from its top 20 credit customers in its total loan portfolio is 38% (2007 – 36%).

#### *Measuring risk*

Bankpozitif also uses an in-house developed rating system for corporate loan customers. Internal rating systems are being tested regularly by selecting samples from credit portfolio. For the corporate portfolio, the existing rating system is developed internally and has a triad section as “manufacturing companies”, “non-manufacturing companies (except construction)” and “construction companies”. The rating system is designed to be in line with Basel II standards. The rating system has a dual evaluation for companies as qualitative and quantitative section and the company is rated with a rating grade between AAA – D. Ratings of corporate companies are re-evaluated semi-annually by credit department and also risk management department has its credit review function to re-evaluate the rating of the company and make recommendations at any time.

Regarding to retail business, application scorecards developed by Experian Scorex is being used to evaluate retail customers and a project on developing behavioural scorecards for each customer is being carried out and will be finalised within 2008.

#### *Monitoring the risk*

Risk Management Department performs periodic reviews on the credit portfolio of the bank as if they are acting as a credit unit and performs all credit pre-approval process, (called credit review function). They re-evaluate the selected credit file and conclude in a credit rating according to the internal rating scale.

Risk Management Department controls structure of portfolio by product type, maturity, sector, geographical concentration, rating, currency, collateral and borrower/group of borrowers. Risk Management Department also monitors concentration in the portfolio with these criteria, makes recommendations and reports its findings at appropriate managerial levels. Additionally, risk management calculates sectoral diversification of the loan portfolio in accordance with Herfindahl-Herschman.

Bank's credit portfolio, either retail or corporate, is stressed by predetermined scenarios to measure profit or loss and results are reported at appropriate managerial levels.

In order to get prepared for the expected loss calculation on equity analysis, the Bank currently collects data its young credit portfolio; such as non-performing analysis in terms of vintage base, sales channel and product type and also performs stress test on credit portfolio and exposure of credit customers in terms of foreign currency fluctuations.

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Segment information for cash loans, finance lease receivables and non-cash loans is as follows:

	<b>31 March 2008</b>			
	<b>Cash</b>	<b>Finance lease receivables</b>	<b>Non-cash</b>	<b>Total</b>
Tourism and entertainment	150,967	7,242	9,355	167,564
Public works and civil engineering	45,182	4,221	89,214	138,617
Metal and by-products	99,456	5,036	33,633	138,125
Building contractor	70,673	-	13,241	83,914
Electric production and supply	15,812	-	64,062	79,874
Other financial institutions	68,726	-	3,198	71,924
Trade	40,505	-	17,063	57,568
Other commercial services	44,339	634	9,175	54,148
Transportation	5,267	362	48,235	53,864
Holding companies	47,938	-	2,124	50,062
Manufacture of transport equipments	23,785	48	24,114	47,947
Electrical and electronic equipment	10,793	301	34,065	45,159
Commercial, mortgage, investment finance banks	-	-	40,951 <sup>(1)</sup>	40,951
Textile and clothing	36,944 <sup>(2)</sup>	-	3,192	40,136
Food, beverage and tobacco industries	16,817	594	14,041	31,452
Machinery and equipment	852	165	20,334	21,351
Health service	16,279	1,728	-	18,007
Non ferrous mineral products	6,019	7,539	1,722	15,280
Chemical and oil products	6,600	-	7,759	14,359
Mining and quarrying	12,839	130	-	12,969
Rubber and plastic products	8,980	-	1,305	10,285
Others	19,875	1,842	918	22,635
<b>Corporate loans</b>	<b>748,648</b>	<b>29,842</b>	<b>437,701</b>	<b>1,216,191</b>
Consumer and staff loans	230,296	-	-	230,296
Interest accruals	10,741	272	-	11,013
Loans in arrears	6,803	-	-	6,803
Provision for possible loan losses	(12,527)	-	-	(12,527)
<b>Total loans</b>	<b>983,961</b>	<b>30,114</b>	<b>437,701</b>	<b>1,451,776</b>

<sup>(1)</sup> YTL 21,395 and YTL 14,029 of this non-cash exposure has been counter-guaranteed by the Export Import Bank of Korea and Bank Hapoalim, respectively.

