



Eurobank Tekfen

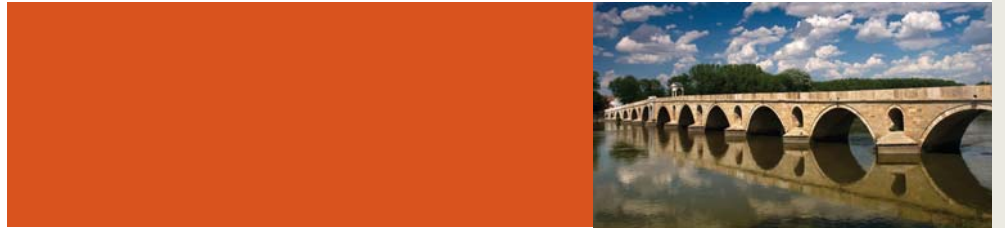
# annual report 2008

**The business philosophy of Eurobank Tekfen observes sustainable growth and attaches equal importance to risk/return balance as it does to profitability and as such, enables the Bank to provide uninterrupted service to its customers under any market condition.**

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## Eurobank Tekfen in Brief



### **MERİÇ BRIDGE**

#### **EDİRNE**

Meriç Bridge was built in 5 years and finished on 1847. It is 263 meters long, 7 meters wide, 13 feet from side to side on the 12 pointed arches and stone features are sloping.

## Corporate Profile Eurobank Tekfen in Brief

**Eurobank Tekfen** offers high value-added products and services in corporate, commercial, small business and retail banking, as well as in leasing, factoring and investment banking through its 42 branches, internet branch applications and 661 employees.

Having identified its corporate priorities as **transformation, motivation and open communication**, Eurobank Tekfen is focused on providing uninterrupted service to its customers under any market condition.

Attaching great value to quality, productivity, efficiency and customer satisfaction, Eurobank Tekfen enjoys the pride of being a **highly credible solution partner** in international markets.

A member of the **Eurobank (EFG) Group** which has placed “new Europe” in its focal point, Eurobank Tekfen possesses a strong growth potential in core business lines.

Based on the resolution adopted at the Ordinary General Meeting convened on 25 December 2008, it has been decided to raise Eurobank Tekfen’s paid-in capital to TL 380 million.

## Financial Highlights



### **MİMAR SİNAN BRIDGE BÜYÜKÇEKMECE İSTANBUL**

This bridge is the masterpiece of Mimar Sinan's Bridges. It's 636 meters long, 7.17 meters in width. Separate chapters and 4 of the belt 28 during bridge construction, a large water pump to empty the lake, the 40.000 m<sup>3</sup> stones are used.

## Financial Highlights

<i>(In Thousands of Turkish Lira) (TL)</i>	<i>31.12.2007</i>	<i>31.12.2008</i>
Total Assets	2,806,514	3,587,408
Originated Loans and Advances	895,971	1,113,408
Securities	1,489,010	1,782,413
Deposits	1,148,282	1,717,573
Shareholders' Equity	276,807	305,542
Net Income	26,719	40,095
Capital Adequacy Ratio	17.17%	15.94%

\*Consolidated Financial Statements.

## Headlines from 2008



### **MALABADI BRIDGE SİLVAN-DİYARBAKIR**

The Malabadi Bridge is an arch bridge spanning the Batman River near the town of Silvan in southeastern Turkey. It was built between 1146 and 1147. It was once the only bridge across the river in this area.



## Summary Financial Information

<i>Thousand TL based on unconsolidated financial statements</i>	<i>31 December 2008</i>
Total Assets	3,481,107
Cash Loans and Factoring Receivables	1,112,700
Marketable Securities	1,775,952
Deposits	1,795,524
Shareholders' Equity	272,563
Net Income	12,367
Capital Adequacy Ratio	17.89%

### *The Bank's Historical Development and the Amendments Made to the Articles of Association During the Reporting Period and Reasons Therefor*

Tekfen Yatırım ve Finansman Bankası A.Ş. has been founded as an “investment bank” particularly for financing investment and foreign trade activities, by the Council of Ministers decision dated 26 August 1998 and numbered 88/13253, and commenced banking operations on 07 August 1989.

Bank Ekspres A.Ş. was incorporated with the permission provided by the Council of Ministers decision dated 22 September 1991 and numbered 91/2316. Related “Incorporation Permission Decree” was published in the Official Gazette issue 21017, dated 10 October 1991 and the bank’s articles of association were announced in the Trade Registry Gazette dated 18 February 1992 and numbered 2969. On 23 October 1998, Bank Ekspres A.Ş. was transferred to the Savings Deposit Insurance Funds (SDIF) due to its weakened financial structure.

On 30 June 2001, a total of 2,983,800,000 shares, each with a nominal value of TL 10,000 and constituting 99.46% of Bank Ekspres’s capital, were transferred by way of sale to Tekfen Holding A.Ş. under the Share Transfer Agreement by and between Tekfen Holding A.Ş. and SDIF, who was the capital owner holding administrative control of Bank Ekspres pursuant to the Banks Law. Based on the same agreement, permission was granted by the Banking Regulation and Supervision Agency (BRSA) decision dated 18 October 2001 and numbered 489 for the transfer of Tekfen Yatırım ve Finansman Bankası A.Ş., in which Tekfen Holding A.Ş. held 57.69% stake, to Bank Ekspres A.Ş. The closure of this transfer took place on 26 October 2001 and the bank’s name was changed to Tekfenbank A.Ş. (the Bank) with 57.30% of the shares belonging to Tekfen Holding A.Ş. and 40.62% to TST International S.A..

On 08 May 2006, EFG Eurobank Ergasias S.A. (“Eurobank EFG”) and Tekfen Holding A.Ş. (“Tekfen Group”) executed an agreement for the purchase of 70% of the shares held by Tekfen Group in Tekfenbank A.Ş. and again 70% of the shares in Tekfen Finansal Kiralama A.Ş. (Tekfen Leasing) wholly-owned by Tekfen Group. The said agreement set forth that all of the remaining shares would be retained by the Tekfen Group in the capacity of strategic partner. BRSA approval has been granted on 23 February 2007 for the sale of Tekfenbank A.Ş. to Eurobank EFG Holding (Luxembourg) S.A. (“Eurobank EFG Holding”), upon which the sale and share transfer occurred on 16 March 2007.

Based on the decision adopted at the Bank's extraordinary general meeting convened on 25 December 2007, the Bank's company name was changed from Tekfenbank A.Ş. to Eurobank Tekfen A.Ş. ("the Bank") and was registered at the Turkish Trade Registry on 11 January 2008.

In addition, the following article of the Bank's articles of association has been amended as a result of the extraordinary shareholders' meeting dated 25 December 2008, to reflect the capital increase.

Article 8 – The Bank's Capital and Share Capital Increase; the Bank's paid-in capital has been raised from TL 230,000 to TL 380,000. From the incremented amount of TL 150,000, TL 125,000 has been contributed in cash and the remaining portion has been covered from capital reserves.

*The Bank's Shareholding Structure, Changes in the Capital and Shareholding Structure During the Reporting Period, Titles and Stakeholding of Real Persons or Legal Entities with Qualified Shares*

The Bank's shareholding structure is presented below.

<i>Company Name</i>	<i>31 December 2008</i>		<i>31 December 2007</i>	
	<i>Amount of Share (TL thousand)</i>	<i>Shareholding %</i>	<i>Amount of Share (TL thousand)</i>	<i>Shareholding %</i>
Eurobank EFG Holding S.A.	161,000	70.00%	161,000	70.00%
Tekfen Holding A.Ş.	67,002	29.13%	13,564	5.90%
TST International Finance S.A.			53,438	23.23%
Other	1,998	0.87%	1,998	0.87%
Total	230,000	100.00%	230,000	100.00%

During the reporting period, TST International Finance S.A. has transferred all of its 23.23% shares in the Bank to Tekfen Holding A.Ş.. Consequently, Tekfen Holding's shareholding has increased from 5.90% to 29.13%.

*Shares, If Any, Held in the Bank by the Chairman of the Board of Directors, Board Directors, The President and Vice Presidents*

The board's chairman and directors, and the CEO and executive vice presidents do not hold any shares in the Bank.

## Letter from the Chairman



### **TAŞ BRIDGE ÇAMLIHEMŞİN-RİZE**

Taş Bridge is an arched stone bridge built in Ottoman Empire Era in the 19<sup>th</sup> Century. It is located over Fırtına Deresi in Çamlıhemşin district of Rize province in the Black Sea Region of Turkey.

## Letter from the Chairman

*The global crisis depleted the asset values worldwide, pointing to the end of the strong economic growth period.*

2008 was a year characterized by the worldwide crisis in markets, accompanied by battles of survival fought by country authorities as well as by corporations on different fronts.

The global crisis that originated in the financial services sector intensified its impact in the last quarter of the year, put a brake on growth rates of all economies, and led to marked worsening in real macroeconomic data. Scene to depletion of asset values and indicating to the end of the strong growth phase of the world economy, the process went down in the literature as the severest crisis since the 1930s.

