



**Bankpozitif Kredi ve Kalkınma
Bankası Anonim Şirketi**

**Independent Auditors' Report on Review of
Condensed Financial Information
30 September 2008**

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

5 November 2008

This report contains 1 page of independent auditors' report on review of condensed financial information and 51 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 30 September 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the nine-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 November 2008
Istanbul, Turkey

KPMG Akis Bağımsız Denetim ve SMMM AŞ

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Condensed Consolidated Interim Balance Sheet****As of 30 September 2008***(Currency - In thousands of New Turkish Lira)*

		Reviewed	Audited
		30 September	31 December
	<i>Note</i>	2008	2007
ASSETS			
Cash and balances with central banks		10,096	12,740
Due from banks and financial institutions		87,307	88,335
Interbank and other money market placements		46,918	29,467
Reserve deposits at central banks		114,424	79,608
Trading assets	6	2,369	3,118
Investment securities	7	104,939	116,837
Loaned securities	7	26,479	664
Receivables from customers due to brokerage activities		736	7,528
Loans and advances to customers	8	1,137,854	764,738
Finance lease receivables	9	19,815	32,645
Property and equipment	10	17,923	16,837
Intangible assets	10	46,118	42,095
Deferred tax assets	5	2,431	2,907
Other assets		16,933	7,970
Total assets		1,634,342	1,205,489
LIABILITIES			
Deposit from other banks	11	93	130
Customer deposits	11	131,483	93,632
Other money market deposits	11	23,571	2,185
Trading liabilities	6	5,037	5,954
Funds borrowed	12	930,373	660,608
Other liabilities		81,212	82,353
Provisions		2,714	526
Current tax liabilities	5	1,089	1,775
Deferred tax liabilities	5	77	89
Total liabilities		1,175,649	847,252
EQUITY			
Share capital and share premium	13	380,724	301,408
Retained earnings		79,035	56,940
Available-for-sale reserve, net of tax	13	(1,384)	(235)
Currency translation reserve	13	318	124
Total equity		458,693	358,237
Total equity and liabilities		1,634,342	1,205,489

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 30 September 2008***(Currency - In thousands of New Turkish Lira)*

	Reviewed	Reviewed	Reviewed	Reviewed
	1 January –	1 July –	1 January –	1 July –
	30 September	30 September	30 September	30 September
	2008	2008	2007	2007
	Note			
Interest income				
Interest on loans and advances		97,489	36,576	47,554
Interest on deposits with other banks and financial institutions		3,855	1,250	4,278
Interest income on investment securities		15,436	5,672	9,110
Interest on interbank and other money market placements		1,020	375	231
Interest on financial leases		1,743	452	2,509
Other interest income		3,479	445	12,061
Total interest income		123,022	44,770	75,743
Interest expense				
Interest on deposit		(1,020)	(513)	-
Interest on other money market deposits		(1,448)	(455)	(2,134)
Interest on funds borrowed		(39,454)	(14,111)	(17,155)
Other interest expense		(8,413)	(2,979)	(5,723)
Total interest expense		(50,335)	(18,058)	(25,012)
Net interest income		72,687	26,712	50,731
Fees and commission income	4	15,988	6,375	10,079
Fees and commission expense	4	(2,194)	(818)	(3,137)
Net fee and commission income		13,794	5,557	6,942
Net trading income		82	(68)	193
Foreign exchange gain, net		4,930	1,786	2,015
Other operating income		1,421	446	826
Total operating income		92,914	34,433	60,707
Net impairment loss on financial assets	8 and 9	(11,262)	(5,747)	(5,440)
Personnel expenses		(27,008)	(9,439)	(13,858)
Depreciation and amortisation		(5,029)	(1,768)	(2,750)
Administrative expenses		(17,931)	(6,125)	(9,784)
Taxes other than on income		(1,179)	(406)	(747)
Other expenses		(2,467)	(1,314)	(1,394)
Total operating expense		(53,614)	(19,052)	(28,533)
Profit from operating activities before income tax		28,038	9,634	26,734
Income tax	5	(5,943)	(2,051)	(5,573)
Net profit for the period		22,095	7,583	21,161

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 30 September 2008

(Currency - In thousands of New Turkish Lira)

	<i>Note</i>	Share capital	Share premium	Adjustment to share capital	Retained earnings	Available-for-sale reserve, net of tax	Currency translation reserve	Total
At 1 January 2007		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 securities		-	-	-	-	(1,191)	-	(1,191)
Net profit for the period		-	-	-	21,161	-	-	21,161
At 30 September 2007		111,896	79,801	23,311	51,016	(1,249)	-	264,775
At 1 January 2008		278,097	-	23,311	56,940	(235)	124	358,237
Share capital increase	13	59,195	20,121	-	-	-	-	79,316
Net change in unrealised loss on available-for-sale securities	13	-	-	-	-	(1,149)	-	(1,149)
Currency translation differences	13	-	-	-	-	-	194	194
Net profit for the period		-	-	-	22,095	-	-	22,095
At 30 September 2008		337,292	20,121	23,311	79,035	(1,384)	318	458,693

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 30 September 2008***(Currency - In thousands of New Turkish Lira)*

	Reviewed	Reviewed
	30 September	30 September
<i>Note</i>	2008	2007
Cash flows from operating activities		
Interest received	117,829	60,649
Interest paid	(45,848)	(17,974)
Fees and commissions received	18,727	10,079
Trading income	82	193
Recoveries of loans previously written off	8 16,404	1,624
Fees and commissions paid	(8,872)	(3,137)
Cash payments to employees and other parties	(24,945)	(12,164)
Cash received from other operating activities	13,135	15,134
Cash paid for other operating activities	(24,411)	(13,605)
Gain of sale of property and equipment	(177)	-
Income taxes paid	(6,387)	(5,080)
	55,537	35,719
Change in banks and financial institutions	(25,553)	-
Change in trading assets	420	(220)
Change in reserve deposits at central banks	(34,901)	(28,964)
Change in loans and advances	(393,214)	(338,316)
Change in finance lease receivables	12,572	2,923
Change in other assets	(2,285)	(4,158)
Change in receivables from customers due to brokerage activities	6,792	3,333
Change in deposit from other banks	(37)	-
Change in customer deposits	37,851	-
Change in interbank and other money market deposits	21,386	(62)
Change in other liabilities	(3,193)	10,354
Net cash used in operating activities	(324,625)	(319,391)
Cash flows from investing activities		
Purchases of available-for-sale investment securities	(105,418)	(101,359)
Proceeds from sale and redemption of available-for-sale investment securities	86,168	29,261
Purchases of property and equipment	(4,585)	(9,740)
Proceeds from the sale of premises and equipment	652	1,016
Purchases of intangible assets	(3,346)	(1,342)
Net cash used in investing activities	(26,529)	(82,164)
Cash flows from financing activities		
Proceeds from share capital increase	13 79,316	9,100
Proceeds from funds borrowed	1,769,066	939,974
Repayment of funds borrowed	(1,504,474)	(588,166)
Net cash provided by financing activities	343,908	360,908
Effect of net foreign exchange difference on monetary items	(4,528)	(7,029)
Net decrease in cash and cash equivalents	(11,774)	(47,676)
Cash and cash equivalents at 1 January	130,542	116,103
Cash and cash equivalents at 30 September	118,768	68,427