<sup>(2)</sup> YTL 23,968 of this cash exposure has been granted to the carpet manufacturing industry.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)***17. Financial risk management (continued)**

	<b>31 December 2007</b>			
	<b>Cash</b>	<b>Finance lease receivables</b>	<b>Non-cash</b>	<b>Total</b>
Tourism and entertainment	93,462	6,444	12,990	112,896
Metal and by-products	74,461	4,989	41,650	121,100
Public works and civil engineering	33,771	4,169	74,219	112,159
Building contractor	37,563	-	25,615	63,178
Electric production and supply	6,119	-	46,580	52,699
Other financial institutions	71,122	-	3,205	74,327
Other commercial services	39,394	633	12,834	52,861
Holding companies	17,829	-	1,474	19,303
Manufacture of transport equipments	19,562	75	16,106	35,743
Transportation	13,589	2,018	39,164	54,771
Electrical and electronic equipment	7,025	682	19,738	27,445
Commercial, mortgage, investment finance banks	-	-	34,935 <sup>(1)</sup>	34,935
Trade	39,635	168	17,648	57,451
Food, beverage and tobacco industries	12,178	687	2,974	15,839
Machinery and equipment	641	-	22,195	22,836
Textile and clothing	33,694 <sup>(2)</sup>	1,320	4,340	39,354
Health service	13,604	1,878	106	15,588
Non ferrous mineral products	4,005	7,008	4,823	15,836
Chemical and oil products	9,006	-	8,064	17,070
Mining and quarrying	11,835	146	-	11,981
Rubber and plastic products	7,256	-	2,890	10,146
Others	20,999	1,915	673	23,587
<b>Corporate loans</b>	<b>566,750</b>	<b>32,132</b>	<b>392,223</b>	<b>991,105</b>
Consumer and staff loans	192,209	-	-	192,209
Loans in arrears	5,924	-	-	5,924
Interest accruals	9,773	513	-	10,286
Provision for possible loan losses	(9,918)	-	-	(9,918)
<b>Total loans</b>	<b>764,738</b>	<b>32,645</b>	<b>392,223</b>	<b>1,189,606</b>

<sup>(1)</sup> YTL 18,474 and YTL 11,546 of this non-cash exposure has been counter-guaranteed by the Export Import Bank of Korea and Bank Hapoalim, respectively.

<sup>(2)</sup> YTL 21,448 of this cash exposure has been granted to the carpet manufacturing industry.

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Total collateralisation coverage of cash and non cash loans are 92% as at 31 March 2008 (2007 – 93%).

The following table sets out the collateralisation of Bank's cash and non-cash loan portfolio, including finance lease receivables;

	<b>31 March 2008</b>	<b>31 December 2007</b>
<b>Cash loans</b>		
Secured by cash collateral	16,811	9,740
Secured by mortgages	565,320	430,556
Secured by pledge	194,111	125,421
Secured by assignment and cheques	101,153	110,093
Secured by guarantee	109,646	87,453
Unsecured	39,561	44,038
<b>Total</b>	<b>1,026,602</b>	<b>807,301</b>
<b>Non-cash loans</b>		
Secured by cash collateral	780	10,936
Secured by mortgages	83,828	86,516
Secured by pledge	3,485	3,015
Secured by assignment and cheques	12,717	12,703
Secured by guarantee	252,771	208,254
Unsecured	84,120	70,799
<b>Total</b>	<b>437,701</b>	<b>392,223</b>

**Liquidity risk**

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

Liquidity risk is a substantial risk in Turkish market, which exhibit significant volatility.

In order to manage this risk, the Group measures and manages its cash flow commitments on a daily basis, and maintains liquid assets, which it judges sufficient to meet its commitments.

The Group uses various methods, including predictions of daily cash positions, and scenario analysis to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source. Risk management and treasury departments monitor daily liquidity gaps in all currencies.

Since the Bank has funding centred asset creating structure, the Bank is not allowed to take any liquidity risk (monitored cumulatively) in any currency, in any point in any time as decided by the top management of the Bank.