It was only natural and inevitable that such a crisis underwent in the world economy that has acquired an extremely globalized structure would bear its impact on Turkey, as well.

While they followed a course that depended on the domestic political developments rather than on the volatility in the international markets during the first half of the year, the economic indicators in Turkey acted in parallel with the hard declines in the overseas markets from the third quarter onwards. In the last quarter of the year that saw increases in interest and exchange rates, the Turkish economy attained a growth that failed to meet the forecasts, and the rate of growth slipped to the lowest of the past six years.

The manufacturing industry in Turkey is still under the influence of the crisis to a large extent. Action must be taken and necessary measures must be adopted promptly in order to keep this impact that emerges via lending, exports and domestic market channels at a minimum. In order for the wheels of economy to restart turning at their normal pace, it is vital to take steps to restrict the loss of production and the expansion in unemployment, and also to regain the confidence of the consumers internally and of the investors externally.

One other reality that needs to be highlighted is the fact that no country administration will be able to fully recover from the global crisis relying on the measures adopted individually. It is of the utmost importance that the actions and steps to be taken are in alignment with the developments and ameliorations in global markets. On this axis, an agreement Turkey will reach with the IMF will constitute an important peg for sustaining the fiscal as well as the economic discipline, and also play a big part in ensuring the confidence of international investors.

*The greatest chance and structural advantage the Turkish economy had in the crisis process has been the solid stance of the financial services sector.*

Having experienced the worst economic collapse of the Republic era in 2001, Turkey introduced radical economic and financial reforms in the years that followed, thereby strengthening her economy and financial services sector. The Turkish banking sector displayed a successful performance in 2008 despite the global crisis that affected the whole world, resolutely managed the effects of the crisis, and ensured reflections on its balance sheet structure to remain limited.

## 2008 marks the onset of a new era in the Bank's history.

Evidently, such a large-scale global crisis will have repercussions that will affect the upcoming period as well. The balance sheets of the financial services sector will reflect the issues the national manufacturing industry has had since 2008. Possible deteriorations in liquidity and funding structure might result in contracted capitals, therefore leading to reduced profitability in the banking sector. While these circumstances compel companies to position themselves according to the market reality, capital strength will become at least as important as liquidity.

*Having displayed a successful performance in 2008, Eurobank Tekfen planned 2009 as a year for designing its future moves and getting ready as necessary.*

Eurobank Tekfen maintained a strong growth in its balance sheet, as well as a healthy development in its lending and deposit volumes in the first half of 2008.

In parallel with the gradually increasing effects of the global crisis on the Turkish economy in the second half of the year, our Bank strategically opted for a controlled growth policy with higher sensitivity to risks.

Giving due consideration to the new economic realities, Eurobank Tekfen defines its strategies and business plans on three main axes: Strong capital, strong management and strong customers.

### ***Strong capital***

A key indicator of an organization's financial health, capital becomes the most important strength and a weapon of defense in crisis conjunctures.

For all of our banks, whether they are backed by domestic or foreign capital, the need for securing the necessary funding by their own means was bared in 2008. I am happy to state that in 2008 Eurobank Tekfen was able to move ahead in its course and focus on the future with the confidence arising from its shareholders' continued and ever-increasing support, as well as its strong capital structure.

This is best represented in our balance sheet in the subordinated debt of TL 85 million provided by our principal shareholder in 2008; the decision taken at the end of the year to increase the capital exhibited the powerful shareholder support once again during one of the worst episodes of the crisis. These developments attest to the strength of Eurobank Tekfen shareholders as well as to their confidence in Turkey, our Bank and our business plan.

### ***Strong management***

Following the change in its shareholding structure in 2007, Eurobank Tekfen enforced its new business model and growth strategy. On another wing, our Bank intends to increase the number of its customers, raise its business volumes, and expand its deposit base within the frame of its business lines restructured based on its new organizational structure and business model launched from 2008.

In parallel with its growth targets, Eurobank Tekfen made some changes in its management team and further added to its competencies with new members who joined the Bank in 2008. The primary purpose behind the management change was to further solidify our presence in corporate and commercial banking that make up our core business, and to put into life our structuring for retail banking which we are planning to step into during 2009.

I would like to take this opportunity to welcome on board and express my best wishes to Mr. Mehmet Sönmez, my successor as the Bank's CEO, and Mr. Bülent Nur Özkan who has joined us as the Deputy CEO in 2008. Our strong management team will expertly conduct and manage our strong human resource in 2009 and thereafter, and play a major role in the achievement of our targets.

### ***Strong customers***

Eurobank Tekfen furnishes rapid and high quality services to its customers, and creates a differentiation in the sector with its business philosophy focused on customers' needs. Adopting a prudent, long-term and sustainable growth strategy, Eurobank Tekfen continues to make its choice in favor of a financially robust and loyal customer base with high growth potential when choosing its customers.

Eurobank Tekfen's synergetic service platform enables us to present the strong muscle we have in capital and management in the most appropriate manner to our strong clientele.

In the period coming, Eurobank Tekfen regards it a vital task to ensure healthy operation of its existing lending portfolio while observing profitability and productivity, and keeping a close eye on risk.

Our goal is to add to the strength of our customers who choose us as their service provider, and to support them maintain and further improve their positions in their respective sectors.

***We consider 2009 as a year posing equal importance with respect to the pricing of risk as well as its assessment, and we face the future with confidence.***

Owing to the consistent performance exhibited, Eurobank Tekfen has always taken place among Turkey's most respected banks, and set a model of sustainability in its sector with its lean strategies.

Always appreciated for the utmost care exercised for achieving compliance with the laws, and for its adherence to corporate governance practices and ethical values, our Bank was able to successfully preserve its asset quality in the volatile economic environment of 2008, and start 2009 with self-assurance.

Today, our Bank enjoys a strong capital structure, a strong management and a strong customer base. This triad encompasses the components that will enable us to sustain our organic growth, enhance our productivity, and continue our profitable growth.

Contrary to the general trend in Turkey, Eurobank Tekfen is a bank that prefers to continue doing business with a risk-appropriate price in lieu of discontinuing lending at times of uncertainty, and we are determined to strictly adhere to this attitude. In 2009 and thereafter, the outcomes of our strategy and our ongoing restructuring projects will be increasingly reflected on our financial and operational data.

I would like to thank our shareholders for the invaluable support extended under the extraordinary circumstances of 2008, to all my colleagues for their committed and hard work, and to our customers for choosing us.

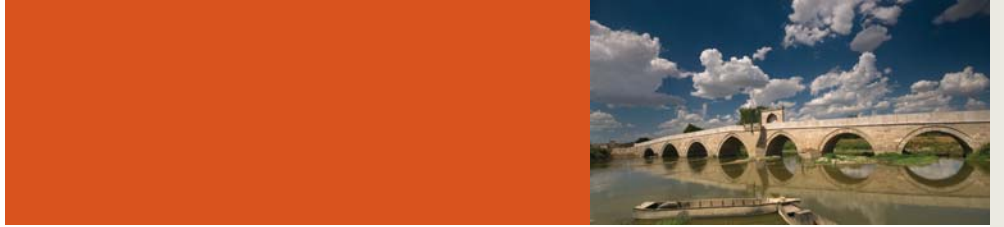
We are committed to moving ahead relying on our unchanging values, while creating value for our shareholders.

**Mehmet N. Erten**

Chairman



## Letter from the CEO



### **SARAÇHANE BRIDGE EDİRNE**

There are three big rivers flowing in Edirne: Meriç, Tunca and Arda. Many bridges were built on these rivers. One of them is Sarayhan Bridge. The Sarayhan Bridge that was constructed in 1451 has twelve arches and eleven pillars.



## Letter from the CEO

*Distinguished shareholders, customers, colleagues, local and foreign business partners*

*2008 will be recalled as a turning point in the history of the world economy.*

The global economy and developed markets are faced with an unprecedented financial crisis. Originated in the US economy and resulting from the developments in 2007 and 2008, the crisis, through its conditions, crippled the capitals of global financial institutions rendering them inadequate, and failure to ensure continuity in credit supply constituted an extremely serious threat to the global economy.

While prices plummeted sharply due to the asset sales of financial institutions, the deterioration in the financial positions of the banks in particular and financial institutions in general was striven to be stopped with the support of the public authority.

The infectious effect of the crisis was maximized by the global economic structure, resulting in developed countries to suffer from the consequences as much as the emerging ones, if not more.

Contracted demand and decreased production led to deceleration in worldwide economic growth, while primarily European countries, followed by many developed economies, designed and enforced rescue packages. As central banks resorted to interest rate cuts in an effort to mitigate the internal effects of the crisis, many countries were observed to introduce deposit guarantee.

The global crisis extended its reach to Turkey without delay, and a pronounced impact stemming from the manufacturing industry starting to be felt from October 2008. In the process, the greatest advantage of the Turkish economy has been the experience gained during restructuring that followed the crisis of 2001. The economy that strengthened since then, coupled with the restructured financial services sector, constituted the most effective defense mechanism against the global crisis Turkey was confronted with in the last quarter of 2008.