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 30 September 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, 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. 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.

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 was 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 30 September 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 30 September 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 Yesa 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 BankPozitiv ("JSC BankPozitiv") (formerly JSC Demir Kazakhstan) is entitled to accept deposit from public. Any deposit related financial information is solely results of the operation of JSC BankPozitiv.

JSC BankPozitiv 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, custody 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. At the General Assembly meeting held on 27 June 2008, the C Bilişim's share capital was increased by YTL 2,250 to YTL 4,000.

Pratic İletişim ve Teknoloji Hizmetleri Ticaret Anonim Şirketi ("Pratic") and C Telekomünikasyon Hizmetleri A.Ş. ("C Telekom") are dormant companies. The Group's effective shareholding in Pratic and C Telekom are 100% and 100%, respectively and it is carried at cost less impairment losses. Since Pratic and C Telekom are not operating; the financial statements of Pratic and C Telekom were not included to the accompanying condensed consolidated interim financial statements.

As at 30 September 2008, the Bank provides services through its head office and 14 branches located in Istanbul, Ankara and Izmir. As at 30 September 2008, the number of employees for Bank and its consolidated subsidiaries are 333 and 463 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 30 September 2008 and 31 December 2007 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			30 September 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 BankPozitiv	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 30 September 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 30 September 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 30 September 2008 of the Bank are authorised for issue by the management on 5 November 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
- asset held for resale 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 International Accounting Standard 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29"). 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 30 September 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 30 September 2008 was YTL 37,841 (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 on a continuous 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 30 September 2008 is YTL 1,158,405 (2007 – YTL 804,911) net of impairment allowance of YTL 21,239 (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 30 September 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 30 September 2008, the carrying amount of derivative financial instrument assets YTL 2,363 (2007 – YTL 2,692) and the carrying amount of derivative financial instrument liabilities is YTL 5,037 (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 30 September 2008, the Group carried YTL 1,089 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 30 September 2008, the Group carries a net deferred tax asset amounting to YTL 2,354 (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 30 September 2008 is YTL 119 (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 30 September 2008

(Currency - In thousands of New Turkish Lira)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current period's presentation.

During the period, the Group modified the income statement classification of interest income and expense arising from currency swaps, cross currency swaps and futures from "Foreign exchange gain, net" to "Other interest income" and "Other interest expense". Comparative amounts were reclassified for consistency, which were resulted in YTL 9,505 being reclassified from "Foreign exchange gain, net" to "Other interest income" and YTL 2,207 being reclassified from "Foreign exchange gain, net" to "Other interest expense".

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).

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3. Significant accounting policies (continued)

3.2 Foreign currency (continued)

i) Foreign currency transactions (continued)

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

	USD / YTL (full)	EUR / YTL (full)	USD /KZT (full)
30 September 2007	1.2100	1.7129	-
31 December 2007	1.1708	1.6976	120.30
30 September 2008	1.2316	1.7978	119.84

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, cross currency swaps, futures and interest rate options is presented as other interest income and expense in the accompanying financial statements.

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3. Significant accounting policies *(continued)*

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.

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 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 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.

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3. Significant accounting policies *(continued)*

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.

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 or 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.

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3. Significant accounting policies *(continued)*

3.8 Financial assets and liabilities *(continued)*

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 International Accounting Standard 39 – Financial instruments: Recognition and measurement ("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.

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Notes to the Condensed Consolidated Interim Financial Statements

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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.

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Notes to the Condensed Consolidated Interim Financial Statements

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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. The Bank did not reclassify any trading assets and liabilities subsequent to their initial recognition.

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(Currency - In thousands of New Turkish Lira)

3. Significant accounting policies (continued)

3.11 Due from banks and financial institutions 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

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

Held-to-maturity

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

There are no violation of the tainting rule.

Fair value through profit or loss

The Group does not have any investment securities at fair value through profit or loss as of 30 September 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.

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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.

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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 Assets held for sale

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

3.16 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.

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3. Significant accounting policies *(continued)*

3.17 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.

3.18 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.

3.19 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

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3. Significant accounting policies *(continued)*

3.20 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.

3.21 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 30 September 2008***(Currency - In thousands of New Turkish Lira)***4. Net fee and commission income**

	1 January – 30 September 2008	1 July – 30 September 2008	1 January – 30 September 2007	1 July – 30 September 2007
Fee and commission income				
Credit related fees and commissions	8,043	3,892	4,252	1,491
Financial guarantee contracts issued	3,692	1,150	3,204	1,030
Brokerage fees	713	115	2,055	676
Other	3,540	1,218	568	179
Total fee and commission income	15,988	6,375	10,079	3,376
Fee and commission expense				
Derivative transaction fees and commissions	554	146	34	7
Corresponding bank fees	387	179	1,283	942
Other	1,253	493	1,820	1,084
Total fee and commission expense	2,194	818	3,137	2,033
Net fee and commission income	13,794	5,557	6,942	1,343

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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 September 2008***(Currency - In thousands of New Turkish Lira)***5. Taxation (continued)**

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 30 September 2008 and 31 December 2007.