Generally, the Bank does not prefer to utilise liquidity from Interbank money markets and is in a net lender position in Interbank money markets.

The table on the next page analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

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**17. Financial risk management (continued)**

	On demand <sup>(1)</sup>	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Unallocated	Total
<b>Assets</b>												
Cash and balances with central banks	7,013	-	-	-	-	-	-	-	-	-	-	7,013
Due from banks and financial institutions	74,401	95,998	-	-	-	-	-	-	-	-	-	170,399
Interbank and other money market placements	-	18,620	-	-	-	-	-	-	-	-	-	18,620
Reserve deposits at central banks	6,342	103,656	-	-	-	-	-	-	-	-	-	109,998
Trading assets	-	307	19	442	1,322	11,241	26,773	37,228	4,948	18,667	191	2,281
Investment securities	-	792	-	18,219	109	-	-	-	-	-	77	118,054
Loaned securities	-	1,859	-	-	-	-	-	-	-	-	-	1,859
Receivables from customers due to brokerage activities	-	2,224	-	-	-	-	-	-	-	-	-	2,224
Loans and advances to customers	-	53,352	162,992	76,227	151,797	193,067	131,460	108,053	48,436	54,169	4,408	983,961
Finance lease receivables	-	1,556	3,205	3,680	6,879	8,288	4,220	1,841	445	-	-	30,114
Property and equipment	-	-	-	-	-	-	-	-	-	-	17,947	17,947
Intangible assets	-	-	-	-	-	-	-	-	-	-	45,967	45,967
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	3,823	3,823
Other assets	-	4,799	2,123	-	-	-	-	-	-	-	8,587	15,509
<b>Total assets</b>	<b>87,756</b>	<b>283,163</b>	<b>168,339</b>	<b>98,568</b>	<b>160,107</b>	<b>212,596</b>	<b>162,453</b>	<b>147,122</b>	<b>53,829</b>	<b>72,836</b>	<b>81,000</b>	<b>1,527,769</b>
<b>Liabilities</b>												
Deposit from other banks <sup>(2)</sup>	148	-	-	-	-	-	-	-	-	-	-	148
Customer deposits <sup>(2)</sup>	68,370	27,283	475	683	2,591	20	34	-	-	-	-	99,456
Other money market deposits	-	1,836	-	-	-	-	-	-	-	-	-	1,836
Trading liabilities	-	4,294	8,328	941	757	1,076	-	-	-	-	-	15,396
Funds borrowed	-	13,151	31,541	157,411	272,911	19,772	12,240	73	382,950	-	-	890,049
Other liabilities	19,525	34,521	7,995	2,724	1,367	423	-	-	-	-	6,934	73,489
Provisions	-	-	-	-	-	-	-	-	-	-	1,316	1,316
Current tax liabilities	-	-	2,358	-	-	-	-	-	-	-	-	2,358
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	92	92
<b>Total liabilities</b>	<b>88,043</b>	<b>81,085</b>	<b>50,697</b>	<b>161,759</b>	<b>277,626</b>	<b>21,291</b>	<b>12,274</b>	<b>73</b>	<b>382,950</b>	<b>-</b>	<b>8,342</b>	<b>1,084,140</b>
<b>Net liquidity gap</b>	<b>(287)</b>	<b>202,078</b>	<b>117,642</b>	<b>(63,191)</b>	<b>(117,519)</b>	<b>191,305</b>	<b>150,179</b>	<b>147,049</b>	<b>(329,121)</b>	<b>72,836</b>	<b>72,658</b>	<b>443,629</b>
<b>As at 31 December 2007</b>												
Total assets	96,641	237,791	104,147	48,093	129,711	177,773	116,483	101,647	66,748	56,045	70,410	1,205,489
Total liabilities	83,936	137,215	98,620	46,350	197,324	101,525	813	134	177,989	-	3,346	847,252
<b>Net liquidity gap</b>	<b>12,705</b>	<b>100,576</b>	<b>5,527</b>	<b>1,743</b>	<b>(67,613)</b>	<b>76,248</b>	<b>115,670</b>	<b>101,513</b>	<b>(111,241)</b>	<b>56,045</b>	<b>67,064</b>	<b>358,237</b>

<sup>(1)</sup> Includes overnight balances.