2009 will be a year that must be watched closely. The Turkish economy will be clearly exposed to pressures exerted by the possible aftershocks that may occur during the course of the year, as well as by the continued impact of the global crisis. Therefore, for rapid reconstitution of the confidence in the Turkish economy, it is critical that countermeasures and steps that will form a reference are taken forthwith.

*2008 saw realization of our growth-focused business strategy in all aspects to a great extent.*

Drawing on its;

- solid capital structure,
- competent and committed human resource,
- cutting-edge technical infrastructure,

Eurobank Tekfen resolutely progressed along the path identified for its roadmap to growth and attained major realizations. A great encouragement to us in the process at a time when the whole world was ravaged by global crisis has been our shareholders who totally fulfilled their commitments and stood by us with the financial support offered, combined with the cooperation extended within the frame of the growth plan.

***Strong performance, healthy indicators***

Eurobank Tekfen's total assets maintained their stable growth during 2008 and reached TL 3,481 million at year-end. Lending to customers engaged in different sectors increased to TL 1,113 million, up 24%. Deposits entrusted to us by our clients grew a strong 56% and went up to TL 1,796 million. As the Bank closed 2008 activity year with TL 12.4 million in net profit, consolidated profit including subsidiaries was in the region of TL 40.1 million.

A crucial point I would like to emphasize relates to the strong expansion attained in deposits. The growth in the Bank's deposits outperformed the sector average in 2008. Indicative of the confidence traditionally placed in our brand, this has contributed invaluablely to the Bank's liquidity base as well.

Eurobank Tekfen's capital adequacy ratio stood at 17.9%, serving as a clear representation of our solid financial structure.

***To offer "World-Class Financial Service"***

Our primary objective aligned with our quality understanding as expressed in our vision is to provide service to our corporate, commercial and retail customers based on a solution partner approach, and to become one of the most preferred banks.

Major progress has been achieved during 2008 with respect to further improving our delivery network, as well as our product and service range. The strategic priority of the Bank is to expand the branch network, thus attaining growth in corporate and commercial banking, small business banking and capital markets. In the volatile market conditions of 2008, Eurobank Tekfen increased the total number of its branches from 36 to 42.

Along the same line, Eurobank Tekfen fortified its sales network, and continued to win new customers through 2008. The results achieved endorse that we have taken significant distance in the sense of being a preferred bank. New links added to our product and service range lead an ever-increasing number of customers to choose us.

***Segmentation efforts continue at full speed***

Eurobank Tekfen has moved to a segmentation-based service organization.

While our focus remains on corporate and commercial banking, momentum is given to efforts aimed at the retail banking, a business line we are intending to enter in 2009. Intense efforts invested in every aspect from branch organization to products and services, from human resource to infrastructure all aim at positioning Eurobank Tekfen as one of the business partners to be most preferred by small businesses.

As we give weight to small businesses, we are also committed to maximizing our cooperation with our corporate and commercial customers. In this context, a Corporate Banking Center is planned to be set up at our headquarters so as to be able to offer the best possible service to our corporate customers.

We will continue to regard retail banking as a complementary and significant line of business that will be supported with innovative products, in which we will grow while we remain strictly loyal to our meticulous policies. In the same vein, private banking takes the foreground among the areas in which we target to win new customers and will create a difference owing to our competence in offering private service.

While securing growth, Eurobank Tekfen will continue to strictly abide by the national and international rules, legal regulations and code of ethics of the banking profession, and exercise the utmost care in sharing the added value it creates with its stakeholders.

#### ***Transformation, motivation, open communication***

Spelling out its priorities as transformation, motivation and open communication, Eurobank Tekfen backed the developments in its organization structure with a solid human resources policy.

Perceiving motivation, open communication and transformation as indispensable elements of a synergetic organization, our corporate philosophy is built on enriching our human resource and updating competencies, ultimately creating the talent pool of our growth-focused organization.

During 2008, the Bank brought its performance system into alignment with Eurobank EFG, whereby competencies were updated, and management by objectives system was set up. Equally important with respect to our human resource was the creation of work assessment and remuneration policy. The Bank placed special emphasis on the training of its human resource during 2008; a total of 18,375 hours of training were given to 1,894 participants.

Our goal is to be able to turn into an establishment that trains its human resource in the optimum manner, and possesses the capability to promote from within in response to any need of its expanding organization. In line with this objective, Eurobank Tekfen will keep making increasing investments in, and allocating more resources and time to, its human resource.

At this point, I would like to thank all my colleagues for their commitment, devotion and hard-work, without whom our performance during 2008 would be impossible to attain.

#### ***Outlook for 2009...***

Eurobank Tekfen will continue to grow and produce added value, while preserving its financial strength during 2009 which we predict as a year of many hardships. Strictly adhering to its sensitive policies, the Bank will remain by the side of its customers that produce and that maintain healthy balance sheet metrics.

Also ongoing will be the provision of value-added products formulated with novelties in corporate and commercial banking in which we enjoy a strong muscle. Retail banking is a line of business offering high potential, and as I mentioned before, we intend to grow in this segment in the near future. We will step into this business line at some of our branches by late 2009 upon completion of our structuring conducive to retail banking.

Constant preservation of our liquidity and asset quality will take place among our priorities. In this parallel, Eurobank Tekfen will sustain strong risk management practices, and keep a very close eye on the developments in national and international markets so as to modify its strategies as and when necessary.

Financial strength is as equally important and valuable to Eurobank Tekfen as profitability. We firmly believe that the Turkish economy will be among the first economies to leave behind the crisis at the end of 2009, and will embody strong opportunities for all of us. Having preserved its healthy structure also at that time, Eurobank Tekfen will keep producing value for all, and continue confidently climbing up the ladder in its sector with the strength derived on its robust capital structure, competent and committed human resource, and advanced technical infrastructure.

I would like to take this opportunity to express my gratitude to our customers, business partners and correspondent banks for holding their trust in Eurobank Tekfen.

**Mehmet Sönmez**

Chief Executive Officer



## An Assessment of 2008 and Outlook for 2009



### **COŞANDERE BRIDGE MAÇKA-TRABZON**

Coşandere Bridge was built in Ottoman Empire Era in the 19<sup>th</sup> Century. It's the most famous arched stone bridge of the area. Stone workmanship of the bridge is fantastic.

## An Assessment of 2008 and Outlook for 2009

*Defying the extraordinary circumstances of 2008, Eurobank Tekfen registered a 27% growth.*

Defying the extraordinary market conditions of 2008, Eurobank Tekfen maintained its growth performance, augmenting its transaction volumes and adding new customers to its portfolio in various business lines.

- Characterized by strict and risk-focused adherence to the growth strategy introduced following the shareholding structure change that took place in 2007, 2008 saw 27% expansion in Eurobank Tekfen balance sheet.
- As a result of the stable and uninterrupted growth attained in the past two years, Eurobank Tekfen's balance sheet volume attained a scale that will support the Bank's new business model and growth targets.
- In the year under review, Eurobank Tekfen kept its focus on large corporations, and continued to be preferred by its customers for its strong treasury management activities, as well as for its expertise in foreign trade.
- Eurobank Tekfen reorganized its treasury management activities and increased its transaction volumes.
- Despite the negative conditions that dominated the market and the sector, leasing, factoring, cash management and trade finance continued to be the key components on Eurobank Tekfen's product range.

### *Expanding service network, growing customer base*

Eurobank Tekfen's credit and deposit customer bases developed in 2008.

At the end of 2008, the Bank had 8,384 credit customers and 5,857 time deposit customers. Bringing service to its customers via its 42 branches across the country, Eurobank Tekfen opened Bağcılar, Ümraniye, Maslak, Mecidiyeköy, Balgat, and Çorlu branches in 2008.

Setting itself apart with its business approach concentrated on customers' needs, Eurobank Tekfen aims to achieve greater depth in customer relations owing to the rapid service, high quality and expertise it presents, and thus, become the reference bank in the market. Based on the new business model and reorganization started to be developed and implemented since 2008, the Bank intends to take sure-footed steps towards its growth targets, increase the number of its customers in different segments, augment its business volumes, and expand its deposit base.

### *A year of solid results in corporate and commercial banking*

Having embarked upon a strong growth process with the shareholding structure that changed in 2007, Eurobank Tekfen continued to win new corporate and commercial customers, and significantly enlarged its credit volume under the tough market conditions of 2008.

Eurobank Tekfen works with our country's leading multi-national and national companies, and enjoys a solid background and experience in this segment. In addition to investment banking products and services, the Bank offers diverse products to its customers including project finance, structured foreign trade finance, syndicated facilities and club loans, while debt capital market products make up a significant line of business for the Bank.

Establishing cooperation also with regional offices of large conglomerates, suppliers and intermediary companies, Eurobank Tekfen employs cross-marketing techniques in the marketing of its corporate banking products.

