THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

FINANCIAL STATEMENTS
AT 31 DECEMBER 2008
TOGETHER WITH AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Central Bank of the Republic of Turkey

1. We have audited the accompanying financial statements of the Central Bank of the Republic of Turkey (the "Bank") which comprise the balance sheet as of 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Central Bank of the Republic of Turkey as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Zeynep Uras, SMMM

Istanbul, 6 March 2009

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

FINANCIAL STATEMENTS
AT 31 DECEMBER 2008

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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEET AT 31 DECEMBER

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

	Notes	2008 Thousand TRY	2007 Thousand TRY	2008 Million US$ (*)	2007 Million US$ (*)
ASSETS					
Cash and gold reserves	6	5,647,028	4,131,886	3,734	3,548
Due from banks	7	25,649,432	6,130,108	16,961	5,263
Financial assets at fair value through profit or loss	8	114,220,178	95,460,476	75,527	81,961
Loans and advances to customers	9	31,440	27,580	21	24
Investment securities:					
-Available-for-sale	10	323,566	244,058	214	210
-Held-to-maturity	10	339,380	161,589	224	140
Property and equipment	11	244,011	234,185	161	201
Intangible assets	12	4,889	2,850	3	2
Other assets	13	48,360	31,814	31	28
Total assets		**146,508,284**	**106,424,546**	**96,876**	**91,377**
LIABILITIES					
Currency in circulation	14	31,743,434	27,429,389	20,990	23,551
Due to banks	15	53,279,066	39,121,993	35,231	33,590
Other deposits	16	38,621,031	36,175,999	25,538	31,060
Due to International Monetary Fund ("IMF")	17	6,794	7,431	4	6
Financial liabilities designated at fair value	18	-	993,710	-	853
Other borrowed funds	19	9,939,440	2,918,776	6,572	2,506
Other liabilities	20	945,677	1,066,576	625	917
Taxes on income	21	166,909	28,224	110	24
Deferred income tax liability	21	1,261,392	-	834	-
Retirement benefit obligations	22	70,541	64,292	47	56
Total liabilities		**136,034,284**	**107,806,390**	**89,951**	**92,563**
SHAREHOLDERS' EQUITY					
Paid-in share capital	29	47,464	47,464	31	41
Retained earnings /(Accumulated deficit)		10,139,250	(1,652,086)	6,704	(1,418)
Other reserves	10	287,286	222,778	190	191
Total shareholders' equity		**10,474,000**	**(1,381,844)**	**6,925**	**(1,186)**
Total liabilities and shareholders' equity		**146,508,284**	**106,424,546**	**96,876**	**91,377**

Commitments and contingent liabilities 28

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

The notes on pages 5 to 52 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2008 Thousand TRY	2007 Thousand TRY (**)	2008 Million US$ (*)	2007 Million US$ (*)
Interest income	23	6,726,264	5,112,288	4,448	4,389
Interest expense	23	(4,921,303)	(4,565,766)	(3,255)	(3,920)
Net interest income		**1,804,961**	**546,522**	**1,193**	**469**
Fee and commission income	24	60,966	52,164	40	45
Fee and commission expense	24	(8,087)	(170,521)	(5)	(146)
Net fee and commission income/(expense)		**52,879**	**(118,357)**	**35**	**(101)**
Dividend income	25	4,884	3,646	3	3
Net income from financial assets at fair value through profit or loss		1,669,206	1,094,489	1,104	940
Foreign exchange gains/(losses), net	26	10,914,217	(4,587,244)	7,217	(3,939)
Other operating income		7,245	5,023	5	4
Impairment losses on loans and advances	9	(576,517)	247,191	(381)	212
Other operating expenses	27	(491,858)	(402,748)	(325)	(346)
Profit/(loss) before income tax		**13,385,017**	**(3,211,478)**	**8,851**	**(2,758)**
Income tax expense	21	(1,586,960)	(41,081)	(1,049)	(35)
Profit/(loss) for the year		**11,798,057**	**(3,252,559)**	**7,802**	**(2,793)**

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

(**) Reclassified for consistency purposes (Note 3 (v))

The notes on pages 5 to 52 are an integral part of these financial statements.

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

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

	Share capital					
	Share capital	Adjustment to share capital	Total paid-in share capital	Other reserves	Retained earnings/ (Accumulated deficit)	Total
Balance at 1 January 2007	**25**	**47,439**	**47,464**	**238,542**	**2,521,505**	**2,807,511**
Cash dividends paid	-	-	-	-	(921,491)	(921,491)
Available-for-sale securities' net fair value losses (Note 10)	-	-	-	(15,764)	-	(15,764)
Gains on demonetized banknotes (Note 14)	-	-	-	-	459	459
Loss for the year	-	-	-	-	(3,252,559)	(3,252,559)
Balance at 31 December 2007	**25**	**47,439**	**47,464**	**222,778**	**(1,652,086)**	**(1,381,844)**
Balance at 1 January 2008	**25**	**47,439**	**47,464**	**222,778**	**(1,652,086)**	**(1,381,844)**
Cash dividends paid	-	-	-	-	(6,721)	(6,721)
Available-for-sale securities' net fair value gains (Note 10)	-	-	-	79,508	-	79,508
Deferred tax effect of available for sale securities' net fair value gains (Note 21)	-	-	-	(15,000)	-	(15,000)
Profit for the year	-	-	-	-	11,798,057	11,798,057
Balance at 31 December 2008	**25**	**47,439**	**47,464**	**287,286**	**10,139,250**	**10,474,000**

The notes on pages 5 to 52 are an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2008	2007
Cash flows from operating activities			
Net profit/(loss) for the year		**11,798,057**	**(3,252,559)**
Adjustment for:			
Depreciation of property and equipment	11	13,543	12,804
Amortization of intangible assets	12	725	808
Impairment losses on loans and advances	9	576,517	(247,191)
Foreign exchange (losses)/gains on provision for loan losses	9	(519,051)	345,079
Retirement benefit obligations	22	12,142	10,455
Interest income, net	23	(1,804,961)	(546,522)
Interest received		6,631,610	5,023,576
Interest paid		(4,745,785)	(4,718,315)
Dividend income	25	(4,884)	(3,646)
Commission (income)/expense, net	24	(52,879)	118,357
Commission received		60,674	51,448
Commission paid		(27,916)	(167,742)
Increase in reserves due to demonetized banknotes	14	-	459
Income tax expense	21	1,586,960	41,081
Cash flows from/(used in) operating profits before changes in operating assets and liabilities		**13,524,752**	**(3,331,908)**
Changes in operating assets and liabilities:			
Net (increase)/decrease in financial assets at fair value through profit or loss		(18,759,702)	2,805,670
Net (increase)/decrease in loans and advances to customers		(5,498)	11,140
Net decrease/(increase) in other assets		20,444	(4,253)
Net increase in currency in circulation		4,314,045	614,238
Net increase in due to banks		14,048,167	4,838,002
Net increase/(decrease) in other deposits		2,389,486	(7,261,607)
Net decrease in other liabilities		(314,497)	(720,655)
Net cash from/(used in) operating activities		**15,217,197**	**(3,049,373)**
Cash flows (used in)/from investing activities			
Purchase of property, equipment and intangible assets, net	11,12	(26,133)	(11,271)
(Purchase)/redemption of securities		(177,791)	272,422
Dividends received		4,248	4,022
Net cash (used in)/from investing activities		**(199,676)**	**265,173**
Cash flows from financing activities			
Repayments of borrowed funds and due to IMF		6,026,317	1,495,057
Dividends paid		(6,721)	(921,491)
Net cash from financing activities		**6,019,596**	**573,566**
Net increase/(decrease) in cash and cash equivalents		**21,037,117**	**(2,210,634)**
Cash and cash equivalents at beginning of year	**31**	**10,258,922**	**12,469,556**
Cash and cash equivalents at the end of year	**31**	**31,296,039**	**10,258,922**

The notes on pages 5 to 52 are an integral part of these financial statements.