As at 30 September 2008 and 31 December 2007, prepaid income taxes are netted off with the current tax liability as stated below:

	30 September 2008	31 December 2007
Income tax liability	5,701	9,488
Prepaid income tax	(4,612)	(7,713)
Income taxes payable	1,089	1,775

Income tax recognised in the income statement

The components of income tax expense as stated below:

	30 September 2008	30 September 2007
Current tax		
Current income tax	(6,496)	(7,919)
Deferred income tax		
Relating to origination and reversal of temporary differences	292	2,346
Tax losses	261	-
Income tax expense reported in the income statement	(5,943)	(5,573)

Deferred tax

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

	30 September 2008	31 December 2007
Deferred tax assets, net at 1 January	2,818	347
Acquisition of a subsidiary	-	(46)
Deferred tax recognised in the income statement	553	1,950
Deferred income tax recognised in equity	(1,015)	567
Exchange rate differences	(2)	-
Deferred tax assets, net at end of the period/year end	2,354	2,818

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 September 2008***(Currency - In thousands of New Turkish Lira)***5. Taxation (continued)**

Reflected as:

	30 September 2008	31 December 2007
Deferred tax assets	2,431	2,907
Deferred tax liabilities	(77)	(89)

6. Trading assets and liabilities

	30 September 2008		31 December 2007	
	Amount	Effective interest rate	Amount	Effective interest rate
Trading assets at fair value				
Debt instruments				
Turkish government bonds - YTL denominated	6	18.97%	30	16.22%
	6		30	
Others				
Equity investment	-	-	396	-
	-	-	396	
Derivative transactions				
Derivative financial instruments	2,363	-	2,692	-
Total trading assets	2,369		3,118	

There are no trading securities pledged under repurchase agreements as at 30 September 2008 and 31 December 2007.

As at 30 September 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 30 September 2008 and 31 December 2007, all trading debt securities have fixed interest rates.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 September 2008***(Currency - In thousands of New Turkish Lira)***6. Trading assets and liabilities (continued)****Derivative financial instruments**

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

	30 September 2008		
	Fair value	Fair value	Notional amount
	assets	liabilities	in New Turkish Lira equivalent
Derivatives held for trading			
Forward purchase contract	-	29	2,116
Forward sale contract	1	-	2,142
Currency swap purchase	1,921	5,003	134,502
Currency swap sale	441	5	133,936
Future purchase contract	-	-	-
Future sales contract	-	-	-
Option purchase contract	-	-	49,264
Option sale contract	-	-	49,184
Option interest rate purchase contract	-	-	98,528
Total derivatives held for trading	2,363	5,037	469,672

	31 December 2007		
	Fair value	Fair value	Notional amount
	assets	liabilities	in New Turkish Lira equivalent
Derivatives held for trading			
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
Total derivatives held for trading	2,692	5,954	662,758

The Group undertakes 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 30 September 2008***(Currency - In thousands of New Turkish Lira)***7. Investment securities**

	30 September 2008	31 December 2007
Held-to-maturity investment securities	33,181	-
	33,181	-
Available-for-sale investment securities	71,758	116,837
Available-for-sale investment securities – loaned securities	26,749	664
	98,507	117,501
	131,418	117,501

Held-to-maturity investment securities

	30 September 2008		31 December 2007	
	Amount	Effective interest rate	Amount	Effective interest rate
Debt instruments				
Turkish government bonds – YTL denominated, net	28,485	21.80%	-	-
- <i>Gross amount</i>	28,485		-	
- <i>Impairment on government bonds</i>	-		-	
Corporate bond – USD denominated, net	4,696	9.25%	-	-
- <i>Gross amount</i>	4,696		-	
- <i>Impairment on corporate bond</i>	-		-	
Total held-to-maturity investment securities	33,181		-	

The Bank has reclassified its marketable securities amounting to YTL 24,700 and USD 5,000,000 from available-for-sale portfolio to held-to-maturity portfolio due to the change in its intention to hold the securities in accordance with IAS 39. As of reclassification date (1 September 2008), these marketable securities had a market value of YTL 28,063 and USD 3,714,281. YTL 505 and USD 1,285,719 loss on available-for-sale investment securities recognised previously in available-for-sale reserve started to be reclassified from equity to profit or loss using the effective interest method. As of 30 September 2008, the remaining amount in other comprehensive income is YTL 493 and USD 1,263,246.

As of 30 September 2008, these marketable securities have a market value of YTL 27,029 and USD 3,327,295. Had the marketable securities not been reclassified to held-to-maturity securities, the shareholders' equity would be lower amounting to YTL 1,455 and USD 485,535.

There are no held to maturity securities given as collateral under repurchase agreements as at 30 September 2008 and 31 December 2007.

As at 30 September 2008, YTL denominated held-to-maturity investment securities comprise of inflation indexed notes with semi-annual coupon payments with a maturity of February 2012 and USD denominated investment securities comprise a fixed rate corporate bond with semi-annual coupon payment have maturity of July 2012.

As at 30 September 2008, government securities of held-to-maturity investment securities with carrying value of YTL 28,616 (2007 – none) are kept in the Central Bank of Turkey 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 although they are not pledged.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 30 September 2008

(Currency - In thousands of New Turkish Lira)

7. Investment securities (continued)

Held-to-maturity investment securities(continued)

The movement in held-to-maturity investment securities (including loaned securities) is summarised as follows:

	30 September 2008	31 December 2007
Balance at 1 January	-	-
Additions	-	-
Disposals (sale and redemption)	-	-
Transfer from other portfolios	33,181	-
Transfer to other portfolios	-	-
Change in interest accrual	-	-
Exchange rate differences	-	-
Balance at end of the period/year end	33,181	-

Available-for-sale investment securities

	30 September 2008		31 December 2007	
	Amount	Effective interest rate	Amount	Effective interest rate

Available-for-sale investment securities at fair value

Debt instruments

Turkish government bonds – YTL denominated, net	55,767	21.71%	106,615	19.49%
- <i>Gross amount</i>	55,767		106,615	
- <i>Impairment on government bonds</i>	-		-	
Corporate bond – USD denominated, net	-	-	5,291	9.25%
- <i>Gross amount</i>	-		5,291	
- <i>Impairment on corporate bond</i>	-		-	
Foreign government bonds – KZT denominated	15,391	5.89%	4,855	5.50%
- <i>Gross amount</i>	15,391		4,855	
- <i>Impairment on government bonds</i>	-		-	

Total available-for-sale securities at fair value	71,158		116,761	
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Available-for-sale investment securities at cost

Equity instruments – unlisted	600		76	
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Total available-for-sale securities	71,758		116,837	
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BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 September 2008***(Currency - In thousands of New Turkish Lira)***7. Investment securities (continued)****Available-for-sale investment securities (continued)**

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:

	30 September 2008	31 December 2007
Available-for-sale securities	26,479	664
Related liability (Note 11)	23,571	664

Repurchase agreements mature within one month.

