

**Bankpozitif Kredi ve Kalkınma
Bankası Anonim Şirketi**

**Independent Auditors' Report on
Consolidated Financial Information
31 December 2007**

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

7 March 2008

*This report contains 1 page of independent
auditors' report and 61 pages of financial
statements and notes to the financial
statements.*

Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi

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**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
Yapı Kredi Plaza C Blok Kat 17
Büyükdere Caddesi
Levent 34330 İstanbul

Telephone +90 (212) 317 74 00
Fax +90 (212) 317 73 00
Internet www.kpmg.com.tr

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Bankpozitif Kredi ve Kalkınma Bankası Anonim Şirketi (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

7 March 2008
İstanbul, Turkey

KPMG Akis Bağımsız Denetim ve SMMM AŞ

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Consolidated Balance Sheet****As of 31 December 2007***(Currency - In thousands of New Turkish Lira)*

	<i>Notes</i>	2007	2006
ASSETS			
Cash and balances with central banks	11	12,740	63
Due from banks and financial institutions	11	88,335	113,711
Interbank and other money market placements	11	29,467	2,329
Reserve deposits at central banks	12	79,608	23,577
Trading assets	13	3,118	1,773
Investment securities	14	116,837	16,438
Loaned securities	14	664	19,205
Receivables from customers due to brokerage activities		7,528	12,442
Loans and advances to customers	15	764,738	238,720
Finance lease receivables	16	32,645	38,083
Property and equipment	17	16,837	5,799
Intangible assets	18	42,095	4,438
Deferred tax assets	10	2,907	365
Other assets	19	10,658	3,534
Total assets		1,208,177	480,477
LIABILITIES			
Deposit from other banks	20	130	-
Customer deposits	20	93,632	-
Other money market deposits	20	2,185	23,524
Trading liabilities	13	5,954	341
Funds borrowed	21	660,608	156,944
Other liabilities	22	85,041	62,982
Provisions	23	526	442
Current tax liabilities	10	1,775	521
Deferred tax liabilities	10	89	18
Total liabilities		849,940	244,772
EQUITY			
Share capital and share premium	24	301,408	205,908
Retained earnings		56,940	29,855
Available-for-sale reserve, net of tax	24	(235)	(58)
Currency translation reserve	24	124	-
Total equity		358,237	235,705
Total equity and liabilities		1,208,177	480,477

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Consolidated Income Statement****For the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)*

	<i>Notes</i>	2007	2006
Interest income			
Interest on loans and advances		70,869	20,606
Interest on securities		32	36
Interest on deposits with other banks and financial institutions		6,188	4,501
Interest on interbank and other money market placements		406	1,460
Interest on financial leases		3,267	4,278
Other interest income		2,161	2,896
Total interest income		82,923	33,777
Interest expense			
Interest on deposit		(118)	-
Interest on other money market deposits		(3,667)	(1,033)
Interest on funds borrowed		(26,580)	(7,863)
Other interest expense		(4,594)	(3,233)
Total interest expense		(34,959)	(12,129)
Net interest income		47,964	21,648
Fees and commission income	5	14,715	10,057
Fees and commission expense	5	(3,819)	(1,055)
Net fee and commission income		10,896	9,002
Net trading income / (expense)	6	240	(142)
Foreign exchange gain, net		9,174	2,436
Gains from investment securities, net	14	13,608	3,697
Other operating income	7	1,103	1,564
Total operating income		82,985	38,205
Net impairment loss on financial assets	15 and 16	(5,489)	(347)
Personnel expenses	8	(20,598)	(12,523)
Depreciation and amortisation	17 and 18	(3,572)	(1,525)
Administrative expenses	9	(15,195)	(9,095)
Taxes other than on income		(1,299)	(724)
Other expenses		(2,794)	(1,949)
Total operating expense		(43,458)	(25,816)
Profit from operating activities before income tax		34,038	12,042
Income tax	10	(6,953)	(2,719)
Net profit for the year		27,085	9,323

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Consolidated Statement of Changes in Equity****For the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)*

	<i>Notes</i>	Share capital	Share premium	Adjustment to share capital	Available-for-sale reserve, net of tax	Currency translation reserve	Retained earnings	Total
At 1 January 2006		47,500	-	23,311	124	-	20,532	91,467
Share capital increase		64,396	70,701	-	-	-	-	135,097
Net change in unrealised gain on available-for -sale investments		-	-	-	(182)	-	-	(182)
Net profit for the year		-	-	-	-	-	9,323	9,323
At 31 December 2006 / 1 January 2007		111,896	70,701	23,311	(58)	-	29,855	235,705
Share capital increase – Cash	24	86,400	9,100	-	-	-	-	95,500
Share capital increase – Transfer from share premium	24	79,801	(79,801)	-	-	-	-	-
Net change in unrealised gain/(loss) on available-for sale investments		-	-	-	(177)	-	-	(177)
Currency translation differences		-	-	-	-	124	-	124
Net profit for the year		-	-	-	-	-	27,085	27,085
At 31 December 2007		278,097	-	23,311	(235)	124	56,940	358,237

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Consolidated Cash Flow Statement
For the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)*

	<i>Notes</i>	2007	2006
Cash flows from operating activities			
Interest received		84,178	31,225
Interest paid		(30,065)	(10,414)
Fees and commissions received		16,605	10,057
Trading income		240	(142)
Recoveries of loans previously written off		9,031	1,159
Fees and commissions paid		(8,583)	(1,055)
Cash payments to employees and other parties		(20,504)	(12,262)
Cash received from other operating activities		21,842	5,835
Cash paid for other operating activities		(19,531)	(11,609)
Income taxes paid		(8,287)	(2,415)
		44,926	10,379
Change in trading assets		(28)	1,409
Change in reserve deposits at central banks		(45,519)	(12,028)
Change in loans and advances		(496,759)	(142,807)
Change in finance lease receivables		5,049	11,505
Change in other assets		(263)	(811)
Change in receivables from customers due to brokerage activities		4,914	(2,319)
Change in deposit from other banks		2	-
Change in customer deposit		(6,488)	-
Change in interbank and other money market deposits		(21,334)	18,017
Change in other liabilities		17,818	12,425
		(497,682)	(104,230)
Cash flows from investing activities			
Purchases of available for sale securities		(112,182)	(25,736)
Proceeds from sale and redemption of available for sale securities		41,088	11,119
Purchases of property and equipment	17	(10,187)	(4,231)
Proceeds from the sale of premises and equipment	17	810	34
Purchases of intangible assets	18	(2,118)	(3,191)
Proceeds from sale of intangible assets	18	10	6
		(82,579)	(21,999)
Cash flows from financing activities			
Proceeds from share capital increase	24	95,500	135,097
Proceeds from funds borrowed		1,162,199	569,789
Repayment of funds borrowed		(663,194)	(489,368)
Dividends paid to equity holders of the Parent	24	-	-
Acquisition of subsidiary, net of cash acquired	4	6,798	-
		601,303	215,518
Effect of net foreign exchange difference on monetary items		(7,554)	(1,281)
Net increase in cash and cash equivalents		13,488	88,008
Cash and cash equivalents at 1 January	11	116,103	28,095
Cash and cash equivalents at 31 December	11	129,591	116,103

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As of and for the year ended 31 December 2007

(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 47,500,000 (full YTL). C Faktoring A.Ş. and its nominees increased their shareholding to 100% by share capital increases and by purchasing other third party minority shareholders’ shares.

Negotiations of the new shareholding structure of the Bank which began in 2005 were finalised and a final share subscription agreement was signed on 13 December 2005. Under this agreement, the Bank Hapoalim B.M. (“Bank Hapoalim”), Israel’s leading financial group and the largest bank, was to acquire a 57.55% stake in Bankpozitif by means of a capital injection to be made through Tarshish-Hapoalim Holdings and Investments Ltd. (“Tarshish”), a wholly-owned subsidiary of Bank Hapoalim. On 23 December 2005, the name of the Bank was changed as Bankpozitif Kredi ve Kalkınma Bankası A.Ş. Legal approvals have been obtained from Israeli and Turkish authorities in 2006 and Extraordinary General Assembly of the Bank was convened on 31 October 2006 concerning the new partnership.