NOTE 1 - GENERAL INFORMATION

The Central Bank of the Republic of Turkey (the "Bank") was incorporated in Turkey in 1931. It was established as a joint stock company with the exclusive privilege of issuing banknotes in Turkey and is vested with the powers and duties set forth in the Central Bank of the Republic of Turkey Law No. 1211 (the "Central Bank Law"). The Head Office of the Bank is located in Ankara. The Bank's registered head office is located at the following address: İstiklal Cad. 10 Ulus, 06100 Ankara, Turkey. The Bank now operates a nationwide network of 21 branches and four foreign representatives. As at 31 December 2008, the Bank employed 4,437 people (2007: 4,536).

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

The fundamental duties of the Bank are;

a) to carry out open market operations,

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

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

d) to conduct rediscount and advance transactions,

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

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

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

h) to monitor the financial markets, and

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

NOTE 2 - BASIS OF PRESENTATION

(a) New Turkish Lira financial statements

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

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

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

Amendments to published standards and interpretations to existing standards effective 1 January 2008

The following amendments to published standards and interpretations to existing standards effective from 1 January 2008 are not relevant to the Bank's operations.

IFRIC 11, 'IFRS 2 - Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.

IFRIC 12, 'Service concession arrangements.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008), IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive.

IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset.

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

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

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity.

NOTE 2 - BASIS OF PRESENTATION (Continued)

IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment.

IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'.

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

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

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale.

IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20.

IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial Instruments Recognition and Measurement'.

NOTE 2 - BASIS OF PRESENTATION (Continued)

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23.

IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'.

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of IAS 40.

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.

IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost.

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging.

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.

IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied.

IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.

IFRS 8, 'Operating segments'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method.

NOTE 2 - BASIS OF PRESENTATION (Continued)

IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended Standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only.

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes.

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009). The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions.

(b) Accounting for the effect of hyperinflation

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

(c) US$ translation

US$ amounts shown in the financial statements are translated from TRY for convenience purposes only, at official bid rates announced by the Bank on 31 December 2008 of TRY1.5123 = US$1 and therefore, do not form a part of the financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

(iii) Exchange rates

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

	2008	**2007**
US$	1.5123	1.1647
EUR	2.1408	1.7102
CHF	1.4300	1.0273
GBP	2.1924	2.3259
JPY	0.0167	0.0103
SDR (*)	2.3513	1.8457

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

(b) Derivative financial instruments and hedge accounting

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

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

As of 31 December 2008, the national amount of futures contracts undertaken by the Bank amounts to TRY107,174 thousand (2007: TRY157,311 thousand) (Note 28).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(c) Interest income and expense

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

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

(d) Fee and commission income

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

(e) Income taxes

(i) Income taxes currently payable

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

Taxes other than on income are recorded within other operating expenses (Note 27).

(ii) Deferred income taxes

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

Deferred income tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized (Note 21).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Gold

(i) Gold bullion

Gold bullion consists of the stocks of gold bars of international standard and non-international standard held at the Bank and held with correspondents. Gold is held by the Bank as part of its foreign reserves and presently represents 4.5% (2007: 4.2%) of aggregate foreign reserves. The Bank has no present intention to dispose of any of its existing gold reserve stocks as the Bank maintains the gold reserve as a part of its foreign reserve management. Gold bullion is recorded in physical weight in troy ounces.

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

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

The exchange rate of gold bullion to TRY as at 31 December 2008 was TRY1,308 per troy ounce (2007: TRY974 per troy ounce).

(ii) Gold coins

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

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

A credit risk provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception. An additional provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such.

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

(i) Investment securities

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

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

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(k) Sale and repurchase agreements

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Money issuance

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

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

(m) Financial liabilities

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

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

Management has designated the liquidity bills issued as financial liabilities at fair value through profit and loss. These securities are used to withdraw excess liquidity from the market. In accordance with the Central Bank Law, the Bank may issue liquidity bill, whose maturity shall not exceed 91 days and that shall be tradable in the secondary market, for its own account and behalf.

(n) Property and equipment

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

Buildings	50 years
Equipment and motor vehicles	5 years

Expenditure for the repair and renewal of property and equipment is charged against income. It is, however, capitalized if it results in an enlargement or substantial improvement of the respective assets.

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

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Intangible assets

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

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

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

(p) Banknotes and coins in circulation

(i) Currency in Circulation - New Turkish Lira

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

Through the enactment of the Law No. 5083 concerning the "Currency of the Republic of Turkey" in the Official Gazette dated 30 January 2004, the TRY and the New Kuruş ("YKr") have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The sub-unit of the TRY is the YKr (1 TRY=100 YKr). The prior currency, Turkish Lira, values are converted into TRY, one million TL is equivalent to 1 TRY. Accordingly, the currency of the Republic of Turkey is simplified by removing six zeroes from the TL.

All references made to Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to TRY at the conversion rate indicated above. Consequently, effective from 1 January 2005, the TRY replaces the TL as a unit of account in keeping and presenting of the books, accounts and financial statements.

As explained in Note 33, the currency of the Republic of Turkey, TRY, is determined as Turkish Lira ("TL") effective from 1 January 2009.

(ii) Demonetized Currency - Turkish Lira

The legal circulation period of Turkish Lira banknotes, which were in circulation along with New Turkish Lira banknotes between 1 January 2005 and 31 December 2005 according to provisional article 1 of the Law on the Currency Unit of the Republic of Turkey No:5083, expired as of 31 December 2006 and these banknotes will be redeemed for a period of ten years starting from 1 January 2006 to the close of the working hours at 31 December 2015 which is the end of the 10-year legal redemption period, at the branches of the Bank and T.C. Ziraat Bankası A.Ş.. The banknotes will be of no value as of 1 January 2016 (Note 14). Although it is most unlikely that significant amounts of demonetized currency will be returned for redemption, the Bank is not able to derecognize any part of the liability unless and until it is legally released from the obligation.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Bank has recorded gain under equity reserves in the amount of TRY459 thousand since the legal redemption period of banknotes in the same amount has been expired as of 31 December 2007. There are no such gains as of 31 December 2008.

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

(q) Provisions

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

(r) Retirement benefit obligations

Retirement benefit obligations represent the present value of the estimated total reserve for the future probable obligation of the Bank arising from the retirement of the employees, calculated in accordance with the Turkish Labor Law (Note 22).

(s) Related parties

For the purpose of these financial statements the shareholders of the Bank together with state-controlled entities in Turkey are considered and referred to as related parties (Note 32).

(t) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including, cash, gold reserves and current accounts with banks (Note 31).

(u) Appropriations

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

i) 20% to the reserve fund,

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

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

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

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Comparatives

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

Starting from 1 January 2008, the Bank classified the interest income included in the valuation differences of marketable securities within 'Interest and similar income' account. Accordingly, the interest income included in the valuation differences of marketable securities amounting to TRY406,819 as of 31 December 2007, is reclassified from the account "Net income from financial assets at fair value through profit or loss" to the account "Interest and similar income".