As at 30 September 2008 and 31 December 2007, YTL denominated available-for-sale securities comprise Turkish Government floating rate notes (“FRN”) have a maturity range of February 2010-February 2014. As at 30 September 2008, KZT denominated available-for-sale securities comprise a National Bank of the Republic of Kazakhstan bond and have a maturity of October 2008.

As at 30 September 2008, available-for-sale investment securities with carrying value of YTL 21,210 (2007 – YTL 49,027) are kept in the Central Bank of Turkey 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 although they are not pledged.

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 JSC BankPozitiv which is a requirement for KASE membership, shares of which are not publicly traded. On 30 June 2008, C Bilişim acquired 100% of the ordinary shares of C Telekom for YTL 524. 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 available-for-sale investment securities (including loaned securities) is summarised as follows:

	30 September 2008	31 December 2007
Balance at 1 January	117,501	35,643
Addition through acquired subsidiary	-	4,854
Additions	109,651	117,053
Disposals (sale and redemption)	(86,168)	(41,088)
Transfer from other portfolios	-	-
Transfer to other portfolios	(33,181)	-
Change in interest accrual	(4,233)	1,216
Exchange rate differences	(5,333)	(177)
Balance at end of the period/year end	98,237	117,501

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 30 September 2008

(Currency - In thousands of New Turkish Lira)

8. Loans and advances to customers

	30 September 2008						
	Amount			Total	Effective interest rate		
	New Turkish Lira	Foreign currency	Foreign currency indexed		New Turkish Lira	Foreign currency	Foreign currency indexed
Corporate loans	206,002	270,106	353,266	829,374	24.02%	USD-9.21%-16.07% EUR-9.09%-20.00% KZT-16.19%	USD-8.21% EUR-9.75%
Consumer loans ⁽¹⁾	205,139	19,974	78,075	303,188	19.66%	USD-15.34% KZT-22.38%	USD-10.92% EUR-7.77% CHF-7.95% JPY-5.89% GBP-11.28%
Total loans	411,141	290,080	431,341	1,132,562			
Loans in arrears				26,531			
Less: Specific reserve for impairment				(8,868)			
Less: Portfolio reserve for impairment				(12,371)			
				1,137,854			

⁽¹⁾ Commercial installment loans amounting YTL 30,983 and credit cards (business of JSC Bankpozitif) amounting to YTL 450 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 ⁽¹⁾	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%
Total loans	314,582	196,275	257,875	768,732			
Loans in arrears				5,924			
Less: Specific reserve for impairment				(2,105)			
Less: Portfolio reserve for impairment				(7,813)			
				764,738			

⁽¹⁾ Commercial installment loans amounting YTL 34,907 and credit cards amounting to YTL 395 are included in consumer loans.

As at 30 September 2008, loans with floating rates are YTL 435,631 (2007 – YTL 403,108) and fixed interest rates are YTL 696,931(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 30 September 2008***(Currency - In thousands of New Turkish Lira)***8. Loans and advances to customers (continued)**

Movements in non-performing loans:

	30 September 2008	31 December 2007
Non-performing loans at 1 January	5,924	2,141
Acquisition of a subsidiary	-	2,210
Additions to non performing loans	37,001	12,804
Recoveries	(16,404)	(9,031)
Write-offs ⁽¹⁾	-	(2,200)
Exchange rate differences	10	-
Non performing loans at the end of the period/year end	26,531	5,924

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

Movements in the reserve for possible loan losses:

	30 September 2008	31 December 2007
Reserve at beginning of year	9,918	3,514
Acquisition of a subsidiary	-	3,115
Provision net of recoveries	11,262	5,489
- <i>Specific provision for loan impairment</i>	7,720	525
- <i>Portfolio provision for loan impairment</i>	4,558	5,197
- <i>Recoveries</i>	(1,016)	(233)
Loans written off during the period/year ⁽¹⁾	-	(2,200)
Exchange rate differences	59	-
Reserve at the end of the period/year end	21,239	9,918

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

As at 30 September 2008, loans and advances on which interest is not being accrued, or where interest is suspended amounted to YTL 26,475 (2007 – YTL 5,924). As at 30 September 2008, interest income amounting to YTL 56 is 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 30 September 2008***(Currency - In thousands of New Turkish Lira)***9. Finance lease receivables**

	30 September 2008	31 December 2007
Less than one year	12,180	19,202
Between one and five years	9,892	17,473
Finance lease receivables, gross	22,072	36,675
Less: Unearned future income on finance leases	(2,257)	(4,030)
Net investment in finance leases	19,815	32,645
Less: Reserve for impairment	-	-
Finance lease receivables, net	19,815	32,645

The net investment in finance leases comprises:

	30 September 2008	31 December 2007
Less than one year	10,790	16,905
Between one and five years	9,025	15,740
	19,815	32,645

As at 30 September 2008, YTL 2,989 of net investment in finance leases is denominated in USD, YTL 16,675 of net investment in finance leases is denominated in EUR, YTL 151 of net investment in finance leases is denominated in KZT (2007 – YTL 8,280, YTL 23,995, YTL 171 and YTL 199 denominated in USD, EUR, KZT and YTL respectively).

As at 30 September 2008, the effective interest rate for finance lease receivables denominated in USD is 7.96% (2007 – 8.43%), in EUR 7.93% (2007 – 7.98%) and in KZT 15.00% (2007 – 15.00% and 20.26% for YTL).

As at 30 September 2008, finance lease receivables amounting to YTL 14,731 (2007 – YTL 16,736) have floating interest rate and remaining YTL 5,084 (2007 – YTL 15,909) have fixed interest rates.

10. Property and equipment and intangible assets

During the nine-month period ended 30 September 2008, the Group acquired assets with a cost of YTL 7,931 and disposed of certain of its property and equipment with a carrying amount of YTL 475.