At the Extraordinary General Assembly meeting, the Bank’s share capital was increased by YTL 64,396,348 (full YTL) to YTL 111,896,348 (full YTL) and the share premium amount for the new issued shares paid by Tarshish was decided to be equal to YTL 70,701,000 (full YTL). Tarshish deposited YTL 135,097,348 (full YTL) in the Bank’s account on 2 November 2006. Banking Regulatory and Supervision Agency (“BRSA”) approved the transfer of capital payment amount by Tarshish on 16 November 2006 and the share capital increase was finalised.

According to the provisions of the share subscription agreement signed by the shareholders, the share capital of the Bank was increased by an additional YTL 2 (full YTL) nominal value to YTL 111,896,350 (full YTL) at the Extraordinary General Assembly of the Bank convened on 25 January 2007. Based on the other shareholders’ waiver of their pre-emption rights, Tarshish committed to pay YTL 2 (full YTL) nominal value and the premiums to the share capital of the Bank on a fully diluted basis. The share premium amount to be paid by Tarshish for the additional 20 shares was decided as YTL 9,099,998 (full YTL). Total amount of YTL 9,100,000 (full YTL) was deposited to the Bank’s account on 25 January 2007 by Tarshish in remuneration for capital and share premium payments. Necessary approvals of BRSA regarding above mentioned amounts’ transfer to capital and share premium accounts are finalised and related amounts are transferred to related equity accounts.

At the Extraordinary General Assembly Meeting held on 17 December 2007, the Bank’s share capital was increased from YTL 111,896 to YTL 278,097 by way of appropriation of share premiums amounting to YTL 79,801 and cash increase amounting to YTL 86,400 to be paid by the shareholders proportionally to their shareholding percentages. The Bank obtained all the regulatory and legal approvals related with the share capital increase on 31 December 2007 and share capital increased finalised.

As at 31 December 2007, 57.55% (2006 – 57.55%) of the shares of the Bank belong to Tarshish and are controlled by Bank Hapoalim.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As of and for the year ended 31 December 2007

(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. As a non-deposit taking bank, the Bank borrows funds from financial markets, its counterparties. Subsidiary of the Bank; Joint Stock Company Demir Kazakhstan Bank ("Demir Kazakhstan") is entitled to accept deposit from public.

Pozitif Menkul Değerler A.Ş. ("Pozitif Menkul") (formerly named C Menkul Değerler A.Ş.) is involved in intermediary, brokerage, corporate finance, initial public offering, advisory, merger and acquisitions and underwriting activities. On 14 May 2007, the name of the company was changed as Pozitif Menkul Değerler A.Ş.

C Bilişim Teknolojileri ve Telekomünikasyon Hizmetleri A.Ş. ("C Bilişim") is specialised in software development and other technological support to the related financial industry including the Bank, its subsidiaries and other group companies.

On 2 November 2006, Bankpozitif signed a purchase agreement to acquire 100% of the ordinary shares of Joint Stock Company Demir Kazakhstan Bank ("Demir Kazakhstan"). The acquisition was completed on 21 November 2007. Demir Kazakhstan was incorporated in the Republic of Kazakhstan in 1992 and provides general banking services to its clients, accepts deposit from public, grants cash and non-cash loans, provides broker/dealer services, cash payment and other banking services for its commercial and retail customers. As at 31 December 2007, Demir Kazakhstan provides services through its head office and five branches located in Kazakhstan. The bank acquired 100% of the ordinary shares of Demir Kazakhstan for USD 55.9 million, and forthcoming to acquisition Demir Kazakhstan's paid in capital was increased by additional USD 14.6 million. The cost of investment in Demir Kazakhstan amounting to USD 70.5 million is funded by the capital increase of the Bank which realised on 31 December 2007.

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

As at 31 December 2007, the Bank provides services through its head office and nine branches located in Istanbul, Ankara and Izmir. As at 31 December 2007, the number of employees for Bank and its consolidated subsidiaries are 274 and 364, respectively.

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

The subsidiaries included in consolidation and effective shareholding percentages of the Group at 31 December 2007 and 2006 are as follows:

	Place of incorporation	Principal activities	Effective shareholding and voting rights (%)	
			2007	2006
Pozitif Menkul Değerler A.Ş.	Istanbul/Turkey	Intermediary, brokerage, corporate finance and underwriting activities	100	100
C Bilişim Teknolojileri ve Telekomünikasyon Hizmetleri A.Ş.	Istanbul/Turkey	Software development and technology	100	100
JSC Demir Kazakhstan Bank	Almaty/Kazakhstan	Commercial banking	100	-

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As of and for the year ended 31 December 2007

(Currency - In thousands of New Turkish Lira)

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

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 consolidated 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 consolidated financial statements as at 31 December 2007 of the Bank are authorised for issue by the management on 7 March 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 consolidated 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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As of and for the year ended 31 December 2007

(Currency - In thousands of New Turkish Lira)

2. Basis of preparation (continued)

2.3 Functional and presentation currency

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

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

IAS 29 describes 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. As at 31 December 2007, the three-year cumulative rate has been 21.4% (31 December 2006 – 32.1%) based on the Wholesale Price Index published by the Turkish Statistical Institution (previously, State Institute of Statistics ("SIS")). 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.

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 consolidated 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 consolidated financial statements are as follows;

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As of and for the year ended 31 December 2007

(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

Impairment of available-for-sale equity instruments:

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was YTL 35,987 (2006 – YTL 275) and there is no impairment recorded related to goodwill.

Allowances for credit losses

The Group reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and individual loans. All loans with principal and/or interest overdue for more than 90 days are considered as impaired and individually assessed. Other evidence for impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Impairment and uncollectibility are measured and recognised individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. Total carrying value of such loans, advances, finance lease receivables and receivables related with brokerage activities as at 31 December 2007 is YTL 804,911 (2006 – YTL 289,245) net of impairment allowance of YTL 9,918 (2006 – YTL 3,514).

Determining fair values

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. To the extent practical, models use only observable data; however areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. As at 31 December 2007, the carrying amount of derivative financial instrument assets YTL 2,692 (2006 – YTL 1,375) and the carrying amount of derivative financial instrument liabilities is YTL 5,954 (2006 – YTL 341).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As of and for the year ended 31 December 2007

(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)*

Income taxes

The Group is subject to income taxes in Turkey and in Kazakhstan. Significant estimates are required in determining the provision for income taxes. Where there are matters the final tax outcome of which is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2007, the Group carried YTL 1,775 net income taxes payable (2006 – YTL 521).

Management records deferred tax assets to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. The recoverability of the deferred tax assets is reviewed regularly. As at 31 December 2007, the Group carries a net deferred tax asset amounting to YTL 2,818 (2006 – YTL 347).

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. These estimations which are disclosed in Note 23 are reviewed regularly. The carrying value of employee termination benefit provisions as at 31 December 2007 is YTL 138 (2006 – YTL 125).

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 3.11.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements

As of and for the year ended 31 December 2007

(Currency - In thousands of New Turkish Lira)

3. Significant accounting policies

3.1 Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated 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 year 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 consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

i) Foreign currency transactions

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

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

	KZT / USD (full)	EUR / YTL (full)	USD / YTL (full)
31 December 2005	-	1.5904	1.3430
31 December 2006	-	1.8586	1.4131
31 December 2007	120.30	1.6976	1.1708

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3. Significant accounting policies *(continued)*

3.2 Foreign currency *(continued)*

ii) Foreign operations

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

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

iii) Hedge of net investment in foreign operation

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

3.3 Interest

Interest income and expense are recognised in the consolidated 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.

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.

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3. Significant accounting policies *(continued)*

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 consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

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

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

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

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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 consolidated income statement.

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

Offsetting

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

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

Amortised cost measurement

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

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3. Significant accounting policies *(continued)*

3.9 Financial assets and liabilities *(continued)*

Fair value measurement

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

Derivative financial instruments

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

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.

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3. Significant accounting policies (continued)

3.9 Financial assets and liabilities (continued)

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. 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 consolidated income statement.

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3. Significant accounting policies *(continued)*

3.9 Financial assets and liabilities *(continued)*

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 consolidated 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 consolidated 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.

3.10 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 consolidated balance sheet.