(w) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and financial institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets or income of the Bank. Fiduciary capacity at 31 December 2008 and 2007 is as follows:

	2008	2007
Securities held in custody	260,753,692	272,225,752
	260,753,692	**272,225,752**

NOTE 4 - FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

(b) Credit risk

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

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

In conclusion, the credit risk assumed during reserve management remains at quite low levels as a great portion of reserves are invested in assets issued or directly guaranteed by foreign governments as well as by supranational institutions such as the World Bank, the European Investment Bank and the Bank for International Settlements. Total assets of the Bank exposed to credit risk as of 31 December 2008 and 2007 are presented in the table below according to the classification of assets (classification according to external credit ratings is done based on the credit ratings published by Moody's):

	31 December 2008		31 December 2007	
	TRY	**Share(%)**	**TRY**	**Share(%)**
Due from banks	**25,649,432**	**18**	**6,130,108**	**6**
- Demand Deposits	**3,978,165**	**3**	**1,963,759**	**2**
Central Banks	3,827,177	3	1,748,542	2
Supranational Institutions	35,146	<1	58,757	<1
Foreign Commercial Banks	115,842	<1	156,460	<1
- Time Deposits	**21,671,267**	**15**	**4,166,349**	**4**
Central Banks	-	-	398,360	<1
Supranational Institutions	351,255	<1	2,122,221	2
Foreign Commercial Banks	1,070,749	1	1,645,768	2
Aaa	432,761	<1	1,643,338	2
Aa1	637,988	<1	-	-
Aa2	-	-	2,430	<1
Domestic Commercial Banks	20,249,263	14	-	-
Financial assets at fair value through profit or loss	**114,220,178**	**82**	**95,460,476**	**94**
Foreign Country Treasury	95,306,061	68	75,262,625	74
Aaa	91,376,237	65	69,711,741	68
Aa1	3,929,824	3	5,517,747	6
Aa2	-	-	33,137	<1
Supranational Institutions	5,260,615	4	3,270,912	3
Turkish Treasury	13,653,502	10	16,926,939	17
Loans and advances to customers	**31,440**	**<1**	**27,580**	**<1**
Investment securities	**662,946**	**<1**	**405,647**	**<1**
Supranational Institutions	323,566	<1	244,058	<1
Foreign Country Treasury	339,380	<1	161,589	<1
Other assets	**7,225**	**<1**	**6,082**	**<1**
Total	**140,571,221**	**100**	**102,029,893**	**100**

Although the Turkish Government bonds issued by the Turkish Treasury are included in the above table, the Bank does not consider its receivables from the Turkish Treasury as risky in terms of credit risk and therefore does not take these assets into account when calculating its credit risk exposures. Similarly, the deposits placed with domestic commercial banks for the purpose of monetary policy implementations are also excluded when calculating credit risk exposures because of the fully collateralized nature of these transactions as previously explained. As of 31 December 2008, the Bank has deposits amounting to TRY20,249,263 thousand placed with domestic commercial banks (2007: None) as part of reverse repurchase agreements amounting to TRY20,035,812 thousand (2007: None) and foreign exchange market operations amounting to TRY213,451 thousand (2007: None). The fair value of the security collaterals obtained for the placed deposit under reverse repurchase agreement as of 31 December 2008 is TRY20,035,812 thousand (2007: None). In addition, the Bank has security collaterals amounting to TRY8,298,015 thousand obtained for all foreign exchange and effective markets operations including the placed deposits under foreign exchange deposit market operations amounting to TRY213,451 thousand. As of 31 December 2008, the security collaterals are the Turkish Government bonds issued by the Turkish Treasury.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The sectoral classification of the Bank's credit exposure as of 31 December 2008 and 2007 is as follows:

	31 December 2008					
	Foreign Country Treasury	**Major Supranational Financial Institution**	**Domestic Financial Institutions**	**Foreign Financial Institutions**	**Turkish Treasury**	**Total**
Due from banks	3,827,177	386,401	20,249,263	1,186,591	-	25,649,432
Financial assets at fair value through profit or loss	95,306,061	5,260,615	-	-	13,653,502	114,220,178
Loans and advances to customers	31,051	-	389	-	-	31,440
Investment securities:						
-Available-for-sale	-	323,566	-	-	-	323,566
-Held-to-maturity	339,380	-	-	-	-	339,380
Other assets	-	3,771	3,454	-	-	7,225
Total	**99,503,669**	**5,974,353**	**20,253,106**	**1,186,591**	**13,653,502**	**140,571,221**

	31 December 2007					
	Foreign Country Treasury	**Major Supranational Financial Institutions**	**Domestic Financial Institutions**	**Foreign Financial Institutions**	**Turkish Treasury**	**Total**
Due from banks	2,146,902	2,180,978	-	1,802,228	-	6,130,108
Financial assets at fair value through profit or loss	75,262,625	3,270,912	-	-	16,926,939	95,460,476
Loans and advances to customers	27,206	-	374	-	-	27,580
Investment securities:						
-Available-for-sale	-	244,058	-	-	-	244,058
-Held-to-maturity	161,589	-	-	-	-	161,589
Other assets	-	2,924	3,158	-	-	6,082
Total	**77,598,322**	**5,698,872**	**3,532**	**1,802,228**	**16,926,939**	**102,029,893**

As indicated above credit risk is mainly concentrated on foreign and domestic governments and major international and foreign financial institutions as of 31 December 2008 and 2007.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Geographical concentrations of assets, liabilities and off-balance sheet items of the Bank as of 31 December 2008 and 2007 are as follows:

	31 December 2008					
	Turkey	Other European Countries	Canada and US	South - East Asia	Other Countries	Total
Cash and gold reserves	1,609,440	2,511,773	1,525,154	219	442	5,647,028
Due from banks	20,249,263	1,825,005	2,079,754	1,489,710	5,700	25,649,432
Financial assets at fair value through profit or loss	13,653,502	55,312,563	45,254,113	-	-	114,220,178
Loans and advances to customers	389	5,230	-	-	25,821	31,440
Investment securities:						
-Available-for-sale	-	323,566	-	-	-	323,566
-Held-to-maturity	-	-	339,380	-	-	339,380
Property and equipment	244,011	-	-	-	-	244,011
Intangible assets	4,889	-	-	-	-	4,889
Other assets	43,453	4,907	-	-	-	48,360
Total assets	**35,804,947**	**59,983,044**	**49,198,401**	**1,489,929**	**31,963**	**146,508,284**
Currency in circulation	31,743,434	-	-	-	-	31,743,434
Due to banks	53,270,325	5	-	8,736	-	53,279,066
Other deposits	17,076,045	21,544,986	-	-	-	38,621,031
Due to IMF	-	-	6,794	-	-	6,794
Financial liabilities designated at fair value	-	-	- -	-	-	
Other borrowed funds	9,939,440	-	-	-	-	9,939,440
Other liabilities	80,495	223,595	638,342	15	3,230	945,677
Taxes on income	166,909	-	-	-	-	166,909
Deferred income tax liability	1,261,392	-	-	-	-	1,261,392
Retirement benefit obligations	70,541	-	-	-	-	70,541
Shareholders' equity	10,474,000	-	-	-	-	10,474,000
Total liabilities and shareholders' equity	**124,082,581**	**21,768,586**	**645,136**	**8,751**	**3,230**	**146,508,284**
Net balance sheet position	**(88,277,634)**	**38,214,458**	**48,553,265**	**1,481,178**	**28,733**	**-**
Off-balance sheet commitments	26,124,227	70,539	107,174	-	-	26,301,940