The carrying amount of goodwill at 30 September 2008 was YTL 37,841 (2007 – YTL 35,987) and there is no impairment recorded related to goodwill.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 30 September 2008

(Currency - In thousands of New Turkish Lira)

11. Deposits

Deposit from banks

	30 September 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	-	93	-	-	-	130	-	-
Time	-	-	-	-	-	-	-	-
Total	-	93	-	-	-	130	-	-

Deposit from customers

	30 September 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
Retail customers								
Demand	-	7,405	-	-	-	8,692	-	-
Time	-	5,045	-	USD-5.15% KZT-8.52% EUR-4.65%	-	5,366	-	USD-5.67% EUR-5.73% KZT-6.19%
Total	-	12,450	-	-	-	14,058	-	-
Corporate customers								
Demand	-	91,065	-	-	-	57,332	-	-
Time	-	27,968	-	USD-2.63% KZT-5.15%	-	22,242	-	USD-4.05% KZT-7.13%
Total	-	119,033	-	-	-	79,574	-	-
	-	131,483	-	-	-	93,632	-	-

Other money market deposits

	30 September 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
Obligations under repurchase agreements								
Due to customers (Note 7)	23,571	-	15.13%	-	664	-	17.33%	-
	23,571	-	-	-	664	-	-	-
Other money market deposits	-	-	-	-	1,521	-	15.95%	-
Total	23,571	-	-	-	2,185	-	-	-

As at 30 September 2008, other money market deposits of YTL 23,571 (2007 – YTL 2,185) have fixed interest rates.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Condensed Consolidated Interim Financial Statements

As of and for the period ended 30 September 2008

(Currency - In thousands of New Turkish Lira)

12. Funds borrowed

	30 September 2008				31 December 2007			
	Amount ⁽¹⁾		Effective interest rate		Amount ⁽¹⁾		Effective interest rate	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
Short-term								
Fixed interest	7,223	68,403	19.46%	USD-4.04% EUR-6.10% JPY-1.84%	2,411	37,010	17.06%	USD-6.24% EUR-6.03% JPY-1.36%
Floating interest	-	321,050	-	USD-4.24% EUR-5.92%	-	295,500	-	USD-5.83%
Long-term								
Fixed interest	71	395,857	17.00%	USD-7.46% EUR-6.08% JPY-1.62%	9,534	214,467	17.71%	USD-7.54% EUR-5.00% JPY-1.65%
Floating interest	-	137,769	-	USD-3.88% EUR-7.20%	-	101,686	-	USD-6.24% EUR-5.17%
Total	7,294	923,079			11,945	648,663		

⁽¹⁾ Based on original maturities.

Repayments of long term borrowing are as follows:

	30 September 2008		31 December 2007	
	Floating rate	Fixed rate	Floating rate	Fixed rate
2008	2,527	4,001	13,459	48,245
2009	103,255	22,447	87,308	136
2010	11,617	-	785	-
2011	14,622	-	134	-
2012	2,874	184,740	-	175,620
Thereafter	2,874	184,740	-	-
Total	137,769	395,928	101,686	224,001

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.

On 28 July 2008, the Bank has received a 1 year EUR 100 million club loan from international markets.

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

As at 30 September 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 30 September 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 30 September 2008***(Currency - In thousands of New Turkish Lira)***13. Capital and reserves**

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

Share capital and share premium

As at 30 September 2008 and 31 December 2007, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	30 September 2008		31 December 2007	
	Amount	%	Amount	%
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
	337,292	100.00	278,097	100.00
Share premium	20,121		-	
Restatement effect	23,311		23,311	
Share capital and share premium	380,724		301,408	

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. 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 was 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 a result of this share capital increase, Tarshish increased its ownership percentage from 57.55% to 65.00%.

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 30 September 2008***(Currency - In thousands of New Turkish Lira)***13. Capital and reserves (continued)****Other reserves**

Movement in other reserves are as follows:

	Available- for-sale reserve	Foreign currency translation reserve	Total
At 1 January 2007	(58)	-	(58)
Net unrealised gains/loss on investment securities	(1,191)	-	(1,191)
At 30 September 2007	(1,249)	-	(1,249)
At 1 January 2008	(235)	124	(111)
Net unrealised gains/loss on investment securities and property	(1,149)	-	(1,149)
Foreign currency translation	-	194	194
At 30 September 2008	(1,384)	318	(1,066)

Available-for-sale reserve

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

As of 30 September 2008, available-for-sale reserve also includes remaining YTL 493 and USD 1,263,246 loss of investment securities reclassified from available-for-sale investment securities to held-to-maturity investment securities (Note 7).

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

In accordance with the decision taken in General Assembly, held on 13 May 2008, it is decided not to distribute dividend out of the profit for 2007.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 September 2008***(Currency - In thousands of New Turkish Lira)***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 controlling shareholder 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
Loans						
At 1 January	4,658	-	208	-	88	75
At end of the period/year	6,426	4,658	-	208	74	88
Interest income	805	286	-	-	12	18

As at 30 September 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
Funds borrowed						
At 1 January	193,750	35,328	-	-	14,576	19,835
At end of the period/year	117,796	193,750	-	-	30,683	14,576
Interest expense	5,550	1,393	-	-	2,128	2,897

Other balances with related parties:

Related party		Due from banks		Deposits	Finance lease receivables	Other assets	Other liabilities	Non-cash loans
		2008	2007					
Shareholders	2008	12,163	-	-	-	2,571	11,229	
	2007	-	-	-	-	327	11,617	
Others	2008	13,644	-	-	-	217	3	
	2007	78	-	-	-	229	55	
Directors and key management personnel	2008	-	-	-	-	41	-	
	2007	-	-	-	-	13	-	

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Transactions with related parties:

Related party		Foreign exchange trading gain/(loss)	Other interest income	Other interest expense	Other operating income	Other operating expense
Shareholders	2008	6	111	(18)	22	-
	2007	1,341	-	-	57	(4)
Others	2008	-	203	-	2	(42)
	2007	(10)	-	-	1	-
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 1,580 (2007 – YTL 1,619) 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:

	30 September 2008	31 December 2007
Letters of guarantee	420,549	305,259
Letters of credit	105,951	77,054
Other guarantees	9,729	7,839
Total	536,229	390,152
Letter of guarantee obtained by subsidiaries from other banks	2,071	2,071
Commitments	45,090	1,076
Total non-cash loans	583,390	393,299

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 30 September 2008, the Group has non-cancellable operating lease agreements amounting to YTL 3,839 (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 30 September 2008 totalling YTL 268 (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 30 September 2008, total size of investment funds is amounting to YTL 2,427 (2007 – YTL 2,268). Management fee and commission income received from investment funds amounted to YTL 24 (2007 – YTL 16).