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

3.12 Due from banks and loans and advances to customers

"Due from banks" 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, amount due from banks 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 consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in "Net impairment loss on financial assets".

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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(Currency - In thousands of New Turkish Lira)

3. Significant accounting policies *(continued)*

3.13 Investment securities

Held-to-maturity

The Group does not any held-to-maturity investment securities as of 31 December 2007 and 31 December 2006.

Fair value through profit or loss

The Group does not any investment securities at fair value through profit or loss as of 31 December 2007 and 31 December 2006.

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 consolidated 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 consolidated 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 consolidated 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 consolidated income statement. Reversals of impairment losses on debt instruments are reversed through the consolidated 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 consolidated 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 consolidated income statement.

3.14 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.

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(Currency - In thousands of New Turkish Lira)

3. Significant accounting policies (continued)

3.14 Property and equipment (continued)

Depreciation

Depreciation is recognised in the consolidated 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 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.

3.15 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 consolidated income statement.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

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 consolidated 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 life of software is five to six years.

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3. Significant accounting policies *(continued)*

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 consolidated 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 consolidated 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, except where the Group chooses to carry the liabilities at fair value through profit or loss.

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 consolidated 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 consolidated balance sheet, since such items are not treated as assets of the Group.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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As of and for the year ended 31 December 2007

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3. Significant accounting policies *(continued)*

3.22 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as of and for the year ended 31 December 2007, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 Operating Segments introduces the “management approach” to segment reporting. IFRS 8, which becomes mandatory for the Company’s 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group Management in order to assess each segment’s performance and to allocate resources to them. It is not expected to have any impact on the consolidated financial statements.
- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group’s 2009 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. It is not expected to have any impact on the consolidated financial statements.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group’s 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.
- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group’s 2008 financial statements, is not expected to have any effect on the consolidated financial statements.
- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group’s 2009 financial statements, is not expected to have any impact on the financial statements.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group’s 2008 financial statements, with retrospective application required. Since post-retirement benefit plans are not funded in Turkey and Kazakhstan, as there is no funding requirement, it is not expected to have any impact on the consolidated financial statements.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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4. Acquisition of subsidiaries

Business combination

On 21 November 2007, the Bank acquired all of the shared in Demir Kazakhstan for USD 55.9 million. Demir Kazakhstan was incorporated in the Republic of Kazakhstan in 1992 and provides general banking services to its clients, accepts deposit from public, grants cash and non-cash loans, provides broker/dealer services, cash payment and other banking services for its commercial and retail customers.

From the date of acquisition, Demir Kazakhstan has contributed YTL 221 to the net profit of the Bank. If the combination had taken at the beginning of the year, the total profit for the year would have been YTL 3,202 higher at YTL 30,287.

In thousand of USD	Pre-acquisition carrying amounts	Fair value recognised on acquisition
Cash and balances with central banks	4,182	12,866
Due from other banks and financial institutions	57,433	57,433
Reserve deposits at central banks	8,684	8,684
Investment securities	4,146	4,146
Loans and advances to customers	31,159	31,159
Property, equipment and intangible assets	4,330	4,330
Other assets	1,767	1,767
Deposits from other banks	(108)	(108)
Customer deposits	(84,390)	(84,390)
Deferred tax liabilities	(39)	(39)
Other liabilities	(1,781)	(1,781)
Net identifiable assets and liabilities	25,383	25,383
Goodwill on acquisition	30,502	
Consideration paid, satisfied in cash	55,885	
Cash acquired	(61,615)	
Net cash inflow	(5,730)	

Net cash inflow from acquisition is amounting to YTL 6,798.

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before acquisition.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As of and for the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)***5. Net fee and commission income**

	2007	2006
Fee and commission income		
Credit related fees and commissions	7,289	2,882
Financial guarantee contracts issued	4,175	4,124
Brokerage fees	2,461	2,800
Other	790	251
Total fee and commission income	14,715	10,057
Fee and commission expense		
Corresponding bank fees	1,676	659
Borrowing related commission expenses	117	396
Other	2,026	-
Total fee and commission expense	3,819	1,055
Net fee and commission income	10,896	9,002

6. Net trading income / (expense)

	2007	2006
Fixed income	200	-
Equities	64	(147)
Mutual funds	27	5
Other	(51)	-
Total	240	(142)

7. Other operating income

	2007	2006
Software sales and rental income	472	154
Income from underwriting activities	43	753
Consultancy income	35	439
Technology support income	-	43
Other	553	175
Total	1,103	1,564

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	2007	2006
Wages and salaries	14,427	7,929
Bonuses	2,978	2,347
Compulsory social security obligations	2,125	1,130
Other fringe benefits	974	1,104
Provision for employee termination benefits	94	13
Total	20,598	12,523

The number of employees for the years is:

	2007	2006
The Bank	274	179
Subsidiaries	364	61
Total	638	240

9. Administrative expenses

	2007	2006
Operating lease expenses	3,400	2,687
Information technology expenses	2,680	791
Communication expenses	1,564	914
Consultancy expense	1,446	598
Advertising expenses	1,101	731
Representation expenses	1,070	624
Transportation expenses	606	551
Gasoline expenses	619	447
Subscription and membership fees	257	215
Others	2,452	1,537
Total	15,195	9,095

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Notes to the Consolidated Financial Statements

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10. 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, effective from 1 January 2006 corporate tax rate is reduced to 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. As at 31 December 2007, the Bank has chosen not to deduct such amounts from corporate income. 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 consolidated balance sheet, has been calculated on a separate-entity basis.

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

As at 31 December 2007 and 2006, prepaid income taxes are netted off with the current tax liability as stated below:

	2007	2006
Income tax liability	9,488	2,338
Prepaid income tax	(7,713)	(1,817)
Income taxes payable	1,775	521

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The components of income tax expense for the years ended 31 December 2007 and 2006 are:

	2007	2006
Current tax		
Current income tax	8,903	2,406
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,950)	313
Income tax expense reported in the income statement	6,953	2,719

Reconciliation of effective tax rate

Reconciliation between tax expense and the accounting profit multiplied by the statutory income tax rate of the parent for the years ended 31 December 2007 and 2006 is as follows:

	2007	2006
Profit before income tax	34,038	12,042
Income tax using the domestic corporation tax rate 20% (2006 – 20%)	6,808	2,409
Effect of different tax rate in other countries	(16)	-
Non-deductible expenses	3,394	481
Tax exempt income	(619)	(323)
Effect of change in tax rate	-	220
Others, net	(2,614)	(68)
Total income tax expense in the income statement	6,953	2,719

Income tax expense recognised directly in equity

	2007	2006
Foreign currency subsidiary valuation – net investment hedge	409	13
Available-for-sale financial assets	114	-
Tax charge reported in equity	523	13

Deferred tax income recognised directly in equity

	2007	2006
Foreign currency subsidiary valuation	409	-
Available-for-sale financial assets	158	-
Deferred tax income reported in equity	567	-

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The deferred tax included in the consolidated balance sheet and changes recorded in the income tax expense are as follows:

	Deferred tax asset	Deferred tax liability	Income statement	Deferred tax asset	Deferred tax liability	Income statement
	2007	2007	2007	2006	2006	2006
Reserve for loan losses	1,410	-	887	523	-	133
Derivative financial instruments	652	-	859	-	(206)	(179)
Foreign currency subsidiary valuation ⁽¹⁾	409	-	-	-	-	-
Valuation of AFS ⁽¹⁾	158	-	-	-	-	-
Liability for defined benefit plans	102	-	75	89	-	53
Property and equipment	-	(451)	(344)	-	(68)	(342)
Accounting for financial leases	-	-	-	-	-	12
Others	538	-	473	9	-	10
Deferred tax asset / (liability)	3,269	(451)		621	(274)	
Deferred tax income / (expense)			1,950			(313)

⁽¹⁾ Deferred tax income recognised in equity.