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2007					
	Turkey	**Other European Countries**	**Canada and US**	**South - East Asia**	**Other Countries**	**Total**
Cash and gold reserves	1,225,554	1,872,659	1,033,457	4	212	4,131,886
Due from banks	-	3,002,238	1,937,813	1,183,562	6,495	6,130,108
Financial assets at fair value through profit or loss	16,926,939	46,828,217	31,705,320	-	-	95,460,476
Loans and advances to customers	374	4,050	-	-	23,156	27,580
Investment securities:						
-Available-for-sale	-	244,058	-	-	-	244,058
-Held-to-maturity	-	-	161,589	-	-	161,589
Property and equipment	234,185	-	-	-	-	234,185
Intangible assets	2,850	-	-	-	-	2,850
Other assets	28,285	3,529	-	-	-	31,814
Total assets	**18,418,187**	**51,954,751**	**34,838,179**	**1,183,566**	**29,863**	**106,424,546**
Currency in circulation	27,429,389	-	-	-	-	27,429,389
Due to banks	39,113,464	4	-	8,525	-	39,121,993
Other deposits	16,781,346	19,394,653	-	-	-	36,175,999
Due to IMF	-	-	7,431	-	-	7,431
Financial liabilities designated at fair value	993,710	-	-	-	-	993,710
Other borrowed funds	2,918,776	-	-	-	-	2,918,776
Other liabilities	61,913	315,330	687,470	24	1,839	1,066,576
Taxes on income	28,224	-	-	-	-	28,224
Retirement benefit obligations	64,292	-	-	-	-	64,292
Shareholders' equity	(1,381,844)	-	-	-	-	(1,381,844)
Total liabilities and shareholders' equity	**86,009,270**	**19,709,987**	**694,901**	**8,549**	**1,839**	**106,424,546**
Net balance sheet position	**(67,591,083)**	**32,244,764**	**34,143,278**	**1,175,017**	**28,024**	**-**
Off-balance sheet commitments	12,486,495	55,371	157,311	-	-	12,699,177

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

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

There are no financial assets that are past due but not impaired at 31 December 2008 and 2007 and there are no collaterals held against such past due financial assets.

As of 31 December 2008 and 2007, the Bank has no assets held for resale.

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk

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

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

(d) Currency risk

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

Within this framework, the Bank controls currency risk through foreign exchange composition targets set for foreign exchange reserves and limits of deviation from these targets within the scope of the SBP. The net foreign currency position of the Bank as of 31 December 2008 and 2007 is summarized below. The table presented below provides the Bank's assets, liabilities, and equity at carrying amounts, categorized by currency:

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

	31 December 2007									
	Foreign currency									
	US$	EUR	JPY	CHF	GBP	SDR	Other	Total	TRY	Total
Cash and gold reserves	3,870,683	180,297	4	4,500	4,418	-	825	4,060,727	71,159	4,131,886
Due from banks	1,855,475	2,675,971	1,183,690	106,267	215,704	58,868	12,272	6,108,247	21,861	6,130,108
Financial assets at fair value through profit or loss	32,896,924	44,110,045	-	-	1,526,568	-	-	78,533,537	16,926,939	95,460,476
Loans and advances to customers	27,206	374	-	-	-	-	-	27,580	-	27,580
Investment securities:										
-Available-for-sale	-	36	-	-	-	244,022	-	244,058	-	244,058
-Held-to-maturity	161,589	-	-	-	-	-	-	161,589	-	161,589
Property and equipment	-	-	-	-	-	-	-	-	234,185	234,185
Intangible assets	-	-	-	-	-	-	-	-	2,850	2,850
Other assets	-	639	-	-	-	2,924	-	3,563	28,251	31,814
Total assets	**38,811,877**	**46,967,362**	**1,183,694**	**110,767**	**1,746,690**	**305,814**	**13,097**	**89,139,301**	**17,285,245**	**106,424,546**
Currency in circulation	-	-	-	-	-	-	-	-	27,429,389	27,429,389
Due to banks	3,783,548	15,675,864	2	-	300,196	-	-	19,759,610	19,362,383	39,121,993
Other deposits	7,385,472	24,186,248	-	70,167	10,915	-	-	31,652,802	4,523,197	36,175,999
Due to IMF	-	-	-	-	-	7,431	-	7,431	-	7,431
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	993,710	993,710
Other borrowed funds	-	-	-	-	-	-	-	-	2,918,776	2,918,776
Other liabilities	711,611	276,541	23	776	11,830	-	3,931	1,004,712	61,864	1,066,576
Taxes on income	-	-	-	-	-	-	-	-	28,224	28,224
Retirement benefit obligations	-	-	-	-	-	-	-	-	64,292	64,292
Shareholders' equity	-	-	-	-	-	-	-	-	(1,381,844)	(1,381,844)
Total liabilities and shareholders' equity	**11,880,631**	**40,138,653**	**25**	**70,943**	**322,941**	**7,431**	**3,931**	**52,424,555**	**53,999,991**	**106,424,546**
Net balance sheet position	**26,931,246**	**6,828,709**	**1,183,669**	**39,824**	**1,423,749**	**298,383**	**9,166**	**36,714,746**	**(36,714,746)**	**-**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

In order to measure the sensitivity of the foreign exchange gain/loss against volatility in exchange rates, foreign currency net position values were re-calculated under the assumption that TRY appreciated by 10% against all foreign currencies. The hypothetic loss that would occur in the total market value of the net foreign exchange positions of the Bank as of 31 December 2008 and 2007 under such an assumption is presented in the tables below;

Sensitivity of the net foreign exchange position:

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

	31 December 2007									
	Foreign currency									
	US$	EUR	JPY	CHF	GBP	SDR	Other	Total	TRY	TOTAL
Total assets	38,811,877	46,967,362	1,183,694	110,767	1,746,690	305,814	13,097	89,139,301	17,285,245	106,424,546
Total liabilities	11,880,631	40,138,653	25	70,943	322,941	7,431	3,931	52,424,555	53,999,991	106,424,546
Net balance sheet position	**26,931,246**	**6,828,709**	**1,183,669**	**39,824**	**1,423,749**	**298,383**	**9,166**	**36,714,746**	**(36,714,746)**	**-**
Scenario of 10% appreciation of TRY	**(2,693,125)**	**(682,871)**	**(118,367)**	**(3,982)**	**(142,375)**	**(29,838)**	**(917)**	**(3,671,475)**	**-**	**(3,671,475)**

(e) Interest rate risk

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The tables below summarize the Bank's exposure to interest rate risk at 31 December 2008 and 2007, for TRY and foreign currency denominated assets and liabilities. Included in the tables are the Bank's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual re-pricing dates.

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2007														
	Foreign currency							TRY							
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total	TOTAL
Cash and gold reserves	-	-	-	-	-	4,060,727	4,060,727	-	-	-	-	-	71,159	71,159	4,131,886
Due from banks	4,166,349	-	-	-	-	1,941,898	6,108,247	-	-	-	-	-	21,861	21,861	6,130,108
Financial assets at fair value through profit or loss	2,788,683	10,114,432	23,548,762	42,081,660	-	-	78,533,537	-	-	2,632,399	14,294,540	-	-	16,926,939	95,460,476
Loans and advances to customers	-	2,024	2,190	13,344	10,022	-	27,580	-	-	-	-	-	-	-	27,580
Investment securities:															
-Available-for-sale	-	-	-	-	-	244,058	244,058	-	-	-	-	-	-	-	244,058
-Held-to-maturity	-	-	161,589	-	-	-	161,589	-	-	-	-	-	-	-	161,589
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	234,185	234,185	234,185
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	2,850	2,850	2,850
Other assets	-	-	2,924	-	-	639	3,563	5,759	568	1,815	-	-	20,109	28,251	31,814
Total assets	**6,955,032**	**10,116,456**	**23,715,465**	**42,095,004**	**10,022**	**6,247,322**	**89,139,301**	**5,759**	**568**	**2,634,214**	**14,294,540**	**-**	**350,164**	**17,285,245**	**106,424,546**
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	27,429,389	27,429,389	27,429,389
Due to banks	6,566,306	13,193,304	-	-	-	-	19,759,610	18,911,634	441,800	-	-	-	8,949	19,362,383	39,121,993
Other deposits	807,803	1,233,170	7,615,106	9,738,572	-	12,258,151	31,652,802	3	-	-	-	-	4,523,194	4,523,197	36,175,999
Due to IMF	-	1,385	-	-	-	6,046	7,431	-	-	-	-	-	-	-	7,431
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	993,710	-	-	-	-	993,710	993,710
Other borrowed funds	-	-	-	-	-	-	-	-	2,918,776	-	-	-	-	2,918,776	2,918,776
Other liabilities	69,319	-	863,844	-	-	71,549	1,004,712	-	37,904	-	4,112	-	19,848	61,864	1,066,576
Taxes on income	-	-	-	-	-	-	-	-	-	-	28,224	-	-	28,224	28,224
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	64,292	64,292	64,292
Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	(1,381,844)	(1,381,844)	(1,381,844)
Total liabilities and shareholders' equity	**7,443,428**	**14,427,859**	**8,478,950**	**9,738,572**	**-**	**12,335,746**	**52,424,555**	**18,911,637**	**4,392,190**	**-**	**32,336**	**-**	**30,663,828**	**53,999,991**	**106,424,546**
Net repricing gap	**(488,396)**	**(4,311,403)**	**15,236,515**	**32,356,432**	**10,022**	**(6,088,424)**	**36,714,746**	**(18,905,878)**	**(4,391,622)**	**2,634,214**	**14,262,204**	**-**	**(30,313,664)**	**(36,714,746)**	**-**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