As at 30 September 2008, the Group had investment custody accounts amounting to YTL 2,963 (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 30 September 2008, the share of the Group's receivables from its top 20 credit customers in its total loan portfolio is 36% (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 ten different sets of questions for ten sectors; namely construction, energy, industry, trade, mining, factoring, health and hospital, services, transportation and tourism sectors. 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.

An additional rating module, loss given default (LGD) rating, has been developed and is being used since July for the corporate loan customers. This module, differently from the internal rating module explained above, rates the transaction instead of the corporate customer and reflects the expected loss amount in case of a default by taking into account collateral types which are subject to coefficients.

Both of the rating systems are being used in credit decisions, the first one giving the indications for borrower's repayment capacity, while the second one for facility's repayment capacity.

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 first half of 2009.

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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 September 2008***(Currency - In thousands of New Turkish Lira)***17. Financial risk management (continued)**

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

	30 September 2008			
	Cash	Finance lease receivables	Non-cash	Total
Tourism and entertainment	216,175	7,337	16,981	240,493
Electric production & supply	62,372	-	114,069	176,441
Metal and by-products	98,468	2,427	35,105	136,000
Building contractor (general and special trade)	80,418	-	31,653	112,071
Transportation	9,912	-	98,642	108,554
Public works & civil engineering	47,942	2,422	55,172	105,536
Other commercial services	43,519	180	31,508	75,207
Commercial, mortgage, investment finance banks	-	-	62,191 ⁽¹⁾	62,191
Other financial institutions	55,506	-	5,919	61,425
Electrical & electronic equipment	29,480	-	22,178	51,658
Manufacture of transport equipments	17,317	-	23,845	41,162
Non ferrous mineral products	28,552	5,284	4,463	38,299
Trade	22,658	-	15,210	37,868
Chemical and oil products	8,012	-	21,318	29,330
Holding companies	27,055	-	1,538	28,593
Textile & clothing	23,883	-	3,191	27,074
Personal other services	21,542	281	5,213	27,036
Health service	16,648	1,035	-	17,683
Machinery & equipment	633	-	16,539	17,172
Agriculture & forestry	547	-	13,084	13,631
Food & beverage & tobacco industries	6,584	266	5,257	12,107
Mining & quarrying	11,607	-	28	11,635
Rubber & plastic products	5,590	-	22	5,612
Others	5,501	328	264	6,093
Corporate loans	839,921	19,560	583,390	1,442,871
Consumer and staff loans	276,521	-	-	276,521
Interest accruals	16,120	255	-	16,375
Loans in arrears	26,531	-	-	26,531
Provision for possible loan losses	(21,239)	-	-	(21,239)
Total loans	1,137,854	19,815	583,390	1,741,059

⁽¹⁾ YTL 33,667 and YTL 11,176 of this non-cash exposure has been counter-guaranteed by the Export Import Bank of Korea and Bank Hapoalim, respectively.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 September 2008***(Currency - In thousands of New Turkish Lira)***17. Financial risk management (continued)**

	31 December 2007			Total
	Cash	Finance lease receivables	Non-cash	
Metal and by-products	74,461	4,989	41,650	121,100
Tourism and entertainment	93,462	6,444	12,990	112,896
Public works and civil engineering	33,771	4,169	70,179	108,119
Other financial institutions	71,249	-	3,205	74,454
Building contractor	37,563	-	25,615	63,178
Trade	40,833	168	21,557	62,558
Transportation	13,589	1,734	39,431	54,754
Electric production and supply	6,119	-	46,580	52,699
Textile and clothing	33,769	1,320	4,340	39,429
Other commercial services	28,676	546	7,179	36,401
Manufacture of transport equipments	19,562	75	16,106	35,743
Commercial, mortgage, investment finance banks	-	-	34,935 ⁽¹⁾	34,935
Non ferrous mineral products	21,692	7,008	4,823	33,523
Electrical and electronic equipment	7,103	682	19,869	27,654
Machinery and equipment	590	-	22,195	22,785
Other personal services	13,358	-	4,581	17,939
Chemical and oil products	9,006	-	8,064	17,070
Food, beverage and tobacco industries	12,178	687	2,974	15,839
Health service	13,604	1,878	106	15,588
Mining and quarrying	11,835	146	-	11,981
Rubber and plastic products	7,256	-	2,890	10,146
Holding companies	-	-	1,474	1,474
Agriculture & forestry	354	-	10	364
Others	16,720	2,286	2,546	21,552
Corporate loans	566,750	32,132	393,299	992,181
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)
Total loans	764,738	32,645	393,299	1,190,682

⁽¹⁾ 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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 September 2008***(Currency - In thousands of New Turkish Lira)***17. Financial risk management (continued)**

Total collateralisation coverage of cash and non cash loans are 85% as at 30 September 2008 (2007 – 90%).

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

	30 September 2008	31 December 2007
Cash loans		
Secured by cash	747	9,740
Secured by mortgages	688,376	430,556
Secured by pledge	102,835	125,421
Secured by assignment and cheques	112,604	110,093
Secured by guarantee	176,162	87,453
Unsecured	98,184	44,038
Total	1,178,908	807,301
Non-cash loans		
Secured by cash	18,924	10,936
Secured by mortgages	114,992	86,516
Secured by pledge	3,646	3,015
Secured by assignment and cheques	13,768	12,703
Secured by guarantee	269,081	208,254
Unsecured	162,979	71,875
Total	583,390	393,299

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)