Reflected as:

Deferred tax assets	2,907
Deferred tax liabilities	(89)

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

	2007	2006
Deferred tax assets, net at 1 January	347	660
Acquisition of a subsidiary (Note 4)	(46)	-
Deferred tax recognised in the income statement	1,950	(313)
Deferred income tax recognised in equity	567	-
Deferred tax assets, net at 31 December	2,818	347

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	2007	2006
Cash and balances with central banks	12,740	63
- <i>Cash on hand</i>	6,568	47
- <i>Balances with central banks</i>	6,172	16
Due from banks and financial institutions	88,335	113,711
Interbank and other money market placements	29,467	2,329
Cash and cash equivalents in the balance sheet	130,542	116,103
Less: Due from banks with original maturities of more than 3 months	(951)	-
Cash and cash equivalents in the cash flow statement	129,591	116,103

As at 31 December 2007 and 2006, due from banks and financial institutions are as follows:

	2007			
	Amount		Effective interest rate	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
Balances with Central Bank	2	6,170	-	-
Due from banks and financial institutions	13,264	75,071	17.93%	USD 4.38-5.23% KZT-7.99%
Interbank and other money market placements	5,120	24,347	17.05%	KZT-7.40%
Total	18,386	105,588		
	2006			
	Amount		Effective interest rate	
	New Turkish Lira	Foreign currency	New Turkish Lira	Foreign currency
Balances with Central Bank	2	14	-	-
Due from banks and financial institutions	68,930	44,781	18.58%	USD-5.12% EUR-3.11%
Interbank and other money market placements	2,329	-	16.04%	-
Total	71,261	44,795		

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	2007	2006
New Turkish Lira	470	1,533
Foreign currency	79,138	22,044
	79,608	23,577

According to the regulations of the Central Bank of Turkish Republic (the “Central Bank”) and National Bank of Kazakhstan, banks are obliged to reserve a portion of certain liability accounts as specified in the related decree. Such mandatory reserves are not available for use in the Group’s day to day operations.

As at 31 December 2007 and 2006, reserve deposit rates applicable for YTL and foreign currency liability accounts with the Turkish Central Bank are 11% and 6%, respectively. As at 31 December 2007 and 2006, reserve deposit rates applicable for resident and nonresident Kazakh Tenge (“KZT”) and foreign currency liability of foreign subsidiary are 6% and 8%, respectively.

As at 31 December 2007, the interest rates applied for YTL and USD reserve deposits by the Turkish Central Bank are 12.52% and 2.40% (2006 – 13.12 % and 2.52 %), respectively. The interest rate applied for foreign subsidiary’s reserve deposits is zero.

13. Trading assets

	2007		2006	
	Amount	Effective interest rate	Amount	Effective interest rate
Trading assets at fair value				
Debt instruments				
Turkish government bonds				
YTL denominated	30	16.22%	49	19.85%
	30		49	
Others				
Mutual funds	-	-	61	-
Equity investment	396	-	288	-
	396		349	
Derivative transactions				
Derivative financial instruments	2,692	-	1,375	-
Total trading assets	3,118		1,773	

There are no trading securities pledged under repurchase agreements as at 31 December 2007 and 2006.

As at 31 December 2007 and 2006, no trading securities are kept for legal requirements and as a guarantee for stock exchange and money market operations.

As at 31 December 2007 and 2006, all trading debt securities have fixed interest rates.

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

Sensitivity analysis – equity price risk

The Group's equity investment is listed in Istanbul Menkul Kıymetler Borsası ("İMKB"). A five percent increase in the share price of equity investment at the reporting date would have increased profit before tax by YTL 20 (2006 – YTL 14), an equal change in the opposite direction would have decreased profit before tax by YTL 20 (2006 – YTL 14). The analysis is performed on the same basis for 2006.

Derivative financial instruments

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.

	2007		
	Fair value assets	Fair value liabilities	Notional amount 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

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13. Trading assets (continued)

	2006		
	Fair value assets	Fair value liabilities	Notional amount in New Turkish Lira equivalent
Derivatives held for trading			
Forward purchase contract	-	92	4,293
Forward sale contract	141	-	4,233
Currency swap purchase	914	249	44,775
Currency swap sale	-	-	43,815
Future purchase contract	318	-	27,670
Future sales contract	2	-	27,182
Option interest rate purchase contract	-	-	4,381
Total derivatives held for trading	1,375	341	156,349

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

14. Investment securities

Available-for-sale securities

	2007		2006	
	Amount	Effective interest rate	Amount	Effective interest rate
Available-for-sale securities at fair value				
Debt instruments				
Turkish government bonds – YTL denominated	106,615	19.49%	16,378	22.06%
Corporate bond – USD denominated, net	5,291	9.25%	-	-
- Gross amount	5,854		-	
- Impairment on corporate bond	(563)		-	
Foreign government bonds – KZT denominated	4,855	5.50%	-	-
Total available-for-sale securities at fair value	116,761		16,378	
Available-for-sale securities at cost				
Equity instruments – unlisted	76		60	
Total available-for-sale securities	116,837		16,438	

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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:

	2007	2006
Available-for-sale securities	664	19,205
Related liability	664	17,097

Repurchase agreements mature within one month.

As at 31 December 2007 and 2006, YTL denominated available-for-sale securities comprise Turkish Government floating rate notes (“FRN”), and inflation indexed notes with semi-annual and quarterly coupon payments having a maturity range of July 2008 – February 2014 and July 2008 – September 2011, respectively. As at 31 December 2007, USD denominated available-for-sale securities comprise a fixed rate corporate bond with semi-annual coupon payment having maturity of July 2012. As at 31 December 2007, KZT denominated available-for-sale securities comprise a National Bank of the Republic of Kazakhstan bond having maturity of January 2008.

As at 31 December 2007, government securities with carrying value of YTL 49,027 (2006 – YTL 4,910) are kept in the Central Bank and Istanbul Stock Exchange Clearing and Custody Incorporation for legal requirements and as a guarantee for stock exchange, money market operations and for derivative transactions.

As at 31 December 2007, the Group has not reclassified any financial asset as one measured at amortised cost rather than at fair value during the current year (2006 – none).

For the years ended 31 December, gains and losses from investment securities arise from derecognition of available-for-sale securities.

	2007	2006
Derecognition of available-for-sale securities	13,608	3,697

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

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

	2007	2006
Balance at 1 January	35,643	20,099
Addition through acquired subsidiary (Note 4)	4,854	-
Additions	112,182	25,736
Interest accrual	6,087	1,109
Disposals (sale and redemption)	(41,088)	(11,119)
Change in unrealised gains and losses	(177)	(182)
Balance at 31 December	117,501	35,643

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15. Loans and advances to customers to customers

	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%	EUR-8.58% USD-8.36%-12.79% KZT-13.63%	USD-9.07% EUR-9.06% USD-10.64% EUR- 7.31%
Consumer loans ⁽¹⁾	154,126	11,873	62,989	228,988	19.99%	USD-13.82% KZT-16.30%	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 instalment loans amounting YTL 34,907 are included in consumer loans.

	2006						
	Amount			Total	Effective interest rate		
	New Turkish Lira	Foreign currency	Foreign currency indexed		New Turkish Lira	Foreign currency	Foreign currency indexed
Corporate loans	73,972	56,887	61,685	192,544	23.02%	USD-9.06% EUR-8.59%	USD-9.90% EUR-7.06% USD-9.22%
Consumer loans ⁽¹⁾	38,908	-	8,641	47,549	22.15%	-	EUR-7.70%
Total loans	112,880	56,887	70,326	240,093			
Loans in arrears				2,141			
Less: Specific reserve for impairment				(898)			
Less: Portfolio reserve for impairment				(2,616)			
				238,720			

⁽¹⁾ Commercial instalment loans amounting YTL 6,907 are included in consumer loans.

As at 31 December 2007, loans with variable rates are YTL 403,108 (2006 – YTL 137,810) and fixed rates are 365,624 (2006 – YTL 106,872).

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Movements in non-performing loans:

	2007	2006
Non performing loans at 1 January	2,141	2,657
Acquisition of a subsidiary (Note 4)	2,210	-
Additions to non performing loans	12,804	1,768
Recoveries	(9,031)	(1,403)
Write-offs ⁽¹⁾	(2,200)	(881)
Non performing loans at 31 December	5,924	2,141

⁽¹⁾ Includes YTL 2,200 write off from foreign subsidiary.