Within this framework, based on the average modified duration figures of foreign currency assets as of 31 December 2008 and 2007, the prospective decline in the market values of the assets in case of a 1% rise in the related interest rates are presented below. The 1% rise scenario is based on the assumption that the yield curves for the related currencies shift 1% upwards in all maturities simultaneously.

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

	31 December 2008			31 December 2007		
	US$	EUR	TOTAL	US$	EUR	TOTAL
Market value of the foreign currency assets	51,652,669	51,466,016	103,118,685	34,913,988	46,786,016	81,700,004
Effect of the scenario of 1% increase in interest rates	**(454,320)**	**(680,771)**	**(1,135,091)**	**(326,775)**	**(579,815)**	**(906,590)**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The tables below summarize the range for effective average interest rates by major currencies for monetary financial instruments at 31 December 2008 and 2007:

	31 December 2008		
	US$ (%)	**EUR (%)**	**TRY (%)**
Assets			
Due from banks	0.68	1.65	15.55
Financial assets at fair value through profit or loss	3.74	4.37	10.47
Loans and advances to customers	4.50	4.60	-
Investment securities	1.03	-	-
Liabilities			
Due to banks	1.89	-	12.00
Other deposits	3.53	3.10	-
Other borrowed funds	-	-	15.00

	31 December 2007		
	US$ (%)	**EUR (%)**	**TRY (%)**
Assets			
Due from banks	4.22	3.46	-
Financial assets at fair value through profit or loss	4.30	4.04	9.47
Loans and advances to customers	5.64	4.66	-
Investment securities	3.61	-	-
Liabilities			
Due to banks	1.95	1.85	11.81
Other deposits	4.00	3.32	-
Financial liabilities designated at fair value	-	-	17.35
Other borrowed funds	-	-	15.75

(f) Liquidity risk

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2007																
	Foreign currency								TRY								
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total	TOTAL
Cash and gold reserves	4,060,727	-	-	-	-	-	-	4,060,727	71,159	-	-	-	-	-	-	71,159	4,131,886
Due from banks	1,941,898	4,166,349	-	-	-	-	-	6,108,247	-	-	-	-	-	-	21,861	21,861	6,130,108
Financial assets at fair value through profit or loss	-	2,788,683	10,114,432	23,548,762	42,081,660	-	-	78,533,537	-	-	-	2,632,399	14,294,540	-	-	16,926,939	95,460,476
Loans and advances to customers	-	-	2,024	2,190	13,344	10,022	-	27,580	-	-	-	-	-	-	-	-	27,580
Investment securities:																	
-Available-for-sale	-	-	-	-	-	-	244,058	244,058	-	-	-	-	-	-	-	-	244,058
-Held-to-maturity	-	-	-	161,589	-	-	-	161,589	-	-	-	-	-	-	-	-	161,589
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	234,185	234,185	234,185
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,850	2,850	2,850
Other assets	-	-	-	2,924	-	-	639	3,563	-	5,759	568	1,815	-	-	20,109	28,251	31,814
Total assets	**6,002,625**	**6,955,032**	**10,116,456**	**23,715,465**	**42,095,004**	**10,022**	**244,697**	**89,139,301**	**71,159**	**5,759**	**568**	**2,634,214**	**14,294,540**	**-**	**279,005**	**17,285,245**	**106,424,546**
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,429,389	27,429,389	27,429,389
Due to banks	-	6,566,306	13,193,304	-	-	-	-	19,759,610	8,529	18,911,634	441,800	-	-	-	420	19,362,383	39,121,993
Other deposits	10,515,361	807,803	1,233,170	7,615,106	9,738,572	-	1,742,790	31,652,802	4,430,786	3	-	-	-	-	92,408	4,523,197	36,175,999
Due to IMF	-	-	1,385	-	-	-	6,046	7,431	-	-	-	-	-	-	-	-	7,431
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-	993,710	-	-	-	-	-	993,710	993,710
Other borrowed funds	-	-	-	-	-	-	-	-	-	2,918,776	-	-	-	-	-	2,918,776	2,918,776
Other liabilities	7,388	69,319	-	863,844	-	-	64,161	1,004,712	-	37,904	-	4,112	-	-	19,848	61,864	1,066,576
Taxes on income	-	-	-	-	-	-	-	-	-	-	-	28,224	-	-	-	28,224	28,224
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	64,292	64,292	64,292
Shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,381,844)	(1,381,844)	(1,381,844)
Total liabilities and shareholders' equity	**10,522,749**	**7,443,428**	**14,427,859**	**8,478,950**	**9,738,572**	**-**	**1,812,997**	**52,424,555**	**4,439,315**	**22,862,027**	**441,800**	**32,336**	**-**	**-**	**26,224,513**	**53,999,991**	**106,424,546**
Net liquidity gap	**(4,520,124)**	**(488,396)**	**(4,311,403)**	**15,236,515**	**32,356,432**	**10,022**	**(1,568,300)**	**36,714,746**	**(4,368,156)**	**(22,856,268)**	**(441,232)**	**2,601,878**	**14,294,540**	**-**	**(25,945,508)**	**(36,714,746)**	**-**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

	31 December 2007							
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Currency in circulation	-	-	-	-	-	-	27,429,389	27,429,389
Due to banks	8,529	25,477,940	13,635,104	-	-	-	420	39,121,993
Other deposits	14,946,146	808,822	1,239,655	7,760,703	10,359,133	-	1,835,199	36,949,658
Due to IMF	-	-	1,385	-	-	-	6,046	7,431
Financial liabilities designated at fair value	-	1,000,000	-	-	-	-	-	1,000,000
Other borrowed funds	-	2,918,776	-	-	-	-	-	2,918,776
Total financial liabilities	**14,954,675**	**30,205,538**	**14,876,144**	**7,760,703**	**10,359,133**	**-**	**29,271,054**	**107,427,247**

(g) Operational risk

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

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

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

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

h) Fair value of financial instruments

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

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

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

	Carrying value		Fair value	
	2008	2007	2008	2007
Financial assets				
Cash and gold reserves	5,647,028	4,131,886	5,647,028	4,131,886
Due from banks	25,649,432	6,130,108	25,649,432	6,130,108
Loans and advances to customers	31,440	27,580	29,823	23,398
Investment securities (held-to-maturity)	339,380	161,589	340,264	161,326
Financial liabilities				
Currency in circulation	31,743,434	27,429,389	31,743,434	27,429,389
Due to banks	53,279,066	39,121,993	53,279,066	39,121,993
Other deposits	38,621,031	36,175,999	38,453,295	35,915,824
Financial liabilities designated at fair value	-	993,710	-	993,710
Other borrowed funds	9,939,440	2,918,776	9,939,440	2,918,776

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

(i) Financial assets

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

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

Investment securities include only interest-bearing assets held-to-maturity, as assets available- for-sale are unlisted equity participations. The fair value for held-to-maturity assets is based on market prices or prices prevailing at the balance sheet date and derived from the estimated market value of the Federal Reserve Bank of New York.