In a market inflicted with global crisis, the Bank attached even greater importance to risk management, and exercised much more care in lending activities. With loans extended along this line, the Bank continued to respond to the needs of its corporate customers in a rapidly changing market, and maintained its uninterrupted support.

#### ***24% growth in cash loans in 2008***

Total amount of loans extended by Eurobank Tekfen to its customers rose to TL 1,113 million in 2008. The Bank achieved 24% and 79% growth in cash and non-cash loans, respectively.

Ratio of Eurobank Tekfen's non-performing loans (excluding those with cash collateral) was 3% in total loans covering cash and non-cash loans. In 2008, Eurobank Tekfen continued to fully conform to all provisioning policies stipulated by the law for non-performing loans.

No major changes occurred in the breakdown of loans on the basis of sectors in 2008, and credits extended to manufacturing industry and services sector once again made up the significant part of the Bank's lending portfolio.

#### ***SMEs still Eurobank Tekfen's priority***

The backbone of the economy, the SMEs remained the primary target customers of Eurobank Tekfen also in 2008. The Bank continued to provide this customer segment with various solutions ranging from short-term credit facilities to leasing, from factoring to trade finance.

Servicing the SMEs that have a crucial place in national economy drawing on its deeply-rooted experience in the market and its robust service platform, Eurobank Tekfen attained growth in the number of customers and in lending volumes, a result contributed to by the six new branches opened during 2008.

Within the scope of the new business model launched, the Bank targets to reach more SMEs and to grow also in this segment in 2009 and thereafter.

#### ***275% growth in factoring turnover***

In keeping with its revised strategic priorities, Eurobank Tekfen started offering factoring services to its customers in 2007. Having become a member of the FCI that same year, the Bank achieved a staggering expansion of 275% in its factoring transaction volume in 2008.

Eurobank Tekfen's total factoring turnover of EUR 87.3 million for the reporting period consisted of domestic factoring worth EUR 37.9 million, and export and import factoring worth EUR 49.4 million.

Persevering with its healthy expansion also in 2008, the branch network played a major part in the provision of factoring products to a higher number of customers and in augmenting the transaction volumes. Proactive marketing efforts and a service approach focused on customers' needs added momentum to the expansion of the base of customers furnished with factoring.

More heavily working with multi-national and corporate companies in the factoring business line, Eurobank Tekfen will keep growing its total transaction volume and presenting factoring as a key product within its rapidly growing and developing service platform.

***To respond to the correctly defined need with the correct product***

Eurobank Tekfen's redefined approach to service is based on a thinking and action structure focused on customers' needs.

The goal of the Bank is to achieve differentiation in the market by virtue of speed and high quality.

Aiming to bring service to customers wherever they are, Eurobank Tekfen redesigned its business model during 2008, and started making the necessary modifications to its organizational structure accordingly. The objective of the reorganization is basically to position all specialties under a single roof and to fulfill customer needs with rapid, high quality and correct responses. Under this structure, the headquarters, branches and other channels will function as parts of a large service platform and embody diverse competencies.

Under the business model aiming to bring service to wherever the customers are, the Bank currently carries out projects targeting to comprehensively update and upgrade its product line, business processes, and information technology infrastructure.

Eurobank Tekfen will be offering service to its customers in the corporate segment via the Corporate Banking Center to be set up under the headquarters within the scope of the reorganization. Customers in the commercial segment will continue to receive service via the branches intended to be affiliated to three Regional Offices to be formed within the framework of the branch service model. The reorganization will be brought to completion during 2009.

Eurobank Tekfen aims to achieve a healthy expansion in its customer base and greater depth in customer relations by virtue of its new business model and reorganization. Once attained, the greater depth will bring along high customer loyalty, thereby helping Eurobank Tekfen to reinforce its identity as a reference bank.

***Retail banking: a business line offering great potential***

Turkey offers a significant potential in retail banking with her young population, growing economy, low penetration ratios, cross-marketing possibilities and strong deposit potential.



Eurobank Tekfen considers retail banking as an area for growth.

The target audience identified by the Bank in retail banking consists of small and micro businesses, and high-income-earning and wealthy individuals. Within the scope of reorganization efforts planned for 2009, the Bank intends to complete its branch, product and human resource projects directed towards retail banking, and aggressively offer service in this segment in the last quarter of the year. In this context, Eurobank Tekfen targets to transform seven of its existing branches into mixed branches and to open four retail branches during 2009.

#### ***Consistent gains in private banking segment***

Eurobank Tekfen further improved its service offering in the private banking segment in 2008.

Offering custom-designed products and services to high net-worth individuals, Eurobank Tekfen undersigned activities that served to ensure customer satisfaction in capital markets and treasury transactions, based on its in-depth know-how, experience and strong researching competencies in the volatile and tough market environment in 2008.

Targeting to enrich its private banking product range with structured treasury products and various investment funds, the Bank continued its synergetic collaboration with its subsidiary EFG İstanbul Securities. Eurobank Tekfen offers investment alternatives that best fit a customer's risk profile with type B funds, as well as type A funds that represent a new addition to its portfolio.

#### ***Rock-solid business relationships in international markets***

Eurobank Tekfen possesses an extensive network of correspondent banks.

Representing a traditional strength of the Bank, financial institutions and trade finance services continued to constitute added value for the Turkish economy and for our customers also in 2008. Throughout the year, the Bank kept offering the services its customers needed with respect to foreign trade on the basis of a high quality and solution-oriented approach, and supported the economic activity of its clientele by credit facilities secured from the international market.

In 2008, Eurobank Tekfen avalized EUR 276.1 million foreign working capital loans of its clients. The Bank intermediated foreign trade transactions amounting to EUR 964.6 million in 2008.

Not getting involved in syndication markets in line with its solid and sustainable funding strategy, Eurobank Tekfen enjoyed the advantage of a healthy financing structure under the volatile and variable market conditions in 2008.

Declared as D- by Moody's, Eurobank Tekfen's FSR remained unchanged.

#### ***Increased efficiency in treasury and capital markets***

Despite the crisis conditions that developed in global markets in 2007 and 2008, Eurobank Tekfen left behind a successful year in treasury and capital markets.

The Bank's reorganization efforts in 2008 also covered restructuring of the Treasury and Capital Markets Group with a focus on rapid and efficient service.

The key gain and novelty of the year was the realization of treasury sales capability. The treasury sales capability was developed within the frame of an organization that directly contacts the customers and responds to their financial needs, and customers were offered service on a broad range from foreign currency transactions to derivatives and structured transactions.

During the year, significant increase was achieved in the number of customers benefiting from treasury and capital markets products and services, while expanded volume was attained in trading transactions, both with customers and in interbank markets.

#### *Headlines from 2008 transaction volumes...*

- In 2008, Eurobank Tekfen was accountable for transactions with a total worth of USD 11.4 billion in the foreign currency markets.
- Transactions in the bond market reached TL 18.6 billion.

Eurobank Tekfen is determined to increase its efficiency in the treasury and capital markets in line with its new business model. The business approach focused on customers' needs will support growth in the treasury and capital markets, as well. The Bank's revised treasury management infrastructure and enriched product range will increase customer activities and give greater depth to relationships.

As they will be put into action, Eurobank Tekfen's growth plans will also drive improvement in treasury sales, expansion in customer transaction volumes, and contribution of treasury activities to the Bank's revenue base.

#### *Continued outperformance of the sector average in growth of deposits*

Eurobank Tekfen's deposits base registered a growth that outperformed the sector's average once again in 2008. While TL deposits grew 92% and rose to TL 1,191 million, foreign currency deposits went up 14% to TL 605 million. Standing at TL 1,796 million at year-end, total deposits took 52% share in the balance sheet.

The growth attained in spite of the global crisis is indicative of the confidence held in the Bank. With the expansion in deposits, Eurobank Tekfen not only outdid the sector's average, but also increased its market share at a time of severe competition.

#### *Priority topic of information technology: changing the core banking system*

Eurobank Tekfen is in the process of changing its main banking system in line with its new business model. Targeting to offer fast and quality service to a greater number of customers while sustaining its organic growth under the new structuring, the Bank will arrive at the decision-making phase with respect to changing the main banking system in the first quarter of 2009.

The project, which will serve to the objective of an efficient and secure centralized operation, is slated for completion in the second quarter of 2010.

On another wing, a number of projects necessitated by the infrastructure went live during 2008 within the frame of the Bank's IT activities. All IT infrastructure requirements needed by the reorganized headquarters units and the six new branches were fully satisfied.

***To thoroughly equip the human resource for the new business model***

Eurobank Tekfen had a busy year with respect to human resources.