Movements in the reserve for possible loan losses:

	2007	2006
Reserve at beginning of year	3,514	3,957
Acquisition of a subsidiary (Note 4)	3,115	-
Provision net of recoveries	5,489	347
- <i>Provision for loan impairment</i>	5,722	1,506
- <i>Recoveries</i>	(233)	(1,159)
Loans written off during the year ⁽¹⁾	(2,200)	(790)
	9,918	3,514

⁽¹⁾ Includes YTL 2,200 write off from foreign subsidiary.

As at 31 December 2007, loans and advances on which interest is not being accrued, or where interest is suspended amounted to YTL 5,924 (2006 – YTL 2,141). As at 31 December 2007 and 2006, there is no uncollected interest accrued on impaired loans.

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	2007	2006
Less than one year	19,202	20,641
Between one and five years	17,473	22,647
Finance lease receivables, gross	36,675	43,288
Less: Unearned future income on finance leases	(4,030)	(5,205)
Net investment in finance leases	32,645	38,083
Less: Reserve for impairment	-	-
Finance lease receivables, net	32,645	38,083

The net investment in finance leases comprises:

	2007	2006
Less than one year	16,905	17,545
Between one and five years	15,740	20,538
	32,645	38,083

As at 31 December 2007, YTL 8,280 of net investment in finance leases is denominated in USD, YTL 23,995 of net investment in finance leases is denominated in EUR, YTL 171 of net investment in finance leases is denominated in KZT (2006 – YTL 13,001 and YTL 24,197 denominated in USD and EUR, respectively) and YTL 199 of net investment in finance leases is denominated in YTL (2006 – YTL 885).

As at 31 December 2007, the effective interest rate for finance lease receivables denominated in USD is 8.43% (2006 – 8.65%), in EUR 7.98% (2006 – 7.97%), in KZT 15.00% and in YTL 20.26% (2006 – 20.16%).

As at 31 December 2007, finance lease receivables amounting to YTL 16,736 (2006 – YTL 20,558) have floating interest rate and remaining YTL 15,909 (2006 – YTL 17,525) have fixed interest rates.

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	Land and buildings	Furniture and office equipment	Leasehold improvements	Motor vehicles	Total
Cost					
Balance at 1 January 2006	645	2,636	924	252	4,457
Additions	-	2,888	1,343	-	4,231
Disposals	-	(54)	-	-	(54)
Balance at 31 December 2006	645	5,470	2,267	252	8,634
Balance at 1 January 2007	645	5,470	2,267	252	8,634
Acquisition of a subsidiary (Note 4)	-	3,557	1,273	994	5,824
Additions	-	4,068	5,955	164	10,187
Disposals	(483)	(19)	(382)	(221)	(1,105)
Balance at 31 December 2007	162	13,076	9,113	1,189	23,540
Depreciation and impairment					
Balance at 1 January 2006	40	1,669	176	115	2,000
Depreciation charge for the year	13	438	353	51	855
Disposals	-	(20)	-	-	(20)
Balance at 31 December 2006	53	2,087	529	166	2,835
Balance at 1 January 2007	53	2,087	529	166	2,835
Acquisition of a subsidiary (Note 4)	-	855	243	247	1,345
Depreciation charge for the year	3	1,423	1,364	28	2,818
Disposals	(40)	(1)	(133)	(121)	(295)
Balance at 31 December 2007	16	4,364	2,003	320	6,703
Carrying amounts					
Balance at 1 January 2006	605	967	748	137	2,457
Balance at 31 December 2006	592	3,383	1,738	86	5,799
Balance at 31 December 2007	146	8,712	7,110	869	16,837

As at 31 December 2007, cost of fully depreciated items is amounting to YTL 392.

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	Goodwill	Purchased software	Developed software	Total
Cost				
Balance at 1 January 2006	275	940	1,370	2,585
Additions	-	2,205	946	3,151
Disposals	-	(4)	-	(4)
Balance at 31 December 2006	275	3,141	2,316	5,732
Balance at 1 January 2007	275	3,141	2,316	5,732
Acquisition of a subsidiary (Note 4)	35,712	768	-	36,480
Additions	-	1,540	578	2,118
Disposals	-	(10)	-	(10)
Balance at 31 December 2007	35,987	5,439	2,894	44,320
Amortisation and impairment				
Balance at 1 January 2006	-	335	289	624
Amortisation charge for the year	-	354	316	670
Disposals	-	-	-	-
Balance at 31 December 2006	-	689	605	1,294
Balance at 1 January 2007	-	689	605	1,294
Acquisition of a subsidiary (Note 4)	-	177	-	177
Amortisation charge for the year	-	716	38	754
Disposals	-	-	-	-
Balance at 31 December 2007	-	1,582	643	2,225
Carrying amounts				
Balance at 1 January 2006	275	605	1,081	1,961
Balance at 31 December 2006	275	2,452	1,711	4,438
Balance at 31 December 2007	35,987	3,857	2,251	42,095

As at 31 December 2007, cost of fully amortised items is amounting to YTL 194.

The Group reviewed the goodwill on acquisition of Pozitif Menkul amounting to YTL 275 and Demir Kazakhstan amounting to YTL 35,712 for impairment through an estimation of the value in use of the cash generating unit to which the goodwill is allocated.

19. Other assets

	2007	2006
Prepaid expenses	6,222	1,443
Advances given	333	357
Prepaid taxes	337	82
- <i>Income taxes</i>	96	66
- <i>Other taxes</i>	241	16
Prepayments for leasing agreements	17	1,087
Others	3,749	565
	10,658	3,534

As at 31 December 2007 and 2006, prepaid taxes of YTL 7,713 and YTL 1,817 have been offset against current taxes payable, respectively.

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20. Deposits

Deposit from banks

	2007				2006			
	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	-	130	-	-	-	-	-	-
Time	-	-	-	-	-	-	-	-
Total	-	130			-	-		

Deposit from customers

	2007				2006			
	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	-	8,692	-	-	-	-	-	-
Time	-	5,366	-	KZT-6.19% EUR-5.73% USD-5.67%	-	-	-	-
Total	-	14,058			-	-		
Corporate customers								
Demand	-	57,332	-	-	-	-	-	-
Time	-	22,242	-	KZT-7.13% USD-4.05%	-	-	-	-
Total	-	79,574			-	-		
		93,632						

Other money market deposits

	2007				2006			
	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	664	-	17.33%	-	17,097	-	18.01%	-
	664	-			17,097	-		
Other money market deposits	1,521	-	15.95%	-	6,427	-	18.86%	-
Total	2,185	-			23,524	-		

As at 31 December 2007, other money market deposits of YTL 2,185 (2006 - YTL 23,524) have fixed interest rates.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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21. Funds borrowed

	2007				2006			
	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	2,411	37,010	17.06%	USD-6.24% EUR-6.03% JPY-1.36%	13,559	16,081	19.18%	USD-5.94% EUR-4.62% JPY-1.10%
Floating interest	-	295,500	-	USD-5.83%	-	71,296	-	USD-6.19%
Medium/long-term								
Fixed interest	9,534	214,467	17.71%	USD-7.54% EUR-5.00% JPY-1.65%	-	5,976	-	USD-6.43%
Floating interest	-	101,686	-	USD-6.24% EUR-5.17%	-	50,032	-	USD-7.33% EUR-4.22%
Total	11,945	648,663			13,559	143,385		

⁽¹⁾ Based on original maturities.

Repayments of medium/long term borrowing are as follows:

	2007		2006	
	Floating rate	Fixed rate	Floating rate	Fixed rate
2008	13,459	48,245	12,338	5,648
2009	87,308	136	18,927	164
2010	785	-	17,741	164
2011	134	-	865	-
Thereafter	-	175,620	161	-
Total	101,686	224,001	50,032	5,976

As at 31 December 2007, the Bank's foreign currency borrowings includes USD 125 million of syndicated loan obtained on 22 February 2007. The facility consists of two tranches. The first tranche is a USD 59.25 million, 1 year term, and the second tranche is a USD 65.75 million long-term loan facility with 2 years.

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

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

As at 31 December 2007 and 2006, funds borrowed are unsecured.