(ii) Financial liabilities

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

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

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

i) Capital management

The Bank's equity capital at 31 December 2008 and 2007 comprises:

	2008	2007
Share capital	47,464	47,464
Retained earnings/(Accumulated deficit)	10,139,250	(1,652,086)
Other reserves	287,286	222,778
Equity	**10,474,000**	**(1,381,844)**

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

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The Bank is not a not-for-profit organization, nor does it seek profit maximization. Instead it seeks to make a profit commensurate with normal market returns in areas where it conducts normal commercial operations.

Capital is not actively managed and the relatively low risk nature of most of the Bank's activities means that it is not capital intensive. The purpose of the Bank is to cover unexpected losses. The most significant unexpected losses are likely to arise out of support operations and the Bank's role as lender of last resort or from losses on the foreign exchange reserves should the TRY depreciate significantly against other world currencies.

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

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

(a) Impairment losses on loans and advances

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

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

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

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

NOTE 6 - CASH AND GOLD RESERVES

	2008	2007
Gold bullion - international standards	4,883,049	3,636,780
Cash in hand	630,097	395,394
Gold bullion - non-international standards	130,557	97,236
Gold coins	3,325	2,476
	5,647,028	**4,131,886**

Gold coins and bullion in the amount of TRY14,534 thousand (2007: TRY10,825 thousand) are kept in the Bank's vaults on behalf of the Turkish Treasury.

NOTE 7 - DUE FROM BANKS

	2008	2007
Funds lent under reverse repurchase transactions	20,249,263	-
Time deposits	1,422,004	4,166,349
Demand deposits	3,978,165	1,963,759
	25,649,432	**6,130,108**

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

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

	2008		2007	
	Cost	Carrying value	Cost	Carrying value
Turkish government bonds and treasury bills	13,794,321	13,653,502	16,719,932	16,926,939
Foreign government bonds and treasury bills	93,333,957	95,306,061	75,866,874	75,262,625
Corporate bonds of supranational institutions	5,107,752	5,260,615	1,803,829	3,270,912
	112,236,030	**114,220,178**	**94,390,635**	**95,460,476**

Foreign corporate bonds are coupon and discount securities mainly issued by the European Investment Bank, KFW Bankengruppe, BIS and World Bank.

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

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

The breakdown of carrying values of foreign government bonds, corporate bonds and treasury bills by country is as follows at 31 December 2008:

Country of origin	2008
United States	45,104,549
Germany	23,073,912
France	10,456,542
Spain	5,852,957
Belgium	3,929,824
Austria	1,909,447
The Netherlands	1,606,060
Other	8,633,385
	100,566,676

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	2008	2007
Loans to corporate entities:		
Foreign country loans	2,322,349	1,741,987
Domestic loans	389	374
Total loans and advances to customers	**2,322,738**	**1,742,361**
Less: Allowance for loan losses	(2,291,298)	(1,714,781)
Net loans and advances to customers	**31,440**	**27,580**

Movement in the allowance for loan losses is as follows:

	2008	2007
Balance at 1 January	1,714,781	1,961,972
Impairment losses on loans and advances	57,466	97,888
Foreign exchange loss/(gain)	519,051	(345,079)
At 31 December	**2,291,298**	**1,714,781**

As of 31 December 2008, the restructured loans and advances of the Bank amount to TRY 31,051 thousand (2007: TRY27,206 thousand). In accordance with the restructuring agreement of the Bank regarding the above mentioned restructured loans, the Bank forwent TRY7,127 thousand (US$4,712,511) (2007: TRY5,489 thousand (US$4,712,511)) of its interest receivable which will accrue again if the counterparty fails to meet the conditions stated in the restructuring agreement. As of 31 December 2008 and 2007, the Bank provided allowance over such contingent interest receivable.

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

NOTE 10 - INVESTMENT SECURITIES

	2008	2007
Securities available-for-sale		
Equity shares		
- unlisted	323,566	244,058
Total securities available-for-sale	**323,566**	**244,058**
Securities held-to-maturity		
Government bonds	339,380	161,589
Total securities held-to-maturity	**339,380**	**161,589**
Total investment securities	**662,946**	**405,647**

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

The Bank owns shares issued by the BIS. The shares have a par value of SDR5,000 each and are paid up to SDR1,250 each. The balance of SDR3,750 per share is callable at three months' notice by the decision of the BIS Board and is disclosed under contingencies and commitments (Note 28).

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

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

		Ownership (%)		Amount	
Name	**Nature of business**	**2008**	**2007**	**2008**	**2007**
BIS	Banking Supervision	1.5	1.5	323,520	244,022
S.W.I.F.T.	Electronic Fund Transfer Services	0.007	0.007	46	36
				323,566	**244,058**

The movement in investment securities is as follows:

	Available-for-sale	Held-to-maturity	Total
At 1 January 2008	**244,058**	**161,589**	**405,647**
Purchases	-	339,380	339,380
Fair value changes	12,662	-	12,662
Redemptions	-	(161,589)	(161,589)
Foreign exchange gain	66,846	-	66,846
At 31 December 2008	**323,566**	**339,380**	**662,946**

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

NOTE 11 - PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Construction in progress	Total
At 31 December 2006				
Cost	322,312	40,383	3,926	366,621
Accumulated depreciation	(110,314)	(20,336)	-	(130,650)
Net book value	**211,998**	**20,047**	**3,926**	**235,971**
Year ended 31 December 2007				
Opening net book value	211,998	20,047	3,926	235,971
Additions	2,490	8,344	425	11,259
Disposals (net)	(117)	(124)	-	(241)
Depreciation charge (Note 27)	(6,770)	(6,034)	-	(12,804)
Closing net book value	**207,601**	**22,233**	**4,351**	**234,185**
At 31 December 2007				
Cost	324,630	44,463	4,351	373,444
Accumulated depreciation	(117,029)	(22,230)	-	(139,259)
Net book value	**207,601**	**22,233**	**4,351**	**234,185**
Year ended 31 December 2008				
Opening net book value	207,601	22,233	4,351	234,185
Additions	9,358	11,649	2,399	23,406
Disposals (net)	(21)	(16)	-	(37)
Depreciation charge (Note 27)	(6,898)	(6,645)	-	(13,543)
Closing net book value	**210,040**	**27,221**	**6,750**	**244,011**
At 31 December 2008				
Cost	333,783	55,086	6,750	395,619
Accumulated depreciation	(123,743)	(27,865)	-	(151,608)
Net book value	**210,040**	**27,221**	**6,750**	**244,011**

As of 31 December 2008, the Bank has sold land and buildings and equipment and vehicles amounting to TRY184 thousand and TRY1,010 thousand respectively which were fully depreciated at the date of sale.