<sup>(2)</sup> Figures represent the foreign subsidiary's deposit balances.

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**17. Financial risk management (continued)**

The table below analyses residual contractual maturities of liabilities:

As at 31 March 2008	Carrying amount	Gross outflow	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
Deposit from other banks	148	148	148	-	-	-	-	-	-
Customer deposits	99,456	99,626	68,370	27,300	479	3,416	-	61	-
Interbank and other money market deposits	1,836	1,837	-	1,837	-	-	-	-	-
Funds borrowed	890,049	1,042,072	-	14,715	36,051	104,528	361,252	525,526	-
Current account of loan customers <sup>(1)</sup>	55,906	56,281	19,525	27,125	6,488	3,143	-	-	-
	<b>1,047,395</b>	<b>1,199,964</b>	<b>88,043</b>	<b>70,977</b>	<b>43,018</b>	<b>111,087</b>	<b>361,252</b>	<b>525,587</b>	<b>-</b>

<sup>(1)</sup> Included in other liabilities.

As at 31 December 2007	Carrying amount	Gross outflow	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	6 months to 1 year	1 to 5 years	Over 5 years
Deposit from other banks	130	130	130	-	-	-	-	-	-
Customer deposits	93,632	93,929	66,024	7,614	2,144	4,727	-	13,420	-
Interbank and other money market deposits	2,185	2,186	-	2,186	-	-	-	-	-
Funds borrowed	660,608	742,577	-	77,474	97,013	44,879	207,742	315,469	-
Current account of loan customers <sup>(1)</sup>	60,422	61,682	17,782	33,829	1,276	8,795	-	-	-
	<b>816,977</b>	<b>900,504</b>	<b>83,936</b>	<b>121,103</b>	<b>100,433</b>	<b>58,401</b>	<b>207,742</b>	<b>328,889</b>	<b>-</b>

<sup>(1)</sup> Included in other liabilities.

The table below analyses contractual maturities of derivative transactions;

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
<b>As at 31 March 2008</b>							
<b>Assets</b>							
Forward purchase contract	8,127	1,276	-	-	-	-	9,403
Forward sale contract	8,326	1,357	-	-	-	-	9,683
Currency swap purchase	57,167	8,101	-	11,972	43,401	-	120,641
Currency swap sale	58,491	8,540	-	11,798	43,516	-	122,345
Future purchase contract	-	204,821	-	-	-	-	204,821
Future sales contract	-	213,375	-	-	-	-	213,375
Option purchase contract	-	-	-	-	51,060	-	51,060
Option sale contract	-	-	-	-	52,587	-	52,587
Option interest rate purchase contract	-	127,650	1,404	63,825	102,120	-	294,999
	<b>132,111</b>	<b>565,120</b>	<b>1,404</b>	<b>87,595</b>	<b>292,684</b>	<b>-</b>	<b>1,078,914</b>
<b>As at 31 December 2007</b>							
<b>Assets</b>							
Forward purchase contract	15,906	1,459	-	-	-	-	17,365
Forward sale contract	15,633	1,444	-	-	-	-	17,077
Currency swap purchase	41,902	27,280	-	2,736	39,807	-	111,725
Currency swap sale	41,945	28,205	-	2,886	42,279	-	115,315
Future purchase contract	-	124,781	-	-	-	-	124,781
Future sales contract	-	122,859	-	-	-	-	122,859
Option purchase contract	-	-	-	-	29,270	-	29,270
Option sale contract	-	-	-	-	29,063	-	29,063
Option interest rate purchase contract	-	-	1,639	-	93,664	-	95,303
	<b>115,386</b>	<b>306,028</b>	<b>1,639</b>	<b>5,622</b>	<b>234,083</b>	<b>-</b>	<b>662,758</b>

# BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

## Notes To The Condensed Consolidated Interim Financial Statements

As of and for the period ended 31 March 2008

(Currency - In thousands of New Turkish Lira)

### 17. Financial risk management (continued)

#### Market risk

The Group takes no exposure to market risks. Market risks arise from open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements.