The Group has not had any defaults of principal, interest or redemption amounts or other breaches of loan covenants during 2007 (2006 – none).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As of and for the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)***22. Other liabilities**

	2007	2006
Current accounts of loan customers	60,422	56,128
Taxes and funds payable	2,746	1,876
Payables due to suppliers of equipment acquired for leasing	1,292	85
Leasing payables	2,498	1,466
Transfer payables	6,544	7
Unearned commission income	2,731	1,325
Others	8,808	2,095
	85,041	62,982

As at 31 December 2007, YTL 42,640 (2006 – YTL 53,330) of YTL 60,422 (2006 – YTL 56,128) of current accounts of loan customers bears interest. The effective interest rate for current accounts of loan customers denominated in USD is 6.4% (2006 – 6.5%), in EUR 4.3% (2006 – 3.3%) and in YTL 16.0% (2006 – 18.7%). Current accounts of loan customers have fixed interest rates.

23. Provisions

	2007	2006
Employee termination benefits	138	125
Vacation pay liability	381	297
Other	7	20
	526	442

The movement in provision for employee termination benefits is as follows:

	2007	2006
At 1 January	125	161
Increase during the year	55	13
Paid	(42)	(49)
At 31 December	138	125

Employee termination benefits

In accordance with existing social legislation in Turkey, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of YTL 2,030 and YTL 1,857 at 31 December 2007 and 2006, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the consolidated financial statements as at 31 December 2007 and 2006, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield on government bonds at the balance sheet date. The annual ceiling has been increased to YTL 2,088 effective 1 January 2008.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As of and for the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)***23. Provisions (continued)**

The principal actuarial assumptions used at the balance sheet dates are as follows:

	2007	2006
Discount rate	11%	11%
Expected rates of salary/limit increases	5.71%	5.71%

Actuarial gains / losses arising from changes in discount rates and expected rates of salary / limit increases and other demographic assumptions are recognised in the consolidated income statement in the period they occur.

24. Capital and reserves

	2007	2006
Number of common shares , YTL 0.1 (in full YTL), par value (Authorised and issued)	2,780,973,480	1,118,963,480

Share capital and share premium

As at 31 December 2007 and 2006, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	2007		2006	
	Amount	%	Amount	%
Tarshish Hapoalim Holdings and Investments Ltd.	160,045	57.55	64,396	57.55
C Faktoring A.Ş.	118,052	42.45	47,499	42.45
Others	0.1	-	1	-
	278,097	100.00	111,896	100.00
Share premium	-		70,701	
Restatement effect	23,311		23,311	
	301,408		205,908	

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

The share capital of the Bank was increased by YTL 2 (full YTL) nominal value to YTL 111,896,350 (full YTL) at the Extraordinary General Assembly of the Bank convened at 25 January 2007. Based on the other shareholders' waiver of their pre-emption rights, Tarshish committed to pay YTL 2 (full YTL) nominal value and the premiums to the share capital of the Bank on a fully diluted basis. The share premium amount to be paid by Tarshish for the additional 20 shares was decided as YTL 9,099,998 (full YTL). Total amount of YTL 9,100,000 (full YTL) was deposited to the Bank's account on 25 January 2007 by Tarshish in remuneration for capital and share premium payments. Necessary approvals of BRSA regarding above mentioned amounts' transfer to capital and share premium accounts are finalised and related amounts are transferred to related equity accounts.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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24. Capital and reserves (continued)

At the Extraordinary General Assembly Meeting held on 17 December 2007, the Bank's share capital was increased from YTL 111,896 to YTL 278,097 by way of appropriation of share premiums amounting to YTL 79,801 and cash increase amounting to YTL 86,400 to be paid by the shareholders proportionally to their shareholding percentages. The Bank obtained all the regulatory and legal approvals related with the share capital increase on 31 December 2007 and share capital increased finalised.

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.

Other reserves

Movement in other reserves are as follows:

	Available-for-sale reserve	Foreign currency translation reserve	Total
At 1 January 2006	124	-	124
Net unrealised gains on available-for-sale financial investments	(182)	-	(182)
At 31 December 2006	(58)	-	(58)
At 1 January 2007	(58)	-	(58)
Net unrealised gains on available-for-sale financial investments	(177)	-	(177)
Foreign currency translation	-	124	124
At 31 December 2007	(235)	124	(111)

Available-for-sale reserve

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

Foreign currency translation reserve

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

Dividends

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As of and for the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)***25. 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 which owns 57.55% and 42.45% of ordinary shares, respectively (2006 – 57.55% and 42.45%, respectively). The ultimate owner of the Group is Bank Hapoalim. For the purpose of these consolidated financial statements, unconsolidated subsidiaries, shareholders, and companies controlled by Bank Hapoalim and C Faktoring are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

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 year-end and relating expense and income for the year are as follows:

	Shareholders		Directors and key management personnel		Others	
	2007	2006	2007	2006	2007	2006
Loans						
Loans at 1 January	-	-	-	-	75	22
Addition to beginning	-	-	216	-	-	-
Loans issued during the year	9,920	-	-	-	19	53
Repayments during the year	(5,262)	-	(8)	-	(6)	-
Loans at 31 December	4,658	-	208	-	88	75

Interest income	518	-	1	-	16	10
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As at 31 December 2007 no provisions have been recognised in respect of loans given to related parties (2006 – none).

	Shareholders		Directors and key management personnel		Others	
	2007	2006	2007	2006	2007	2006
Funds borrowed						
Funds borrowed at 1 January	35,328	-	-	-	19,835	45,955
Addition to beginning	140	-	-	-	-	-
Funds borrowed issued during the year	280,992	35,328	-	-	92,850	42,408
Repayments during the year	(122,710)	-	-	-	(98,109)	(68,528)
Funds borrowed at 31 December	193,750	35,328	-	-	14,576	19,835

Interest expense	4,074	684	-	-	3,426	1,965
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BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As of and for the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)***25. Related party disclosures (continued)**

Other balances and transactions with related parties:

Related party		Due from banks	Receivables from customers due to brokerage activities	Finance lease receivables	Other liabilities	Non-cash loans	Notional amount of derivative transactions	Foreign exchange trading gain(loss)	Other interest income	Interest expense	Other operating income	Other operating expense
Shareholders	2007	-	-	-	327	11,617	-	2,017	-	(100)	58	-
	2006	-	-	-	93	109	9,585	(675)	-	(4)	3	-
Others	2007	78	-	-	229	55	-	(2)	-	-	1	(85)
	2006	16	-	7	286	469	-	(521)	59	(243)	3	-
Directors and key management personnel	2007	-	-	-	13	-	-	-	-	-	-	-
	2006	-	424	-	9	-	-	(1)	-	-	-	-

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 3,901 (2006 – YTL 3,630) comprising salaries and other short-term benefits.

26. 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:

	2007	2006
Letters of guarantee	305,259	214,754
Letters of credit	77,054	41,233
Other guarantees	7,839	5,551
Total	390,152	261,538
Letter of guarantee obtained by subsidiaries from other banks	2,071	3,672
Total non-cash loans	392,223	265,210

Operating lease commitments - Group as lessee

The Group has entered into commercial leases on head offices, branch premises and vehicles. These leases have an average life of between 1 and 5 years with renewal option and early termination clauses. There are no restrictions placed upon the lessee by entering into these leases. As at 31 December 2007, the Group has non-cancellable operating lease agreements for YTL 2,858 (2006 – YTL 1,818).

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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26. Commitments and contingencies (continued)

Litigation

There were a number of legal proceedings outstanding against the Group as at 31 December 2007 totalling YTL 137 (2006 – YTL 136). 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 consolidated financial statements.

The Group also manages 3 open-ended investment funds (2006 – 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. Management fee and commission income received from investment funds amounted to YTL 23 (2006 – YTL 52).

As at 31 December 2007, the Group had investment custody accounts amounting to YTL 31,111 (2006 – YTL 21,069).

27. 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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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27. 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.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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27. Financial risk management (continued)

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

As at 31 December 2007, the share of the Group's receivables from its top 20 credit customers in its total loan portfolio is 36% (2006 – 56%).

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 have a triad section as “manufacturing companies”, “non-manufacturing companies (except construction)” and “construction companies”. The rating system is designed to be in line with Basel II standards. The rating system has a dual evaluation for companies as qualitative and quantitative section and the company is rated with a rating grade between AAA – D. Ratings of corporate companies are re-evaluated semi-annually by credit department and also risk management department has its credit review function to re-evaluate the rating of the company and make recommendations at any time.