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

NOTE 12 - INTANGIBLE ASSETS

	Cost	Accumulated amortisation	Net book value
Opening balance at 1 January 2007	8,284	(4,879)	3,405
Additions	253	(808)	(555)
Balance at 31 December 2007	**8,537**	**(5,687)**	**2,850**
Opening balance at 1 January 2008	8,537	(5,687)	2,850
Additions	2,764	(725)	2,039
Balance at 31 December 2008	**11,301**	**(6,412)**	**4,889**

NOTE 13 - OTHER ASSETS

	2008	2007
Raw material and work in progress	28,724	14,518
Dividend income accrual	3,771	2,924
Electronic Fund Transfer ("EFT") commission income accrual	3,409	3,118
Reclaimed corporate tax	1,344	-
Prepaid expenses	2,514	2,789
Other	8,598	8,465
	48,360	**31,814**

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

NOTE 14 - CURRENCY IN CIRCULATION

	2008	2007
Balance at 1 January	**27,429,389**	**26,815,151**
Banknotes issued into circulation	25,591,848	15,650,097
Banknotes withdrawn from circulation and destroyed	(21,277,803)	(15,035,400)
Demonetized banknotes	-	(459)
Balance at 31 December	**31,743,434**	**27,429,389**

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

NOTE 15 - DUE TO BANKS

	2008	2007
Deposits for reserve requirement obligations	45,192,519	32,546,739
Current accounts of banks	7,873,096	6,575,254
Deposits of banks for foreign exchange deposit market	213,451	-
	53,279,066	**39,121,993**

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

NOTE 16 - OTHER DEPOSITS

	2008	2007
Deposits by citizens abroad	21,544,986	19,394,653
Deposits of Turkish Treasury	13,111,188	14,723,419
Deposits of state owned funds	3,757,925	1,890,127
Deposits of state owned entities	206,932	167,800
	38,621,031	**36,175,999**

Deposits by citizens abroad are time deposits with maturities varying from one to three years; other deposits held by government related institutions are interest-free deposits except for the amount TRY18,543 thousand (2007: TRY17,321 thousand).

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

	2008		2007	
	Interest rate (*) (%)	**TRY amount**	**Interest rate (*) (%)**	**TRY amount**
US$	0.25-3.25	1,077,441	0.25-3.75	991,214
EUR	0.25-2.75	20,375,369	0.25-4.50	18,322,333
CHF	0.25-0.75	84,392	0.25-0.75	70,408
GBP	0.25-4.00	7,784	0.25-4.00	10,698
		21,544,986		**19,394,653**

(*) Prior to 6 March 2006, accounts denominated in EUR, US$, GBP are rolled over, unless there is a customer request to the contrary, at the rate of 0.25%. Minimum interest rates of the deposit accounts other than the ones that have ceased to be applied are 2.25%, 2.00%, 0.75% and 4.00% for EUR, US$, CHF and GBP respectively as of 31 December 2008 (2007: 2.25%, 3.00%, 0.75% and 4.00% for EUR, US$, CHF and GBP respectively).

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

NOTE 17 - DUE TO IMF

Due to IMF is denominated in SDR. Due to IMF includes borrowings related to Turkey's IMF quota for the year ending 31 December 2008 and 2007. As of 31 December 2008 and 2007, borrowings related to Turkey's IMF quota are non-interest bearing with no stated maturity.

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

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

NOTE 18 - FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2008	2007
Liquidity bills	-	993,710
	-	**993,710**

As of 31 December 2008, there are no outstanding liquidity bills.

In 2007, in order to withdraw excess liquidity from the market, the Bank issued liquidity bills with a maturity of 60 days and a nominal value of TRY1,000,000 thousand.

NOTE 19 - OTHER BORROWED FUNDS

Other Borrowed Funds represents the interbank money market borrowings of the Bank under the scope of the Open Market Operations, where the Bank acted as a counter party, amounting to TRY9,939,440 thousand (2007: TRY2,918,776 thousand).

NOTE 20 - OTHER LIABILITIES

	2008	2007
Import transfer orders and deposits	776,822	858,741
Taxes and withholdings payable	66,140	101,839
Expense accruals	36,956	26,803
Blocked accounts for pending court cases	35,627	25,859
Creditors of foreign currencies that were deposited as trust	484	506
Republic of Turkey Gulf Crisis guarantee account (*)	4	27,956
Other	29,644	24,872
	945,677	**1,066,576**

(*) The amount represents the compensation transferred by the United Nations Compensation Committee to be given to the Turkish real and legal persons who has experienced losses due to Gulf Crises in Kuwait and Iraq. Within the year 2008, the balance of "Republic of Turkey Government Gulf Crises Guarantee Account" as of 31 December 2007 amounting to YTL27,956 thousand transferred to related real and legal persons accounts.

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

NOTE 21 - TAXATION

	2008	2007
Taxes on income	340,568	41,081
Prepaid tax	(173,659)	(12,857)
Income taxes payable - net	**166,909**	**28,224**

The Corporate Tax Law was amended by Law No.5520 dated 13 June 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, has come into force effective from 1 January 2006. Accordingly, corporation tax is payable, at a rate of 20% (2007: 20%) on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and investment and other allowances in accordance with the new tax legislation and the Central Bank Law. No further tax is payable unless the profit is distributed.

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

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

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

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

	2008	2007
Provision for taxes as per statement of income at 31 December		
- Current	340,568	41,081
- Deferred	1,246,392	-
Income taxes payable - net	**1,586,960**	**41,081**

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

NOTE 21 - TAXATION (Continued)

Deferred income taxes

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in fiscal year 2008 under the liability method using a principal tax rate of 20% (2007: 20%).

The Bank recognises deferred tax assets and liabilities based upon temporary differences arising between the carrying amounts of assets and liabilities in the financial statements reported for IFRS purposes and the tax base of assets and liabilities. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes. The principal temporary differences arise from the retirement benefit obligations, net differences between carrying amounts and tax bases of property, plant and equipments, fair value differences on financial assets and transfer of the valuation account to income statement (Note 26).

Deferred income tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized. As of 31 December 2007, since the Bank does not have a plan regarding future taxable profit that will be available against which the deferred income tax asset can be utilized, deferred income tax assets were not recognised. As of 31 December 2008, the Bank calculated and recognised deferred income tax liability based upon the temporary differences.

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2008	**2007**	**2008**	**2007**
Retirement benefit obligations	70,541	64,292	14,108	-
Net differences between carrying value and tax base of property and equipment	44,028	46,124	8,806	-
Transfer of the valuation account to income statement	-	4,710,587	-	-
Other	42,835	10,702	8,567	-
Total Assets	**157,404**	**4,831,705**	**31,481**	**-**
Transfer of valuation account to income statement	(6,377,223)	-	(1,275,445)	-
Fair value differences on financial assets	(300,007)	(225,565)	(15,000)	-
Interest accrual calculation difference of deposits using effective interest rate method	(12,142)	(11,802)	(2,428)	-
Total Liabilities	**(6,689,372)**	**(237,367)**	**(1,292,873)**	**-**
Net (Liability)/Asset	**(6,531,968)**	**4,594,338**	**(1,261,392)**	**-**

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

NOTE 21 - TAXATION (Continued)

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

	2008	2007
Balance at 1 January	-	-
Deferred income tax charge to income statement, net	1,246,392	-
Deferred income tax charge to shareholder's equity	15,000	-
Balance at 31 December	1,261,392	-

The reconciliation between the expected and the actual taxation charge is stated below:

	2008	2007
Income/(loss) before income taxes	**13,385,017**	**(3,211,478)**
Tax charge calculated at a tax rate of 20% (2007: 20%)	2,677,003	(642,296)
(Income)/loss exempt from taxation	(1,095,011)	678,579
Non-deductible expenses	4,968	4,798
Income tax expense	**1,586,960**	**41,081**

NOTE 22 - RETIREMENT BENEFIT OBLIGATIONS

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TRY2,173.19 (31 December 2007: TRY1,960.69) for each year of service.

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

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

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

	2008	2007
Discount rate (%)	6.26	5.71
Rate to estimate the probability of retirement (%)	99	99

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

NOTE 22 - RETIREMENT BENEFIT OBLIGATIONS (Continued)

Additionally, the principal actuarial assumption is that the maximum liability of TRY2,260.05 for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY2,260.05 effective from 1 January 2009 (1 January 2008: TRY2,087.92), has been taken into consideration in calculating the reserve for the retirement benefit obligation of the Bank.