The interest rate and exchange rate risks of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to Value at Risk (VAR) is taken into consideration by the standard method. As at 31 March 2008, the highest potential loss of the securities portfolio was generated by historical simulation method as YTL 86 for one day.

The Board of Directors of the Bank determines the risk limits for primary risks carried by the Bank and periodically revises these limits. For the purpose of hedging market risk, the Bank primarily aims to balance the foreign currency position, collateralise the loans and manage liquidity.

#### Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that the Group is subject to due to the exchange rate movements in the market. The Group does not prefer to carry foreign currency risk and holds foreign currency asset and liability items together with derivatives in balance against the foreign currency risk. The Group manages foreign currency risk by weekly Asset and Liability Committee meetings, comprising members of senior management of the Bank and through limits on the positions which can be taken by the Bank's treasury and securities trading divisions.

The concentrations of assets, liabilities and off balance sheet items are as follows:

	USD	Euro	CHF	JPY	KZT	Others	Total
<b>As at 31 March 2008</b>							
<b>Assets</b>							
Cash and balances with central banks	1,375	113	1	-	5,321	18	6,828
Due from banks and financial institutions	117,427	10,184	99	204	4,239	1,619	133,772
Interbank and other money market placements	-	-	-	-	11,529	-	11,529
Reserve deposits at central Banks	102,550	-	-	-	6,342	-	108,892
Trading assets	194	-	-	-	-	-	194
Investment securities	4,948	-	-	-	23	-	4,971
Loans and advances due to customers <sup>(1)</sup>	284,023	264,511	43,222	9,585	63,750	-	665,091
Finance lease receivables	5,451	24,322	-	-	165	-	29,938
Property and equipment	-	-	-	-	5,345	-	5,345
Intangible assets	38,936	-	-	-	753	-	39,689
Other assets	7,183	1,089	-	-	3,295	584	12,151
<b>Total assets</b>	<b>562,087</b>	<b>300,219</b>	<b>43,322</b>	<b>9,789</b>	<b>100,762</b>	<b>2,221</b>	<b>1,018,400</b>
<b>Liabilities</b>							
Deposit from other banks <sup>(2)</sup>	98	-	-	-	50	-	148
Customer deposits <sup>(2)</sup>	51,966	378	-	-	46,272	840	99,456
Funds borrowed	755,090	106,781	-	12,319	-	-	874,190
Other liabilities	32,609	11,232	86	64	2,869	773	47,633
Provisions	-	-	-	-	124	-	124
Deferred tax liabilities	-	-	-	-	50	-	50
<b>Total liabilities</b>	<b>839,763</b>	<b>118,391</b>	<b>86</b>	<b>12,383</b>	<b>49,365</b>	<b>1,613</b>	<b>1,021,601</b>
<b>Gross exposure</b>	<b>(277,676)</b>	<b>181,828</b>	<b>43,236</b>	<b>(2,594)</b>	<b>51,397</b>	<b>608</b>	<b>(3,201)</b>
<b>Off-balance sheet position</b>							
Net notional amount of derivatives	224,915	(181,454)	(43,398)	2,712	-	(637)	2,138
<b>Net exposure</b>	<b>(52,761)</b>	<b>374</b>	<b>(162)</b>	<b>118</b>	<b>51,397</b>	<b>(29)</b>	<b>(1,063)</b>

<sup>(1)</sup> Foreign currency net non-performing loan amounting YTL 89 is excluded from foreign currency position.

<sup>(2)</sup> Figures represent the foreign subsidiary's deposit balances.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

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**17. Financial risk management (continued)**