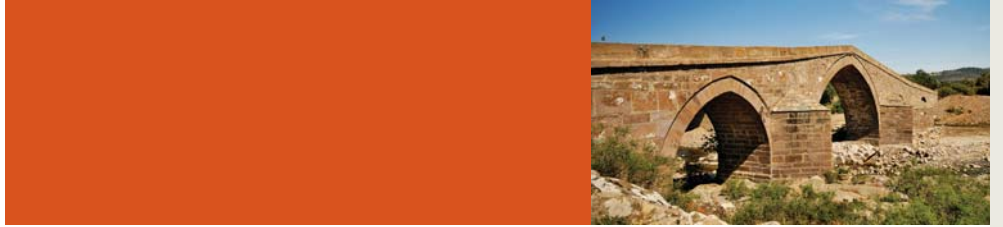
Having 661 people on its payroll at the end of the year, Eurobank Tekfen's focus in human resource activities during 2008 were on:

- Transition to and alignment with the new business model,
- Realization of radical changes in a series of areas from HR policies to processes,
- Increasing the competencies of its human resource through intensive training programs,
- Formation of the talent pool.

***Highlights from the activities concerning human resources:***

- Under the project for development of the performance management system, the top priority was bringing the system into alignment with Eurobank EFG and updating the competencies. The system that was structured was successfully implemented in 2008 performance appraisals; the second big step of the project was the establishment and introduction of the management by objectives system.
- Another important topic under Eurobank Tekfen's initiatives in HR practices was the creation of the work assessment and remuneration policy. The remuneration model developed in the light of the findings of the salary survey report by Hay Group was completed and introduced in the last quarter of 2008.
- Another initiative brought to finalization during 2008 was the Bank Training Management Model. In this frame, training needs for 2008 and 2009 were analyzed, training programs addressing the needs were identified, and trainings were designed on the basis of priorities. In 2008, priority was given to completing the trainings of branch sales teams. The Bank hired 44 management trainees for branch sales positions, who were placed in branches upon completion of the training process.
- HR actions were put into life, in line with the outcomes of the employee satisfaction survey conducted in 2007. Giving great importance and priority to the continuity of its human resource, the Bank presented its employees with advantageous products in 2008 so as to further enhance employee loyalty.
- Implementing training programs intensely within the scope of the training management model, the Bank provided 4 days of training per person in 2008. Eurobank Tekfen offered a total of 18,375 training hours to 1,894 participants.

## EFG Leasing



### **BEHRAMKALE BRIDGE ASSOS-ÇANAKKALE**

Behramkale Bridge is an old, historical Ottoman bridge in Assos. It's built in the 14<sup>th</sup> Century. Pointed arches, eyes next 7 meters, 15 meters in the middle eye.

## EFG Leasing

EFG Leasing pursued a policy that was parallel to that of Eurobank Tekfen's in 2008, and continued to support the SMEs in particular, and customers that actively produce, provide employment and export, in general.

EFG Leasing reaches and serves its customers via its direct marketing team, as well as through Eurobank Tekfen branches scattered around Turkey. The Company has built long-standing customer relationships in numerous sectors including construction, manufacturing, agriculture and medicine. EFG Leasing stands out especially with the support it extends to investments in technology. EFG Leasing undersigned a number of large-scale important projects, in keeping with its business volume that has been growing and developing ever since its inception.

While the Company's number of active customers increased to 254 at end 2008, the net investment amount increased by 72.9% from EUR 24.4 million to EUR 42.2 million. The number of contracts increased by 59.6% in the same period, from 213 to 340. The net investment per personnel reached EUR 3.0 million in 2008.

The Company's market share reached 1.3% in 2008.

Drawing upon its rock-solid shareholding structure and international expertise, EFG Leasing will keep financing the investors from different sectors in a rapid, effective and efficient manner.

## EFG İstanbul Securities



### **ÇOBANDEDE BRIDGE PASINLER-ERZURUM**

It is a seven arched bridge constructed towards the end of the 13<sup>th</sup> Century by a vizier called Çoban Saltuz during the reign of Ilhanids. It is not being used at the moment.

## EFG İstanbul Securities

EFG İstanbul Securities is one of Turkey's leading investment houses that provides service in the following areas:

- Intermediation in İstanbul Stock Exchange and Turkish Derivatives Exchange transactions
- Corporate finance
- Market and macroeconomic research
- Asset management

### *Corporate Sales:*

In 2008, EFG İstanbul Securities had an outstanding performance in the İstanbul Stock Exchange and the Turkish Derivatives Exchange. 2008 market shares have been summarized in the following table:

<i>Market</i>	<i>Transaction Volume</i>	<i>Market Share (%)</i>	<i>Ranking</i>
İstanbul Stock Exchange	TL 15,660 million	2.4	14th
Turkish Derivatives Exchange	TL 32,212 million	8.5	2nd

### *Corporate Finance:*

The corporate finance team provides the following services:

- Mergers and Acquisitions
- Divestments and Strategic Partnerships
- Privatizations
- Private Equity Sales
- Public Offerings
- Corporate Restructuring Advisory
- Public Tender Calls

In 2008, the Company undersigned important projects including advisory to Kocaeli Municipality in İzgaz privatization, buy-side advisory to Italcementi Group's energy company Italgem in its acquisition of Bares Elektrik and buy-side advisory in Hellenic Petroleum's acquisition of Opet Aygaz's Bulgaria participation.

### *Research:*

Formed of well-known and reputable economists and analysts, the qualified research team analyzes sectors and companies of a wide range and supports corporate sales and corporate finance activities.

### *Asset Management:*

The Company with its experienced team aims to generate for its clients the return based on their risk preferences via simple, transparent investment products and services with pre-determined targets.

EFG İstanbul Asset Management manages EFG İstanbul Securities' investment funds as well as the investment funds that Eurobank Tekfen A.Ş. is the founder of. The Company also provides private Portfolio Management services to individuals and institutions.

### *Information Related to Personnel and Branch Number, Evaluation of the Bank's Positioning in the Sector*

The Bank's market shares in the sector in terms of key indicators are presented below:

<i>TL million</i>	<i>December 2008</i>		
	<i>Eurobank Tekfen</i>	<i>Sector*</i>	<i>The Bank's Share</i>
Total Assets	3,481	732,749	0.48
Cash Loans	1,020	367,609	0.28
Deposits	1,774	454,600	0.39
Number of Branches	42	9,250	0.45
Number of Employees	661	182,100	0.36

\* Source: BRSA (Banking Regulatory and Supervision Agency)

While the Bank's market share remained stable in cash loans, it achieved increased shares in all the other items.

### *R&D practices relating to new services and activities*

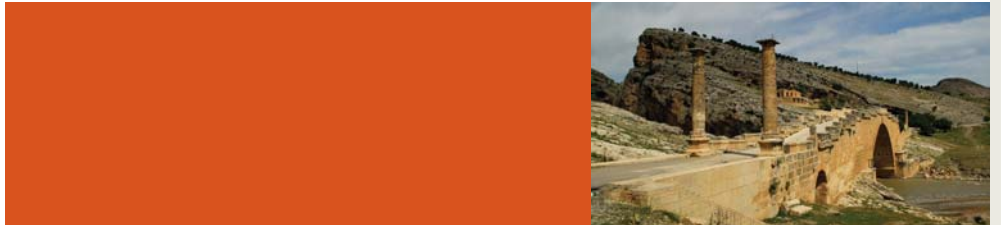
In 2008, all centralized operations workflows have been started to be supported by process and document management. Work on implementing the same infrastructure for loan allocation workflow has been started and planned to be finalized in the second quarter of 2009.

The first phase of datawarehouse and business intelligence project that started in the third quarter of 2008 was finalized and the project will continue in 2009 with other phases.

In order to support its growth targets, the Bank launched the banking platform revision project in 2009.



# Management and Corporate Governance



## **CENDERE BRIDGE ADIYAMAN**

Cendere Bridge is 55 km from Adiyaman, over the Kahta creek, it is one of the oldest bridges known in the world and still in use. It is constructed of 92 stones each weighing about 10 tons. The three columns, two at one end and one at the other, are 9-10 metres in height.