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

Monitoring the risk

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

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

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

Total collateralisation coverage of corporate and retail loans are 91% for each as at 31 December 2007.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As of and for the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)***27. Financial risk management (continued)**

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

	2007			
	Cash	Finance lease receivables	Non-cash	Total
Construction	74,825	4,169	132,724	211,718
Tourism and entertainment	94,371	5,156	22,114	121,641
Financial sector	66,611	-	38,136 ⁽¹⁾	104,747
Automotive	66,391	3,027	26,658	96,076
Machinery	54,277	952	31,272	86,501
Energy	6,371	-	50,798	57,169
Textile	39,932 ⁽²⁾	3,154	4,340	47,426
Misc. manufacturing industries	22,207	7,008	10,405	39,620
Trade	19,900	168	17,667	37,735
Metal	15,611	1,010	18,591	35,212
Ship construction	10,646	1,809	11,598	24,053
Chemical products	9,897	-	8,039	17,936
Transportation	12,250	370	3,567	16,187
Food	12,443	687	2,974	16,104
Health service	13,604	1,878	106	15,588
Mining and quarrying	11,835	146	150	12,131
Plastic	5,982	-	2,890	8,872
Computer	109	682	6,063	6,854
Others	29,488	1,916	4,131	35,535
Corporate loans	566,750	32,132	392,223	991,105
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	392,223	1,189,606

⁽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.

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

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As of and for the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)***27. Financial risk management (continued)**

	2006			
	Cash	Finance lease receivables	Non-cash	Total
Tourism and entertainment	39,409	2,759	50,365	92,533
Construction	8,435	5,398	76,620	90,453
Financial sector	20,590	-	34,423 ⁽¹⁾	55,013
Textile	30,810 ⁽²⁾	2,595	1,633	35,038
Misc. manufacturing industries	15,440	9,355	4,110	28,905
Automotive	13,854	5,357	7,331	26,542
Machinery	9,298	-	14,826	24,124
Metal	18,915	651	4,436	24,002
Energy	58	100	14,291	14,449
Mining and quarrying	8,761	195	-	8,956
Computer	235	2,656	5,786	8,677
Building ships	3,374	2,703	2,328	8,405
Transportation	1,178	1,076	5,339	7,593
Trade	1,651	-	5,500	7,151
Food	2,246	1,476	3,088	6,810
Plastic	3,405	-	1,095	4,500
Chemical products	1,118	-	-	1,118
Health service	-	-	-	-
Others	18,669	2,860	34,039	55,568
Corporate loans	197,446	37,181	265,210	499,837
Consumer and staff loans	40,150	-	-	40,150
Loans in arrears	2,141	-	-	2,141
Interest accruals	2,497	902	-	3,399
Provision for possible loan losses	(3,514)	-	-	(3,514)
Total loans	238,720	38,083	265,210	542,013

⁽¹⁾ YTL 28,251 of this non-cash exposure has been counter guaranteed by the Export-Import Bank of Korea.⁽²⁾ YTL 22,945 of this cash exposure has been granted to the carpet manufacturing industry.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes to the Consolidated Financial Statements****As of and for the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)***27. Financial risk management (continued)**

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

	2007
Cash loans	
Secured by cash collateral	9,740
Secured by mortgages	430,556
Secured by pledge	125,421
Secured by guarantee	87,453
Secured by assignment and cheques	110,093
Unsecured	34,120
Total	797,383
Non-cash loans	
Secured by cash collateral	10,936
Secured by mortgages	86,516
Secured by pledge	3,015
Secured by guarantee	208,254
Secured by assignment and cheques	12,703
Unsecured	70,799
Total	392,223

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.

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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27. Financial risk management (continued)

	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	12,740	-	-	-	-	-	-	-	-	-	-	12,740
Due from banks and financial institutions	78,012	9,372	-	-	914	37	-	-	-	-	-	88,335
Interbank and other money market placements	-	29,467	-	-	-	-	-	-	-	-	-	29,467
Reserve deposits at central banks	5,889	73,719	-	-	-	-	-	-	-	-	-	79,608
Trading assets	-	687	2,016	19	-	-	-	-	-	-	396	3,118
Investment securities	-	6,156	5,904	-	21,042	-	21,271	20,847	26,505	15,036	76	116,837
Loaned securities	-	664	-	-	-	-	-	-	-	-	-	664
Receivables from customers due to brokerage activities	-	7,528	-	-	-	-	-	-	-	-	-	7,528
Loans and advances to customers	-	103,873	92,412	44,104	101,270	168,845	91,689	78,091	39,626	41,009	3,819	764,738
Finance lease receivables	-	3,623	2,827	3,970	6,485	8,891	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	-	5,390	988	-	-	-	-	-	-	-	4,280	10,658
Total assets	96,641	240,479	104,147	48,093	129,711	177,773	116,483	101,647	66,748	56,045	70,410	1,208,177
Liabilities												
Deposit from other banks ⁽²⁾	130	-	-	-	-	-	-	-	-	-	-	130
Customer deposits ⁽²⁾	66,024	7,608	2,135	1,884	2,759	13,194	28	-	-	-	-	93,632
Other money market deposits	-	2,185	-	-	-	-	-	-	-	-	-	2,185
Trading liabilities	-	688	314	1,430	897	256	-	-	2,369	-	-	5,954
Funds borrowed	-	77,004	93,362	33,786	192,473	87,444	785	134	175,620	-	-	660,608
Other liabilities	17,782	52,418	1,034	9,250	1,195	631	-	-	-	-	2,731	85,041
Provisions	-	-	-	-	-	-	-	-	-	-	526	526
Current tax liabilities	-	-	1,775	-	-	-	-	-	-	-	-	1,775
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	89	89
Total liabilities	83,936	139,903	98,620	46,350	197,324	101,525	813	134	177,989	-	3,346	849,940
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
As at 31 December 2006												
Total assets	1,993	210,917	34,719	23,988	36,166	57,322	28,683	75,005	-	-	11,684	480,477
Total liabilities	2,904	75,674	33,547	68,299	24,960	19,091	18,831	865	161	-	440	244,772
Net liquidity gap	(911)	135,243	1,172	(44,311)	11,206	38,231	9,852	74,140	(161)	-	11,244	235,705

⁽¹⁾ Includes overnight balances.

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

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27. Financial risk management (continued)

The table below analyses residual contractual maturities of 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	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	252,621	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	266,143	328,889	-

⁽¹⁾ Included in other liabilities.

As at 31 December 2006	Carrying amount	Gross outflow	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Other money market deposits	23,524	23,563	-	23,563	-	-	-	-
Funds borrowed	156,944	165,415	-	14,135	27,944	82,075	41,261	-
Current account of loan customers ⁽¹⁾	56,128	56,757	2,798	31,668	7,947	14,344	-	-
	236,596	245,735	2,798	69,366	35,891	96,419	41,261	-

⁽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 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

	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 2006							
Assets							
Forward purchase contract	-	1,178	-	3,115	-	-	4,293
Forward sale contract	-	1,173	-	3,060	-	-	4,233
Currency swap purchase	29,244	11,969	3,562	-	-	-	44,775
Currency swap sale	28,262	11,757	3,796	-	-	-	43,815
Future purchase contract	-	27,670	-	-	-	-	27,670
Future sales contract	-	27,182	-	-	-	-	27,182
Option interest rate purchase contract	-	-	-	-	4,381	-	4,381
	57,506	80,929	7,358	6,175	4,381	-	156,349

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27. 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.