Movement in the liability recognized in the balance sheet:

	2008	2007
At 1 January	**64,292**	**60,205**
Current year charge	12,142	10,455
Paid during the year	(5,893)	(6,368)
At 31 December	**70,541**	**64,292**

NOTE 23 - NET INTEREST INCOME

	2008	2007
Interest income:		
Financial assets at fair value through profit or loss	4,682,629	4,375,408
Securities purchased under agreement to resell	1,894,753	523,926
Due from banks	95,144	124,253
Loans and advances to customers	53,738	88,701
	6,726,264	**5,112,288**
Interest expense:		
Due to banks	2,297,259	2,054,132
Other borrowed funds	1,011,156	1,019,287
Securities sold under repurchase agreements	835,497	834,318
Other deposits	764,997	594,319
Financial liabilities designated at fair value	6,290	54,548
Due to IMF	6,030	9,113
Other	74	49
	4,921,303	**4,565,766**
Net interest income	**1,804,961**	**546,522**

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

NOTE 24 - NET FEE AND COMMISSION EXPENSE

	2008	2007
Fee and commission income:		
EFT commission income	52,339	44,874
Other fund transfer fees	1,377	42
Open market operations	3,308	3,105
Other	3,942	4,143
	60,966	**52,164**
Fee and commission expense:		
Correspondent bank accounts (*)	3,107	166,146
Other	4,980	4,375
	8,087	**170,521**
Net fee and commission expense	**52,879**	**(118,357)**

(*) Monthly commission payments to T.C. Ziraat Bankası A.Ş. ("Ziraat Bankası") are accounted under "Correspondent bank accounts" in return for the transactions of Turkish Treasury undertaken by Ziraat Bankası in the regions where there are no branches of the Bank. The application of such services by Ziraat Bankası was ceased starting from the end of the year 2007 in accordance with the protocol signed between the Turkish Treasury and Ziraat Bankası.

NOTE 25 - DIVIDEND INCOME

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

	2008	2007
Available-for-sale securities	4,884	3,646
	4,884	**3,646**

NOTE 26 - FOREIGN EXCHANGE GAINS/(LOSSES), NET

	2008	2007
Foreign exchange gains/(losses), net		
- translation gains/(losses), net	11,082,744	(3,463,851)
- transaction losses, net	(168,527)	(1,123,393)
	10,914,217	**(4,587,244)**

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

NOTE 26 - FOREIGN EXCHANGE GAINS/(LOSSES), NET (Continued)

As of 31 December 2008 and 2007, translation gains/(losses) include the unrealized foreign exchange gains/(losses) and the unrealized gains on gold balances. In the statutory financial statements of the Bank the unrealized foreign exchange gains/(losses) and unrealized gains on gold balances are excluded from the statutory net profit and monitored in a temporary account, namely "Valuation Account", in accordance with the Central Bank Law in Turkey.

NOTE 27 - OTHER OPERATING EXPENSES

	2008	2007
Wages and salaries	318,719	285,565
Administrative expenses	95,429	63,457
KOSGEB fee	34,057	8,493
Social security costs	28,004	30,082
Depreciation (Notes 11 and 12)	14,268	13,612
Other	1,381	1,539
	491,858	**402,748**

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

The average number of persons employed by the Bank during the year 2008 was 4,520 (2007: 4,599).

NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES

	2008	2007
Guarantees taken	26,124,227	12,486,495
Futures transactions	107,174	157,311
Uncalled BIS shares (Note 10)	70,539	55,371
	26,301,940	**12,699,177**

As of 31 December 2008, the Bank has undertaken interest futures contracts with a nominal value of TRY107,174 thousand (2007: TRY157,311 thousand), accounted for under the off-balance sheet liabilities. With reference to these contracts, a valuation is performed on a daily basis with market prices and in the case of profit in favor of the Bank, the profit amount is deposited to the Bank's current account by the counterparty financial institution; in the case of loss, the loss amount is transferred from the current account of the Bank to the account of the counterparty financial institution. The Bank keeps collateral, for the futures contracts, amounting to TRY602 thousand as of 31 December 2008 (2007: TRY429 thousand) in the correspondent bank accounts.

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

NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

As of 31 December 2008, there are a number of legal proceedings outstanding against the Bank amounting to TRY76,691 thousand, US$379,320 and EUR338,098 (2007: TRY80,204 thousand, US$410,099 and EUR352,652). As of 31 December 2008, the Bank provided allowance amounting to TRY1,651 thousand (2007: TRY1,106 thousand) for two of these legal proceedings. For the remaining legal proceedings no provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

NOTE 29 - SHARE CAPITAL

The shareholder structure of the Bank as at 31 December 2008 and 2007 is as follows:

	31 December 2008		31 December 2007	
	TRY	Share %	TRY	Share %
T.C. Başbakanlık Hazine Müsteşarlığı	14	55	14	55
T.C. Ziraat Bankası A.Ş.	5	19	5	19
T.C.M.B Mensupları Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	1	5	1	5
Türkiye Garanti Bankası A.Ş.	1	3	1	3
Türkiye İş Bankası A.Ş.	1	2	1	2
Others	3	16	3	16
Historical share capital	**25**	**100**	**25**	**100**
Inflation adjustment on share capital	**47,439**		**47,439**	
Total paid-in capital	**47,464**		**47,464**	

According to 5th article of the Central Bank Law, the capital of the Bank is TRY25 thousand and is divided into 250,000 shares, with a value of TRY0.1 each. The capital may be increased with the approval of the government. The shares are divided into (A), (B), (C), and (D) shares. The (A) group shares belongs solely to the Turkish Treasury while (B) shares belong to national banks, (C) shares belong to banks other than the national banks and to companies possessing certain privileges and (D) shares belong to Turkish commercial institutions and to legal and real persons of Turkish nationality.

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

NOTE 30 - RETAINED EARNINGS AND LEGAL RESERVES

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

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

i) 20% to the reserve fund,

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

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

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

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

As of the date of this report, no profit appropriation decision has been made by the General Assembly of the Bank for 2008 statutory distributable profit of the Bank.

NOTE 31 - CASH AND CASH EQUIVALENTS

	2008	**2007**
Cash and gold reserves	5,647,028	4,131,886
Due from banks (excluding accrued interest)	25,649,011	6,127,036
	31,296,039	**10,258,922**

NOTE 32 - RELATED PARTY BALANCES AND TRANSACTIONS

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

(i) Balances with related parties

	2008	**2007**
Assets:		
Financial assets at fair value through profit or loss	13,864,337	16,926,939
Due from banks	19,975,794	2,121,067
Liabilities:		
Due to banks	41,550,054	29,306,779
Other deposits	17,076,045	16,781,346

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

NOTE 32 - RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(ii) Transactions with related parties

	2008	2007
Salaries and other short-term benefits to key management	2,638	2,267
Interest income	1,701,961	1,699,225
Interest expense	1,709,139	1,470,365
Fee and commission income	28,234	25,878
Fee and commission expense	-	163,363
Dividends paid to shareholders	3	921,335

NOTE 33 - SUBSEQUENT EVENT

In accordance with the Article 1 of the Law numbered 5083 concerning the "Currency of the Republic of Turkey" and according to the Decision of The Council of Ministers dated 4 April 2007 and No: 2007/11963, the prefix "New" used in the "New Turkish Lira" and the "New Kuruş" will be removed as of 1 January 2009. When the prior currency, New Turkish lira ("YTL"), values are converted into TL and Kr, YTL1 and YKr1 shall be equivalent to TL1 and Kr1, respectively.

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