# Board of Directors and Executive Management

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*Names & Surnames, Terms of Office, Area of Responsibility, Academic Backgrounds and Professional Experience of the Chairman of the Board of Directors, Directors, Members of the Audit Committee, President and Vice Presidents, and Heads of the Units Under Internal Systems*

<i>Title</i>	<i>Name &amp; Surname</i>	<i>Position</i>	<i>Date of Appointment to Office</i>	<i>Academic Background</i>	<i>Experience in Banking or Business Administration Prior to Appointment to Office (Years)</i>
Chairman and members of the Board of Directors:					
	Mehmet Nazmi Erten	Chairman	17.07.2008	Bachelor's degree	29
	Prof. Dr. Nikolaos Karamouzis	Vice Chairman	16.03.2007	PhD	23
	Piergiorgio Pradelli	Director	16.03.2007	Bachelor's degree	12
	Evangelos Kavvalos	Director	16.03.2007	Master's degree	19
	Paula Hadjisotiriou	Director	16.03.2007	Bachelor's degree	31
	Georgios Marinos	Director	16.03.2007	Master's degree	27
	B. Elif Bilgi Zapparoli	Director	16.03.2007	Master's degree	16
	Dr. Ahmet İpekçi	Director	17.07.2007	PhD	26
	Assoc. Prof. Osman Reha Yolalan	Director	30.03.2006	PhD	15
	Aikaterini Delikoura	Director	29.01.2007	Master's degree	16
	Mehmet Gani Sönmez	Director & CEO	26.09.2008	Bachelor's degree	26
CEO:					
	Mehmet Gani Sönmez	Director & CEO	14.07.2008	Bachelor's degree	26
Executive Vice Presidents:					
	Bülent Nur Özkan	Senior Executive Vice President	17.11.2008	Bachelor's degree	21
	Fedon Hacaki	Credit	10.09.2007	Master's degree	16
	Ayşe İdil Kural	Financial Control and Budget Planning	17.01.2008	Bachelor's degree	12
	Haldun Sevinç	Commercial Banking	05.07.2004	Bachelor's degree	14
	Fatma Aliye Atalay	Private Banking	01.05.2005	Master's degree	15
	Ahmet Türkselçi	Human Resources	01.11.2007	Bachelor's degree	23
	Esra Aydın	Operations	01.08.2007	Bachelor's degree	16
	Mutlu Akpara	Treasury and Capital Markets	08.08.2007	Master's degree	11
	Hüseyin Cem Öge	Large Corporate and Structured Finance	22.08.2007	Master's degree	13
	Cihan Vural	Internal Control and Audit	03.11.2008	Bachelor's degree	13
	Soner Ersoy	Information Systems	12.01.2009	Bachelor's degree	12
	Şebnem Dönbeği	Retail Banking	02.01.2009	Master's degree	15

*Changes in the Bank's Directors and Executive Management During 2008 and Until the Reporting Date:*

***Board of Directors:***

***Appointments:***

Board director Mehmet Nazmi Erten was appointed as the Chairman of the Board of Directors on 17 July 2008.

Mehmet Gani Sönmez who was appointed as the CEO on 14 July 2008 was also appointed as board director on 26 September 2008.

Dr. Ahmet İpekçi was appointed as board director on 17 July 2008.

Aikaterini Delikoura was appointed as board director on 29 January 2007.

***Resignations:***

CEO and Board Director Mehmet Nazmi Erten left his position as the CEO effective 14 July 2009.

Dr. Mehmet Ercan Kumcu who was acting as the Chairman of the Board of Directors resigned on 11 July 2008.

Board director Derya Tamerler resigned from board of directors on 26 September 2008.

Board director Fedon Hacaki resigned from board of directors on 16 December 2008.

***Executive Vice Presidents:***

***Appointments:***

Cihan Vural was appointed as executive vice president responsible for internal control and audit on 3 November 2008.

Bülent Nur Özkan was appointed as senior executive vice president on 17 November 2008.

Şebnem Dönbekçi was appointed as executive vice president responsible for retail banking services on 2 January 2009.

Soner Ersoy was appointed as executive vice president responsible for information systems on 12 January 2009.

***Resignations:***

Derya Tamerler who was appointed as the senior executive vice president on 24 June 2004, resigned on 26 September 2008.

Kemal Yıldız who was appointed as the executive vice president responsible for credits on 14 February 2000, resigned on 25 January 2008.

Berrin Korkmaz Walraven who was appointed as the executive vice president responsible for information systems on 15 August 2001, resigned on 16 December 2008.

***Terms of Office and Professional Experience of Statutory Auditors***

***Statutory Auditors***

<i>Name &amp; Surname</i>	<i>Position</i>	<i>Date of Appointment to Office</i>	<i>Academic Background</i>	<i>Experience in Banking or Business Administration Prior to Appointment to Office (Years)</i>
Hakan Dündar	Statutory Auditor	17.07.2008	Master's Degree	10
Dr. Ahmet Burak Emel	Statutory Auditor	16.03.2007	PhD	12
Firdevs Sancı	Statutory Auditor	16.03.2007	Bachelor's Degree	28

# Committees and Human Resources Practices

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*Activities of the Credit Committee and of the Committees Reporting to, or Set up to Assist, the Board of Directors Under Risk Management Systems Pursuant to the Regulation on Banks' Internal Systems, and the Names, Surnames and Principal Duties of the Heads and Members Serving on These Committees*

**Credit Committee**

The Credit Committee undertakes the assessment of credit proposals and revisions thereto, within the framework of the authority granted by the Board of Directors. The lines of credit that will be under the authorization of the Credit Committee are set in the budget that is enforced upon approval of the Board of Directors each year. The authorization limit for the Credit Committee for 2008 was set as EUR 6 million. If it is so deemed appropriate, the Credit Committee refers credit proposals beyond its authorization limit to the Board of Directors.

The Committee is briefed on credit proposals and credit risks by the Credits and Marketing Groups and keeps the Board of Directors informed regularly. The head of the Committee is Mehmet N. Erten, the chairman of the Board of Directors. The Bank's CEO Mehmet Gani Sönmez and board directors Fedon Hacaki and Georgios Marinos serve as members of the Committee. The Committee meets once a week.

Fedon Hacaki resigned from his responsibilities as a board director and credit committee member on 16 December 2008. Aikaterini Delikoura was appointed as a board and credit committee member on 11 February 2009.

## Internal Systems Organizational Function Groups

<i>Name &amp; Surname</i>	<i>Area of Responsibility</i>
Assoc. Prof. Osman Reha Yolalan (1)	Board Director Responsible for Internal Audit and Risk Management
Cihan Vural (2)	Vice President Responsible for Internal Audit and Control
M. Celal Özel	Head of Internal Audit
İsmail Alev (3)	Head of Internal Control
Esra Işıkara (3)	Head of Compliance
Ferudun Canbay	Head of Risk Management Group

(1) In line with BOD decision dated 17 July 2008, Assoc. Prof. Osman Reha Yolalan has been appointed as the board director responsible for Internal Audit and Risk Management.

(2) In line with BOD decision dated 23 October 2008, Cihan Vural has been appointed as executive vice president responsible for Internal Audit and Control.

(3) As per the Board of Director's resolution dated 29 January 2009, in line with the Regulation on the Programme for Compliance with the Obligations regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism published on official gazette dated 16 September 2008 and also in line with EFG Group standards, Internal Control and Compliance Department has been separated into Internal Control and Compliance Departments. In this context, İsmail Alev has been appointed as the head of internal control and Esra Işıkara has been appointed as the head of compliance reporting directly to the Audit Committee.

The actions taken by the Bank with regard to its Internal Systems Organizational Structure are presented below, within the scope of the “Regulation on Bank’s Internal Audit and Risk Management Systems” issued by the Banking Regulation and Supervision Agency (BRSA) and published in the Official Gazette dated 1 November 2006 and numbered 26333.

Assoc. Prof. Osman Reha Yolalan has been appointed as the board director responsible for Internal Audit and Risk Management to replace Mr. Ercan Kumcu. Accordingly, the organization covers the Risk Committee functioning independently and reporting directly to Assoc. Prof. Osman Reha Yolalan, the Risk Management Group reporting to the aforesaid Committee, and the Credit Control Division, Market Risk Unit and Operational Risk Unit under the latter. Within 2008, in the context of the Bank’s growth and restructuring strategy, the Internal Audit and Control Group directly reporting to the Audit Committee has been formed. Internal Control and Internal Audit departments continue their efforts under this group.

## Audit Committee

According to the BRSA Regulation on Banks’ Internal Systems, the Audit Committee is responsible, on behalf of the Board of Directors, for the establishment and monitoring of adequate and effective internal systems at the Bank and its affiliates subject to consolidation.

Assoc. Prof. Osman Reha Yolalan was appointed as the Head of the Audit Committee on 17 July 2008. Ms. P. Hadjisotiriou and Mr. P. Pradelli serve as members on the Audit Committee. Within the scope of the Bank’s growth and reorganization strategy in 2008, the Internal Audit and Control Group has been set up. Risk Management and Internal Audit and Control Groups functionally report to the Audit Committee.

## A. Risk Management System

The Risk Management System has been set up to regulate the definition, measurement, exploration, reporting, analysis, monitoring and auditing of the risks involved in all aspects of the banking activities, subject to the principles established jointly by the Bank’s executive management and the Risk Management Group, and approved by the Board of Directors.

Primary roles and responsibilities of the Risk Management are described below in general terms:

- Within the scope of risk monitoring and analysis; monitoring the data relating to positions and prices, monitoring exposures, defining and monitoring limits, summarizing and reporting exposures;
- Within the scope of quantification or analytic analyses; designing new quantification or analytic models and testing the new models developed;
- Within the scope of modeling; developing risk analysis tools and techniques of the new models for the system, maintaining historical or past data that have been subject to feedback;

- Within the scope of system development and integration; upgrading the infrastructure so as to support execution of transactions; incorporating inputs from other systems, automation of data deletion, clearing and conversion, developing databases that will support the use of risk-related data and information;
- Controlling the consistency of outputs pertaining to risk management models used;
- Assessing the risks identified by the Board of Directors within the scope of internal control function;
- During risk measurement phase; identification of the risks faced by the Bank through quantification or analytic methods using measures and criteria to be set by the relevant risk committees.