As at 30 September 2008	On demand ⁽¹⁾	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
Assets												
Cash and balances with central banks	10,096	-	-	-	-	-	-	-	-	-	-	10,096
Due from banks and financial institutions	50,050	9,856	-	1	27,357	-	43	-	-	-	-	87,307
Interbank and other money market placements	46,918	-	-	-	-	-	-	-	-	-	-	46,918
Reserve deposits at central banks	9,025	105,399	-	-	-	-	-	-	-	-	-	114,424
Trading assets	-	131	388	70	81	253	253	148	1,045	-	-	2,369
Investment securities	-	15,638	97	6,330	-	9,360	16,929	29,288	5,442	21,255	600	104,939
Loaned securities	-	26,479	-	-	-	-	-	-	-	-	-	26,479
Receivables from customers due to brokerage activities	-	736	-	-	-	-	-	-	-	-	-	736
Loans and advances to customers	-	170,119	111,804	81,624	154,953	189,666	148,436	98,895	55,108	109,585	17,664	1,137,854
Finance lease receivables	-	1,375	2,216	2,928	4,271	4,782	3,200	1,043	-	-	-	19,815
Property and equipment	-	-	-	-	-	-	-	-	-	-	17,923	17,923
Intangible assets	-	-	-	-	-	-	-	-	-	-	46,118	46,118
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	2,431	2,431
Other assets	-	8,227	1,112	-	-	-	-	-	-	-	7,594	16,933
Total assets	116,089	337,960	115,617	90,953	186,662	204,061	168,861	129,374	61,595	130,840	92,330	1,634,342
Liabilities												
Deposit from other banks ⁽²⁾	93	-	-	-	-	-	-	-	-	-	-	93
Customer deposits ⁽²⁾	98,469	8,204	693	8,184	15,757	166	10	-	-	-	-	131,483
Other money market deposits	-	23,571	-	-	-	-	-	-	-	-	-	23,571
Trading liabilities	-	1,937	489	-	1,575	-	-	1,036	-	-	-	5,037
Funds borrowed	-	8,106	59,457	268,046	191,651	13,319	14,566	187,614	187,614	-	-	930,373
Other liabilities	33,253	28,130	12,516	1,674	984	10	-	-	-	-	4,645	81,212
Provisions	-	-	2,063	-	-	-	-	-	-	-	651	2,714
Current tax liabilities	-	-	1,089	-	-	-	-	-	-	-	-	1,089
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	77	77
Total liabilities	131,815	69,948	76,307	277,904	209,967	13,495	14,576	188,650	187,614	-	5,373	1,175,649
Net liquidity gap	(15,726)	268,012	39,310	(186,951)	(23,305)	190,566	154,285	(59,276)	(126,019)	130,840	86,957	458,693
As at 31 December 2007												
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
Net liquidity gap	12,705	100,576	5,527	1,743	(67,613)	76,248	115,670	101,513	(111,241)	56,045	67,064	358,237

⁽¹⁾ Includes overnight balances.

⁽²⁾ Figures represent the foreign subsidiary's deposit balances

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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17. Financial risk management (continued)

The table below analyses residual contractual maturities of liabilities:

As at 30 September 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	93	93	93	-	-	-	-	-	-
Customer deposits	131,483	132,491	-	106,683	697	8,684	16,230	197	-
Interbank and other money market deposits	23,571	23,610	-	23,610	-	-	-	-	-
Funds borrowed	930,373	1,067,539	-	8,320	63,764	260,555	237,584	497,316	-
Current account of loan customers ⁽¹⁾	66,257	66,478	35,264	17,312	12,216	1,686	-	-	-
	1,151,777	1,290,211	35,357	155,925	76,677	270,925	253,814	497,513	-

⁽¹⁾ 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 ⁽¹⁾	60,422	61,682	17,782	33,829	1,276	8,795	-	-	-
	816,977	900,504	83,936	121,103	100,433	58,401	207,742	328,889	-

⁽¹⁾ 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
As at 30 September 2008							
Assets							
Forward purchase contract	449	1,667	-	-	-	-	2,116
Forward sale contract	449	1,693	-	-	-	-	2,142
Currency swap purchase	8,657	44,821	8,454	7,295	65,275	-	134,502
Currency swap sale	8,955	44,603	8,468	7,627	64,283	-	133,936
Future purchase contract	-	-	-	-	-	-	-
Future sales contract	-	-	-	-	-	-	-
Option purchase contract	-	-	-	-	49,264	-	49,264
Option sale contract	-	-	-	-	49,184	-	49,184
Option interest rate purchase contract	-	-	-	-	98,528	-	98,528
	18,510	92,784	16,922	14,922	326,534	-	469,672

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 December 2007							
Assets							
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
	115,386	306,028	1,639	5,622	234,083	-	662,758

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes To The Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 September 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 30 September 2008, the highest potential loss of the securities portfolio was generated by historical simulation method as YTL 133 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
As at 30 September 2008							
Assets							
Cash and balances with central banks	7,158	218	-	-	2,665	31	10,072
Due from banks and financial institutions	62,148	14,951	1,157	98	5	278	78,637
Interbank and other money market placements	-	-	-	-	34,438	-	34,438
Reserve deposits at central Banks	102,364	-	-	-	9,025	-	111,389
Trading assets	181	-	-	-	-	-	181
Investment securities	4,696	-	-	-	15,413	-	20,109
Loans and advances due to customers ⁽¹⁾	337,608	260,928	42,836	8,263	74,037	132	723,804
Finance lease receivables	2,989	16,675	-	-	151	-	19,815
Property and equipment	-	-	-	-	6,038	-	6,038
Intangible assets	37,566	-	-	-	1,283	-	38,849
Other assets	4,109	65	11	-	7,586	458	12,229
Total assets	558,819	292,837	44,004	8,361	150,641	899	1,055,561
Liabilities							
Deposit from other banks ⁽²⁾	79	2	-	-	3	9	93
Customer deposits ⁽²⁾	32,471	790	-	-	98,154	68	131,483
Funds borrowed	640,026	273,817	-	9,236	-	-	923,079
Other liabilities	22,977	14,913	275	72	2,234	4	40,475
Provisions	-	-	-	-	5	-	5
Deferred tax liabilities	-	-	-	-	48	-	48
Total liabilities	695,553	289,522	275	9,308	100,444	81	1,095,183
Gross exposure	(136,734)	3,315	43,729	(947)	50,197	818	(39,622)
Off-balance sheet position							
Net notional amount of derivatives	85,581	(3,147)	(43,738)	921	-	(611)	39,006
Net exposure⁽³⁾	(51,153)	168	(9)	(26)	50,197	207	(616)

⁽¹⁾ Foreign currency net non-performing loan amounting YTL 2,283 is included at foreign currency position.

⁽²⁾ Figures represent the foreign subsidiary's deposit balances.