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 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	45,909	-	453,408
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 ⁽²⁾	1,477	46	-	-	1,208	-	2,731
Total assets	407,773	185,338	30,382	5,043	102,227	318	731,081
Liabilities							
Deposit from other banks ⁽³⁾	19	11	-	-	100	-	130
Customer deposits ⁽³⁾	39,782	360	-	-	52,947	543	93,632
Funds borrowed ⁽⁴⁾	594,079	49,067	-	7,077	-	-	650,223
Other liabilities	32,998	16,520	315	15	775	120	50,743
Provisions	-	-	-	-	9	-	9
Deferred tax liabilities	-	-	-	-	46	-	46
Total liabilities	666,878	65,958	315	7,092	53,877	663	794,783
Gross exposure	(259,105)	119,380	30,067	(2,049)	48,350	(345)	(63,702)
Off-balance sheet position	206,043	(119,143)	(29,821)	2,105	-	(350)	58,834
Net notional amount of derivatives	206,043	(119,143)	(29,821)	2,105	-	(350)	58,834
Net exposure	(53,062)	237	246	56	48,350	(695)	(4,868)

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

⁽²⁾ Foreign currency prepaid commission amounting to YTL 3,162 is excluded.

⁽³⁾ Figures represent the foreign subsidiary's deposit balances.

⁽⁴⁾ Foreign currency prepaid commission for borrowings amounting to YTL 1,560 is excluded from foreign currency position.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes To The Consolidated Financial Statements****As of and for the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)***27. Financial risk management (continued)****Currency risk (continued)**

	USD	Euro	Others	Total
As at 31 December 2006				
Assets				
Cash and balances with central banks	34	11	-	45
Due from other banks and financial institutions	39,848	4,869	64	44,781
Reserve deposits at central banks	22,044	-	-	22,044
Loans and advances due to customers	96,065	31,148	-	127,213
Finance lease receivables	13,001	24,197	-	37,198
Other assets	1,141	467	4	1,612
Total assets	172,133	60,692	68	232,893
Liabilities				
Funds borrowed	124,546	11,685	7,154	143,385
Other liabilities	48,560	5,165	26	53,751
Total liabilities	173,106	16,850	7,180	197,136
Gross exposure	(973)	43,842	(7,112)	35,757
Off-balance sheet position	586	(43,909)	7,123	(36,200)
Derivative contracts	586	(43,909)	7,123	(36,200)
Net exposure	(387)	(67)	11	(443)

The following significant exchange rates applied during the year:

	Average rate		Reporting rate	
	2007	2006	2007	2006
USD/YTL	1.3006	1.4295	1.1708	1.4131
EUR/YTL	1.7775	1.7975	1.6976	1.8586

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes To The Consolidated Financial Statements****As of and for the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)***27. Financial risk management (continued)****Currency risk (continued)****Sensitivity analysis**

A 10 percent weakening of YTL against the foreign currencies at 31 December 2007 and 31 December 2006 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

31 December 2007	Equity	Profit or loss
USD	(5,306)	(5,306)
Euro	23	23
Other currencies	4,796	4,796
	(487)	(487)
31 December 2006	Equity	Profit or loss
USD	(39)	(39)
Euro	(7)	(7)
Other currencies	1	1
	(45)	(45)

A 10 percent strengthening of the YTL against the foreign currencies at 31 December 2007 and 31 December 2006 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

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27. 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 utilizing interest rate cap and floor agreement, interest rate swaps and setting limits on the positions, which can be taken by the Bank's credit and treasury divisions. The table below summarises the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the reprising date:

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	-	-	-	-	-	-	-	-	-	10,658	10,658
Total assets	346,387	301,327	107,954	74,014	85,639	40,354	30,104	21,668	27,301	173,429	1,208,177
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	-	-	-	-	38,837	85,041
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	-	107,381	849,940
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

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27. Financial risk management (continued)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
As at 31 December 2006								
Assets								
Cash and balances with central banks	-	-	-	-	-	-	63	63
Due from banks and financial institutions	111,781	-	-	-	-	-	1,930	113,711
Interbank and other money market placements	2,329	-	-	-	-	-	-	2,329
Reserve deposits at Central Bank	23,577	-	-	-	-	-	-	23,577
Trading assets	919	315	46	144	-	-	349	1,773
Investment securities	10,619	5,713	46	-	-	-	60	16,438
Loaned securities	8,656	10,549	-	-	-	-	-	19,205
Receivables from customers due to brokerage activities	12,442	-	-	-	-	-	-	12,442
Loans and advances to customers	89,838	69,067	31,527	15,577	30,061	1,407	1,243	238,720
Finance lease receivables	3,317	15,002	8,455	4,862	6,447	-	-	38,083
Property and equipment	-	-	-	-	-	-	5,799	5,799
Intangible assets	-	-	-	-	-	-	4,438	4,438
Deferred tax assets	-	-	-	-	-	-	365	365
Other assets	293	390	-	-	-	-	2,851	3,534
Total assets	263,771	101,036	40,074	20,583	36,508	1,407	17,098	480,477
Liabilities								
Other money market deposits	23,524	-	-	-	-	-	-	23,524
Trading liabilities	-	53	196	92	-	-	-	341
Funds borrowed	22,333	27,480	70,259	36,382	490	-	-	156,944
Other liabilities	31,454	8,102	6,148	8,565	687	-	8,026	62,982
Provisions	-	-	-	-	-	-	442	442
Current tax liabilities	-	-	-	-	-	-	521	521
Deferred tax liabilities	-	-	-	-	-	-	18	18
Total liabilities	77,311	35,635	76,603	45,039	1,177	-	9,007	244,772
Balance sheet interest sensitivity gap	186,460	65,401	(36,529)	(24,456)	35,331	1,407	8,091	235,705

The Parent Bank's value at market risks as of 31 December 2007 and 31 December 2006 calculated as per the statutory financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006, are as follows:

	2007			2006		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	1,078	1,920	199	122	252	47
Common share risk	-	-	-	-	-	-
Currency risk	259	454	42	67	150	24
Total value-at-risk	1,337	2,374	241	189	402	71

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 1.08% to the total equity; whereas effect of 1% decrease in the interest rates has a negative effect of 0.76% to the total equity.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ**Notes To The Consolidated Financial Statements****As of and for the year ended 31 December 2007***(Currency - In thousands of New Turkish Lira)***27. Financial risk management (continued)****Capital adequacy**

To monitor the adequacy of its capital, the Group uses ratios established by Banking Regulation and Supervision Agency (BRSA). These ratios measure capital adequacy (minimum 8% as required by Banking Law) by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. As at 31 December 2007, the Parent Bank's capital adequacy ratio on an unconsolidated basis is 39.58%.

28. Fair value of financial instruments**Fair values**

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying amount		Fair value	
	2007	2006	2007	2006
Financial assets				
Cash and balances with central banks	12,740	63	12,740	63
Due from banks and financial institutions	88,335	113,711	88,335	113,711
Interbank and other money market placements	29,467	2,329	29,467	2,329
Reserve deposits at central banks	79,608	23,577	79,608	23,577
Trading assets	3,118	1,773	3,118	1,773
Investment securities	116,837	16,438	116,837	16,438
Loaned securities	664	19,205	664	19,205
Loans and advances to customers	764,738	238,720	771,174	238,583
Finance lease receivables	32,645	38,083	32,564	37,947
	1,128,152	453,899	1,134,507	453,626
Financial liabilities				
Deposits from other banks	130	-	130	-
Customer deposits	93,632	-	93,635	-
Other money market deposits	2,185	23,524	2,185	23,524
Trading liabilities	5,954	341	5,954	341
Funds borrowed	660,608	156,944	660,149	157,224
Current accounts of loan customers ⁽¹⁾	60,422	56,128	60,558	56,139
	822,931	236,937	822,611	237,228

⁽¹⁾ Included in other liabilities.

BANKPOZİTİF KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

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28. Fair value of financial instruments (continued)

Loans and advances

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Finance lease receivables

Estimated fair value of lease contracts receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Customer deposits and Current accounts of loan customers

The estimated fair value of fixed interest bearing customer deposits and current accounts of loan customers without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Fair values of remaining financial assets and liabilities carried at cost, including cash and balances with central banks, due from banks and financial institutions, interbank and other money market placements, receivables from customers due to brokerage activities, reserve deposits at central banks, other money market deposits and funds borrowed are considered to approximate their respective carrying values due to their short-term nature.

29. Rating

As at December 2007, the Bank's rating as long term foreign currency Issuer Default Rating ("IDR") is 'BB', long term local currency IDR is 'BBB-', National Long-term rating is 'AAA(tur)', assigned by International rating agency, Fitch Ratings. The outlooks for the foreign and local currency IDRs and the outlook for the National rating are stable.

30. Subsequent events

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

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