Furthermore, the executive management and the Risk Management Group evaluate the profit and loss status of key operation units at the Bank with due consideration of risk/return balance.

Primary roles and responsibilities of the Risk Management Group are clearly set by the Bank, and these units duly perform such duties and responsibilities.

The constituents of the Risk Management Group are described below:

#### ***1) Risk Committee***

The Risk Committee consists of the board directors responsible for Internal Audit and Risk Management Head.

Primary roles and responsibilities of the Risk Committee are described below in general terms:

- Approval of Strategic Risk Management decisions (such as local risk appetite, capital allocation and risk management structure) and qualitative and quantitative monitoring of Market, Liquidity, Credit and Operational Risks.

#### ***2) Risk Management Group***

The Group is assigned with the coordination among the Credit Control Division, Market Risk Unit and Operational Risk Unit reporting to it, and presentation of the results of their works to the Risk Committee for their review.

The roadmap for the transition to Basel-II is being drawn up and work is ongoing parallel to the BRSA roadmap. The Group satisfies the necessary coordination and legal reporting requirements in accord with the roadmap.

##### ***a) Market Risk Unit***

Market Risk Unit consists of one manager and one assistant specialist who are tied directly to the bank's risk management team.

The chief objective of the Market Risk Unit is to monitor and analyze the market risks that the Bank and affiliates subject to consolidation are, or might be, jointly exposed to, and to create and report risk policies and implementation procedures.



In terms of compulsory external reporting, the Unit submits consolidated and unconsolidated market risk reports to the BRSA on weekly, monthly and quarterly periods, which are prepared by standardized approach.

The Bank employs the standardized approach in the calculation of the Value at Risk (VaR) for the market risk for legal reporting. Regarding the standardized approach not an adequate measurement methodology, the Bank will begin calculating the Value at Risk also using the internal model upon introduction of the Risk Metrics and Kondor + software at the Bank.

The Unit undertakes interest-sensitivity and liquidity gap analysis of balance sheet items in order to track interest rate and liquidity risks. Based on these efforts, maturity mismatches in relation to credits and deposits are monitored and reported. Additionally, interest and exchange rate scenario analyses have also been commenced for credits and deposits portfolios.

The Unit, in cooperation with the Credit Risk Committee, also reports current risk data to the Board of Directors on a biweekly basis.

In addition to the above mentioned works, the Unit, as a sub-body of the Risk Committee and presided by the Director responsible for Internal Audit and Risk Management System, works in coordination with the Credit Control Division, Internal Control Center and the Internal Audit.

#### ***b) Credit Control Division***

The Credit Control Division consists of Credit Reporting, Credit Monitoring and Credit Audit Units reporting to the Risk Management Group.

The purpose of the Credit Control Division is to monitor, measure and report the risks the Bank may be exposed to due to any customer's failure to partially or fully perform his/her contractual obligations, and thus to contribute to risk-sensitive capital management.

While the work is ongoing in credit reporting, coordination is established with the IT in relation to systemic improvements. The Credit Control Division provides information flow on the Bank's current position and performance direction to the Executive Management, through regular monitoring of all stages of the lending activities, and regular and frequent reporting of credit limits and risks on the bases of collaterals, sectors, geographical regions, and internal rating scores, and also makes proposals for the identification and improvement of hitches and vulnerabilities in the lending system, as and when necessary.

The Credit Control Division monitors the entire corporate and personal credit portfolio using a proactive method, communicates credits with potential problematic nature, which are identified through early warning signals, to the relevant management, works toward taking necessary action therefore, and functions so as to minimize the Bank's possible loss.

The Credit Control Division also works on improving the new risk rating system for corporate credits, which is put in place.

Work is ongoing on project-basis to set up an accounting system for Basel-II credit risk capital adequacy measurement.

The Credit Audit Unit performs on-site reviews of branch credit portfolios including the changes in the customers' credibility and reports potentially problematic changes.

#### *c) Operational Risk Unit*

The Operational Risk Unit reports to the Risk Management Group.

The work is initiated to set up a database for operational risk quantification. So far, operational risk categories were developed based on the BIS standards, and sub-categorization of the incidents that might be confronted with was completed.

Work is ongoing for maintaining and improving the Bank's Contingency Plan. Written procedures have been formulated regarding the maintenance of the Bank's information technology systems and data back-up, and the necessary contingency service has been purchased.

#### *Meeting Frequencies of Committees:*

As defined in the Bank's Risk Policies document, the Risk Committee meets at least four times a year, and the Risk Coordination Committee meets biweekly. The Risk Coordination Committee is set up in order to determine joint actions in relation to Internal Audit, Internal Control and Risk Management issues. The meetings held by the group are called Risk Coordination Committee meetings. Participants are the board director responsible for Internal Audit and Risk Management (as the chairman), Head of Asset/Liability Committee, Senior Executive Vice President, Head of Risk Management Group, Head of Internal Audit and Control, Head of Internal Audit Division, Head of Internal Control Department and Head of Compliance. Heads of the Credit Control Unit, Market Risk Unit and Operational Risk Unit also attend these meetings when necessary.

## **B. Internal Audit and Control Group**

Internal Audit and Control Group consists of Internal Audit and Internal Control units. Heads of Internal Audit and Internal Control groups report directly to the vice president responsible for Internal Audit and Control who directly reports to the Audit Committee.

### **B.1. Internal Audit**

Internal Audit consists of branch and headquarters audit divisions. Internal Audit, by carrying out audits in the Bank's branches, headquarter divisions and subsidiaries, aims to provide assurance to the Bank's top management that the Bank's operations are in compliance with the laws and other legislations, the Bank's strategy, policy and procedures and that the Bank's internal control and risk management systems are effective and adequate.

In this context, all banking activities are investigated and audited on a risk focused approach and it is targeted to add value to the Bank by providing vision and suggestions for the formation of preventive measures, for the protection of Bank's assets and for increasing operational efficiency.

The audit reports, that are a result of the audits performed in the branches, headquarter divisions and subsidiaries in line with the risk focused annual audit plan, are submitted to the relevant divisions, top management and Audit Committee to ensure the taking of necessary actions.

## B.2. Internal Control

The Internal Control Unit reports to the Audit Committee and the Board of Directors via the vice president responsible for internal audit and control.

The vision of the Internal Control Unit is to provide the executive management and the Board of Directors with an objective assurance on the Bank's operations within the framework of generally accepted professional standards and work ethics, so as to enhance the effectiveness of corporate governance and improve the Bank's operational productivity.

Physically, the Internal Control Unit is set up under the Headquarters organization. Control activities of the Internal Control Unit are carried on with a special focus on lending, deposit collection, treasury, and capital market transactions from amongst the Bank's functional activities. The Internal Control Unit oversees the transactions in these and other fields with respect to their conformity with the Bank's policies, implementation procedures, limits and internal regulations via central control methods working on the information technology system, on a daily basis and at various other intervals.

Any problem identified is regularly reported to the Board of Directors via the relevant branch, department, executive management and the Audit Committee, and the actions taken are followed-up. Further, the Internal Control Unit provides comments for the correction of elements that are determined to present risks in general workflows and practices.

## C. Compliance

The compliance unit reports to the Board of Directors via the Audit Committee.

In 2008, the responsibilities such as know your customer and customer identification, reporting suspicious transactions and related personnel training that arise from the Regulation on the Programme for Compliance with the Obligations regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism have been fulfilled. The work continued for the finalization of the Bank's know your customer and anti-money laundering policy and procedures.

*Attendance of Board Directors and Members of the Audit and Credit Committees and Members of the Committees Reporting to, or Set up to Assist, the Board of Directors Under Risk Management Systems Pursuant to the Regulation on Banks' Internal Systems to the Relevant Meetings Held During the Fiscal Year*

The Board of Directors convenes monthly. The provisions of the Turkish Commercial Code are adhered to in relation to the quorum for Board of Directors meetings.

As defined in the Bank's Risk Policies document, the Risk Committee meets at least four times a year, and the Risk Coordination Committee meets biweekly. Individual risk committees perform their day-to-day activities under the leadership of the Head of the Bank Risk Committee.

The participation of Board Directors and committee members to relevant meetings was at a sufficient level.

### *Human Resources Practices*

#### *Human Resources Policy*

- Formulating contemporary, participative human resource policies and programs to support our target of achieving growth in the sector,
- Ensuring recruitment of competent and result-oriented human resource in line with the Bank's goals and strategies,
- Contributing to the enhancement of the Bank's performance by rewarding superior performances,
- Gearing up our employees who are trained within the corporate culture and specialized in their careers for managerial positions, thus fortifying our corporate culture,
- Assuring employee satisfaction through proactive human resources practices and building an efficient and highly motivated organization.

#### *Training Policy*

- Ensuring that training is regarded as an investment by the Bank and making sure that training plays a part in achieving the Bank's business targets,
- Extending the training and development support required to enhance the employees' performances in line with the Bank's strategy, business targets and mission,
- Guaranteeing that the training and development support is provided regularly, continually and systematically,
- Creating training strategies that are clear, shared and principled,
- Conducting customized training management which is based on need analysis and design, and the outcomes of which are measured and monitored,
- Relating training and development support with the lines of business and business results.