⁽³⁾ The Bank has a USD-KZT money option agreement amounting to USD 40 million in order to hedge its short position in USD and long position in KZT.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes To The Condensed Consolidated Interim Financial Statements

As of and for the period ended 30 September 2008

(Currency - In thousands of New Turkish Lira)

17. Financial risk management (continued)

Currency risk (continued)

	USD	Euro	CHF	JPY	KZT	Others	Total
As at 31 December 2007							
Assets							
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 ⁽¹⁾	211,843	160,378	30,337	4,941	47,393	-	454,892
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
Total assets	411,756	185,829	30,382	5,043	103,711	566	737,287
Liabilities							
Deposit from other banks ⁽²⁾	19	11	-	-	100	-	130
Customer deposits ⁽²⁾	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
Total liabilities	665,743	65,533	315	7,092	53,877	663	793,223
Gross exposure	(253,987)	120,296	30,067	(2,049)	49,834	(97)	(55,936)
Off-balance sheet position							
Net notional amount of derivatives	206,043	(119,143)	(29,821)	2,105	-	(350)	58,834
Net exposure⁽³⁾	(47,944)	1,153	246	56	49,834	(447)	2,898

⁽¹⁾ Foreign currency net non-performing loan amounting YTL 742 is included in foreign currency position.

⁽²⁾ Figures represent the foreign subsidiary's deposit balances.

⁽³⁾ The Bank has a USD-KZT money option agreement amounting to USD 40 million in order to hedge its short position in USD and long position in KZT.

The following significant exchange rates applied during the period / year:

	Average rate		Reporting rate	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
USD/YTL	1.2196	1.3006	1.2316	1.1708
EUR/YTL	1.8578	1.7775	1.7978	1.6976

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes To The Condensed Consolidated Interim Financial Statements****As of and for the period ended 30 September 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 30 September 2008 and 31 December 2007 would have effect on the 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.

30 September 2008	Equity	Profit or loss
USD	(5,115)	(5,115)
Euro	17	17
Other currencies	5,037	5,037
	(61)	(61)
31 December 2007	Equity	Profit or loss
USD	(4,794)	(4,794)
Euro	115	115
Other currencies	4,969	4,969
	290	290

A 10 percent strengthening of the YTL against the foreign currencies at 30 September 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 As of and for the period ended 30 September 2008

(Currency - In thousands of New Turkish Lira)

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 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 30 September 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
Assets											
Cash and balances with central banks	-	-	-	-	-	-	-	-	-	10,096	10,096
Due from banks and financial institutions	32,945	12,161	13,636	-	-	-	-	-	-	28,565	87,307
Interbank and other money market placements	46,918	-	-	-	-	-	-	-	-	-	46,918
Reserve deposits at central banks	105,399	-	-	-	-	-	-	-	-	9,025	114,424
Trading assets	131	388	70	81	253	253	148	1,045	-	-	2,369
Investment securities	19,005	2,171	78,467	-	-	-	4,696	-	-	600	104,939
Loaned securities	26,479	-	-	-	-	-	-	-	-	-	26,479
Receivables from customers due to brokerage activities	736	-	-	-	-	-	-	-	-	-	736
Loans and advances to customers	240,512	196,551	195,482	96,185	116,421	81,412	59,845	38,863	94,919	17,664	1,137,854
Finance lease receivables	3,832	3,810	10,016	1,081	532	416	128	-	-	-	19,815
Property and equipment	-	-	-	-	-	-	-	-	-	17,923	17,923
Intangible assets	-	-	-	-	-	-	-	-	-	46,118	46,118
Deferred tax assets	-	-	-	-	-	-	-	-	-	2,431	2,431
Other assets	-	-	-	-	-	-	-	-	-	16,933	16,933
Total assets	475,957	215,081	297,671	97,347	117,206	82,081	64,817	39,908	94,919	149,355	1,634,342
Liabilities											
Deposit from other banks ⁽¹⁾	-	-	-	-	-	-	-	-	-	93	93
Customer deposits ⁽¹⁾	8,204	693	8,184	15,757	166	10	-	-	-	98,469	131,483
Other money market deposits	23,571	-	-	-	-	-	-	-	-	-	23,571
Trading liabilities	1,937	489	-	1,575	-	-	1,036	-	-	-	5,037
Funds borrowed	89,825	159,087	267,614	44,367	-	-	184,740	184,740	-	-	930,373
Other liabilities	22,244	12,305	1,673	983	10	-	-	-	-	43,997	81,212
Provisions	-	-	-	-	-	-	-	-	-	2,714	2,714
Current tax liabilities	-	-	-	-	-	-	-	-	-	1,089	1,089
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	77	77
Total liabilities	145,781	172,574	277,471	62,682	176	10	185,776	184,740	-	146,439	1,175,649
Balance sheet interest sensitivity gap	330,176	42,507	20,200	34,665	117,030	82,071	(120,959)	(144,832)	94,919	2,916	458,693

⁽¹⁾ 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
Assets											
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
Total assets	346,387	301,327	107,954	74,014	85,639	40,354	30,104	21,668	27,301	170,741	1,205,489
Liabilities											
Deposit from other banks ⁽¹⁾	-	-	-	-	-	-	-	-	-	130	130
Customer deposits ⁽¹⁾	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
Total liabilities	134,609	292,100	91,856	31,896	14,081	28	-	177,989	-	104,693	847,252
Balance sheet interest sensitivity gap	211,778	9,227	16,098	42,118	71,558	40,326	30,104	(156,321)	27,301	66,048	358,237

⁽¹⁾ 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 0.41% (2007 – 1.08% positive effect) to the total equity; effect of 1% decrease in the interest rates has a positive effect of 0.63% (2007 – 0.76% negative effect) 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 30 September 2008, the Bank's capital adequacy ratio on an unconsolidated basis is 32.30% (2007 – 39.58%).

18. Rating

As at September 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 Foreign Currency IDR	BB (Stable)
Short Term Foreign Currency IDR	B
Individual Rating	D
Support	3
Long Term Local Currency IDR	BBB- (Stable)
Short Term Local Currency	F3
National	AAA (TUR) (Stable)

Moody's Ratings, April 2008

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

19. Subsequent event

The current global market turmoil, market confidence and liquidity issues have become key factors in the assessment of future performance of the companies in Turkey similar to the others across the Globe. The instant impact of the global turmoil across global financial markets came out to be a sharp increase in foreign currency exchange rates in Turkey. Consequently, the depreciation of YTL against USD, Euro, CHF, JPY and GBP was 23%, 8%, 15%, 31% and 6% respectively as at 5 November 2008 when compared to the exchange rates as at 30 September 2008.