**Currency risk (continued)**

	USD	Euro	CHF	JPY	KZT	Others	Total
<b>As at 31 December 2007</b>							
<b>Assets</b>							
Cash and balances with central banks	860	269	13	-	11,533	16	12,691
Due from banks and financial institutions	71,060	650	32	102	2,925	302	75,071
Interbank and other money market placements	-	-	-	-	24,347	-	24,347
Reserve deposits at central Banks	73,250	-	-	-	5,888	-	79,138
Investment securities	5,291	-	-	-	4,876	-	10,167
Loans and advances due to customers <sup>(1)</sup>	211,843	160,378	30,337	4,941	46,651	-	454,150
Finance lease receivables	8,280	23,995	-	-	171	-	32,446
Property and equipment	-	-	-	-	4,688	-	4,688
Intangible assets	35,712	-	-	-	682	-	36,394
Other assets	5,460	537	-	-	1,208	248	7,453
<b>Total assets</b>	<b>411,756</b>	<b>185,829</b>	<b>30,382</b>	<b>5,043</b>	<b>102,969</b>	<b>566</b>	<b>736,545</b>
<b>Liabilities</b>							
Deposit from other banks <sup>(2)</sup>	19	11	-	-	100	-	130
Customer deposits <sup>(2)</sup>	39,782	360	-	-	52,947	543	93,632
Funds borrowed	592,944	48,642	-	7,077	-	-	648,663
Other liabilities	32,998	16,520	315	15	775	120	50,743
Provisions	-	-	-	-	9	-	9
Deferred tax liabilities	-	-	-	-	46	-	46
<b>Total liabilities</b>	<b>665,743</b>	<b>65,533</b>	<b>315</b>	<b>7,092</b>	<b>53,877</b>	<b>663</b>	<b>793,223</b>
<b>Gross exposure</b>	<b>(253,987)</b>	<b>120,296</b>	<b>30,067</b>	<b>(2,049)</b>	<b>49,092</b>	<b>(97)</b>	<b>(56,678)</b>
<b>Off-balance sheet position</b>							
Net notional amount of derivatives	206,043	(119,143)	(29,821)	2,105	-	(350)	58,834
<b>Net exposure</b>	<b>(47,944)</b>	<b>1,153</b>	<b>246</b>	<b>56</b>	<b>49,092</b>	<b>(447)</b>	<b>2,156</b>

<sup>(1)</sup> Foreign currency net non-performing loan amounting YTL 742 is excluded from foreign currency position.

<sup>(2)</sup> Figures represent the foreign subsidiary's deposit balances.

The following significant exchange rates applied during the year:

	Average rate		Reporting rate	
	31 March 2008	31 December 2007	31 March 2008	31 December 2007
USD/YTL	1.1961	1.3006	1.2765	1.1708
EUR/YTL	1.7918	1.7775	2.0156	1.6976



**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ****Notes To The Condensed Consolidated Interim Financial Statements****As of and for the period ended 31 March 2008***(Currency - In thousands of New Turkish Lira)***17. Financial risk management (continued)****Currency risk (continued)****Sensitivity analysis**

A 10 percent weakening of YTL against the foreign currencies at 31 March 2008 and 31 December 2007 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

<b>31 March 2008</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	(5,276)	(5,276)
Euro	37	37
Other currencies	5,133	5,133
	<b>(106)</b>	<b>(106)</b>
<b>31 December 2007</b>	<b>Equity</b>	<b>Profit or loss</b>
USD	(4,794)	(4,794)
Euro	115	115
Other currencies	4,895	4,895
	<b>216</b>	<b>216</b>

A 10 percent strengthening of the YTL against the foreign currencies at 31 March 2008 and 31 December 2007 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**Cash flow and fair value interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of change in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of change in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows.

The Group funds its YTL assets through its shareholders' equity and is not exposed to interest rate risk in YTL assets and liabilities. Foreign currency assets of the Group give rise to interest rate risk as a result of mismatches or gaps in the amounts of foreign currency assets and liabilities and that mature or reprice in a given period. The Bank prefers to protect itself from the effects created by the interest rate volatility and prefers to have a perfect match in interest rate risk. Also the Bank does not prefer to generate income from interest rate mismatch.

## BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

### Notes To The Condensed Consolidated Interim Financial Statements

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#### 17. Financial risk management (continued)

The Group manages interest rate risk by the Asset and Liability Committee and Risk Management Committee, comprising members of senior management of the Bank, and through utilising interest rate cap and floor agreement, interest rate swaps and setting limits on the positions, which can be taken by the Bank's credit and treasury divisions. The table below summarises the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the repricing date:

As at 31 March 2008	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non interest bearing	Total
<b>Assets</b>											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	7,013	7,013
Due from banks and financial institutions	147,186	-	-	-	-	-	-	-	-	23,213	170,399
Interbank and other money market placements	18,620	-	-	-	-	-	-	-	-	-	18,620
Reserve deposits at central banks	103,656	-	-	-	-	-	-	-	-	6,342	109,998
Trading assets	307	19	442	1,322	-	-	-	-	-	191	2,281
Investment securities	15,764	-	97,156	109	-	-	-	4,948	-	77	118,054
Loaned securities	1,859	-	-	-	-	-	-	-	-	-	1,859
Receivables from customers due to brokerage activities	2,224	-	-	-	-	-	-	-	-	-	2,224
Loans and advances to customers	206,824	229,653	203,882	107,172	82,484	53,319	39,807	25,351	31,061	4,408	983,961
Finance lease receivables	4,637	5,566	13,131	4,457	1,577	516	230	-	-	-	30,114
Property and equipment	-	-	-	-	-	-	-	-	-	17,947	17,947
Intangible assets	-	-	-	-	-	-	-	-	-	45,967	45,967
Deferred tax assets	-	-	-	-	-	-	-	-	-	3,823	3,823
Other assets	2,869	-	-	-	-	-	-	-	-	12,640	15,509
<b>Total assets</b>	<b>503,946</b>	<b>235,238</b>	<b>314,611</b>	<b>113,060</b>	<b>84,061</b>	<b>53,835</b>	<b>40,037</b>	<b>30,299</b>	<b>31,061</b>	<b>121,621</b>	<b>1,527,769</b>
<b>Liabilities</b>											
Deposit from other banks <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	148	148
Customer deposits <sup>(1)</sup>	27,283	475	683	2,591	20	34	-	-	-	68,370	99,456
Other money market deposits	1,836	-	-	-	-	-	-	-	-	-	1,836
Trading liabilities	4,294	8,328	941	757	1,076	-	-	-	-	-	15,396
Funds borrowed	100,566	280,680	70,186	55,594	73	-	-	382,950	-	-	890,049
Other liabilities	30,030	7,767	2,724	1,367	424	-	-	-	-	31,177	73,489
Provisions	-	-	-	-	-	-	-	-	-	1,316	1,316
Current tax liabilities	-	-	-	-	-	-	-	-	-	2,358	2,358
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	92	92
<b>Total liabilities</b>	<b>164,009</b>	<b>297,250</b>	<b>74,534</b>	<b>60,309</b>	<b>1,593</b>	<b>34</b>	<b>-</b>	<b>382,950</b>	<b>-</b>	<b>103,461</b>	<b>1,084,140</b>
<b>Balance sheet interest sensitivity gap</b>	<b>339,937</b>	<b>(62,012)</b>	<b>240,077</b>	<b>52,751</b>	<b>82,468</b>	<b>53,801</b>	<b>40,037</b>	<b>(352,651)</b>	<b>31,061</b>	<b>18,160</b>	<b>443,629</b>

<sup>(1)</sup> Figures represent the foreign subsidiary's deposit balances.

**BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

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**17.**

**Financial risk management (continued)**

As at 31 December 2007	Up to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non interest bearing	Total
<b>Assets</b>											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	12,740	12,740
Due from banks and financial institutions	9,372	-	-	914	37	-	-	-	-	78,012	88,335
Interbank and other money market placements	29,467	-	-	-	-	-	-	-	-	-	29,467
Reserve deposits at central banks	73,719	-	-	-	-	-	-	-	-	5,889	79,608
Trading assets	687	2,016	19	-	-	-	-	-	-	396	3,118
Investment securities	38,370	72,995	-	-	105	-	-	5,291	-	76	116,837
Loaned securities	664	-	-	-	-	-	-	-	-	-	664
Receivables from customers due to brokerage activities	7,528	-	-	-	-	-	-	-	-	-	7,528
Loans and advances to customers	184,350	213,514	103,093	68,999	83,676	36,831	27,395	15,760	27,301	3,819	764,738
Finance lease receivables	2,230	12,802	4,842	4,101	1,821	3,523	2,709	617	-	-	32,645
Property and equipment	-	-	-	-	-	-	-	-	-	16,837	16,837
Intangible assets	-	-	-	-	-	-	-	-	-	42,095	42,095
Deferred tax assets	-	-	-	-	-	-	-	-	-	2,907	2,907
Other assets	-	-	-	-	-	-	-	-	-	7,970	7,970
<b>Total assets</b>	<b>346,387</b>	<b>301,327</b>	<b>107,954</b>	<b>74,014</b>	<b>85,639</b>	<b>40,354</b>	<b>30,104</b>	<b>21,668</b>	<b>27,301</b>	<b>170,741</b>	<b>1,205,489</b>
<b>Liabilities</b>											
Deposit from other banks <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	130	130
Customer deposits <sup>(1)</sup>	7,608	2,135	1,884	2,759	13,194	28	-	-	-	66,024	93,632
Other money market deposits	2,185	-	-	-	-	-	-	-	-	-	2,185
Trading liabilities	688	314	1,430	897	256	-	-	2,369	-	-	5,954
Funds borrowed	90,034	288,617	79,292	27,045	-	-	-	175,620	-	-	660,608
Other liabilities	34,094	1,034	9,250	1,195	631	-	-	-	-	36,149	82,353
Provisions	-	-	-	-	-	-	-	-	-	526	526
Current tax liabilities	-	-	-	-	-	-	-	-	-	1,775	1,775
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	89	89
<b>Total liabilities</b>	<b>134,609</b>	<b>292,100</b>	<b>91,856</b>	<b>31,896</b>	<b>14,081</b>	<b>28</b>	<b>-</b>	<b>177,989</b>	<b>-</b>	<b>104,693</b>	<b>847,252</b>
<b>Balance sheet interest sensitivity gap</b>	<b>211,778</b>	<b>9,227</b>	<b>16,098</b>	<b>42,118</b>	<b>71,558</b>	<b>40,326</b>	<b>30,104</b>	<b>(156,321)</b>	<b>27,301</b>	<b>66,048</b>	<b>358,237</b>

<sup>(1)</sup> Figures represent the foreign subsidiary's deposit balances.

## **BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**

### **Notes To The Condensed Consolidated Interim Financial Statements**

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

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

The balance sheet interest rate risk is monitored with methods such as static duration gap and sensitivity analyses based on all interest rate sensitive assets and liabilities. Effect of 1% increase in the interest rates would have positive effect of 2.40% (2007 – 1.08%) to the total equity; whereas effect of 1% decrease in the interest rates has a negative effect of 0.15% (2007 – 0.76%) % to the total equity.

##### **Capital adequacy**

To monitor the adequacy of its capital, the Group uses ratios established by Banking Regulation and Supervision Agency of Turkey. These ratios measure capital adequacy (minimum 8% as required by Banking Law) by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. As at 31 March 2008, the Bank's capital adequacy ratio on an unconsolidated basis is 29.47% (2007 – 39.58%). The Bank completed the share capital increase procedures on 8 April 2008 and therefore total cash capital increase and share issue premiums amounting to YTL 79,316 is not included in this statutory unconsolidated basis capital adequacy ratio. Had the above mentioned amount been included in the capital base calculation of the Bank, then the unconsolidated capital adequacy ratio as of 31 March 2008 would have been 35.99%.

#### **18. Rating**

As at March 2008, the Bank's ratings assigned by international rating agencies, Fitch Ratings and Moody's Ratings are as follows;

##### **Fitch Ratings, April 2008**

Long Term FC IDR	BB (Stable)
Long Term Local Currency IDR	B
Individual Rating	D
Support	3
Long Term LC IDR	BBB- (Stable)
Short Term LC	F3
National	AAA (TUR) (Stable)

##### **Moody's Ratings, April 2008**

Long Term FC	B1 (Stable)
Short Term FC	NP
Financial Strength Rating	D
Long Term Local Currency	Baa3 (Stable)
Short Term Local Currency	P-3

#### **19. Subsequent event**

As at 8 April 2008, the Bank obtained all the regulatory and legal approvals related with the cash capital and share issue premiums increase and share capital increase finalised.