### ***Recruitment***

Human resource needs are fulfilled in line with the Bank's short and medium-term strategic goals.

The target is to attract the human resource possessing good academic background, that is open to innovation and change, and that will espouse and maintain our values.

The considerations in the selection of new employees are conformity of individuals possessing potential for improvement to the Bank's competencies, as well as the conditions prevailing in the sector.

### ***Career Management***

Our primary goal is to ensure planning of promotion of our employees with a high potential, who have espoused the Bank's vision, mission and values, to managerial positions. It is targeted that the employees are actively involved in and manage their own career planning in cooperation with their line managers based on the results of performance appraisals.

In order for the employees to be promoted in line with the Bank's needs, the relevant position must be vacant, the person must possess the knowledge and experience required by the position to which he/she will be promoted, and he/she must have displayed a high performance.

### ***Performance Appraisal***

The primary goal is to achieve the Bank's goals and strategies, and to ensure attainment of better results by the employees and the Bank through management of individual performance. To this end, the employees' targets, contributions to business results and improvement in their competencies are measured on an annual basis.

The appraisal process serves to rewarding of individuals displaying superior performances, as well as to the identification of people with high potentials and determination of development needs of the employees.

Performance levels of employees open the way for their nomination to various positions within the frame of personal career plans and also have an influence on their remunerations.

### ***Training***

Training and development plans are implemented, which are aimed at enhancing our employees' productivity, ensuring their adaptation to change and raising the future's managers pool, in line with the Bank's objectives.

It is of utmost importance to take care in ensuring that the training and development opportunities targeted in this direction are in conformity with the Bank's goals, strategies and competencies, as well as to have them monitored and followed-up by our managers.

***Remuneration***

The Bank has in place a remuneration management that provides a certain level of welfare to employees in line with the market and overall economic conditions, that rewards successful performances, and that ensures compensation in proportion with the level of roles and responsibilities undertaken.

The differentiation among remunerations is based on the knowledge and experience required by the job. Salary rises at the Bank are effected upon decision of the Management which relies on the outcome of the Market Salary Survey and Individual Performance results conducted by the Human Resources Group.

***Leaves***

Provisions of the Labor Law no 4857 are adhered to in relation to annual paid leaves.

<u><i>Years of Service</i></u>	<u><i>Annual Leave</i></u>
1-5	14 days
5-15	20 days
Over 15	26 days

Our employees must take:

- At least two consecutive weeks in one vacation, if they are entitled to an annual leave of 20 or more days,
- At least one straight through week in one vacation, if they are entitled to an annual leave of 14 days.

***Private Insurance Practices***

Healthcare expenses of our employees and their families (spouse and children) are covered under the health insurance policies revised every year.

Material losses that may arise from any accident are covered under personal accident insurance policies revised every year.

# Board of Directors Report

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*Summary of the Board of Directors Report Presented to the General Assembly*

**EUROBANK TEKFEN A.Ş.**

**To the Attention of 2008 Ordinary General Assembly**

Targeting stable growth in its activities also in 2008, Eurobank Tekfen pursued its commercial banking activity in accord with the Turkish Commercial Code, tax legislation, the Banking Law, Banking Ethics, Know Your Customer and Suspicious Transaction provisions, Antitrust and Competition Laws/Guidelines.

In formulating its risk policies, Eurobank Tekfen aims to enhance the total benefit for its shareholders and customers, with keen consideration of risk-sensitive capital management principles and liquidity factors. Internal audit and risk management systems are being developed in line with the European Union Directives and Basel-II guidelines.

The Bank's total assets as at 31 December 2008 are TL 3,481,107 thousand.

Total deposits augmented 56% year on and reached TL 1,795,524 thousand. During the year, TL 84.8 million of the TL 912 million perpetual loans that was secured from EFG Eurobank in 2007 was converted to a subordinated loan to be included in the Bank's capital base.

As of 31 December 2008, 52% of total liabilities consisted of deposits, whereas 37% and 8% were composed of credits and money market debts, and shareholders' equity, respectively.

In the assets wing, total cash loans reached TL 1,112,700 thousand as at 31 December 2008, signifying a year-on rise by 24%. The amount of the Bank's non-performing loans (excluding those with cash collateral) makes up 3% of the cash and non-cash loan risks, for which 54% provision has been set aside taking into consideration collaterals.

Government debt instruments registered a growth of 20% when compared with the previous year and materialized as TL 1,775,952 thousand. As a result, our assets consisted of loans by 32%, securities by 51% and cash, CBTR and short-term placements by 12%.

Another indicator of our commercial activities, non-cash loans registered a year-on increase of 79% and arrived at TL 1,177,325 thousand as at 31 December 2008.

The Bank's unconsolidated capital adequacy ratio is 17.89%.

The net profit for the year 2008 is TL 12,367 thousand.



In 2008;

- Restructuring and improvement of internal workflows and organization have been carried on.
- Maslak, Bağcılar, Ümraniye, Mecidiyeköy, Balgat and Çorlu branches were opened.
- Eurobank Tekfen continued with equipment upgrades in banking transactions as deemed necessary to keep abreast of the advancing technology and momentum was given to research and infrastructure efforts regarding new banking software package.
- Marketing activities and lending have been pursued throughout 2008 in parallel with the developments in the banking sector, within the framework of our prudent market and credit risk policies and in keeping with the economic developments in the world and our country.
- Organized with our existing branch network to serve about 69% of the regions producing GNP across the country, operations have been carried on in accord with the current applicable legislation and international standards, based on a vigilant and conservative understanding and robust financial structure.

Drawn up as at 31 December 2008 and subjected to independent audit, the Bank's Financial Statements, which will be publicly disclosed, are presented for your review and approval.

Yours faithfully,

**The Board of Directors**

# The Bank's Transactions with Its Risk Group

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Please refer to App. 3, Fifth Section - VII

*Fields of Activity in Which Support Services Were Procured and the Persons and Companies from Which They were Procured Pursuant to the Regulation on the Support Services to be Procured by Banks and Authorization of Support Service Providers*

Support services are procured in banking software from Intertech Bilgi İşlem Pazarlama A.Ş., in host computer maintenance from Software Ag Bilgi Sistemleri A.Ş., and in cash transfer and security services from Securverdi Güvenlik Hizmetleri A.Ş..

*Report by Statutory Auditors Organized Pursuant to Article 347 of the Turkish Commercial Code Dated 29/6/1956 and No. 6762*

Please refer to App. 1

*An Assessment by the Audit Committee of the Operation of Internal Control, Internal Audit and Risk Management Systems, and Their Activities in the Reporting Period*

The primary function of the Eurobank Tekfen Audit Committee is to assist the Bank's Board of Directors in the fulfillment of the latter's responsibility to supervise the Bank and its affiliates subject to consolidation, by reviewing the financial data to be presented to the shareholders, ensuring the productivity and efficiency of the Internal Control Framework set up by the Board of Directors and the Management level, and monitoring the audit process.

The Audit Committee meets at least four times a year, and reviews and evaluates the efficiency, adequacy and productivity of the Internal Control Framework and Systems particularly with respect to the achievement of the objectives in the categories listed below:

- Efficiency, productivity and adequacy of the Bank's accounting and reporting systems, as well as of the Bank's Internal Audit, Internal Control and Risk Management,
- Accuracy of the data provided by the systems mentioned above,
- Reliability of financial reporting,
- Establishment of communication channels and information system control,
- Compliance with the laws and legislation in force.

The Audit Committee informs the Board of Directors on any case of non-compliance, also presenting a proposal relating to the corrective action that needs to be taken.

The Audit Committee's assessment of the operation of internal control, internal audit and risk management systems is as follows:

As well known, the recent developments in the Banking Sector, combined with the upcoming introduction of Basel-II standards put Risk Management and Internal Control Systems at a crucial position.

Risk Management System at Eurobank Tekfen has been formulated based on this significance and our commitment to the banking concept we are willing to implement; the system is in a constant evolution process. The purpose of Eurobank Tekfen is to make Risk Management System a part of the decision-making process, rather than using it merely for measurement and reporting purposes. Our efforts in this direction will be ongoing up to the stage where our balance sheet is considered complete in terms of risks/returns as a whole.

The Internal Control and Internal Audit Systems make it the focal point of their work to provide reasonable assurance for the adequacy of the internal control system in place at the Bank and to improve the same, in line with a risk-based approach. In their activities, these systems do not solely focus on identifying errors, but are rather concentrated on the establishment and implementation of measures that will prevent the occurrence of errors.

### *Independent Auditors' Report*

Please refer to App. 2

### *Financial Statements and Information on Financial Structure*

Please refer to App. 3

### *An Assessment of the Financial Status, Profitability and Solvency*

2008 had been marked with the starting of a major crisis in the global markets, the reflections of which have been felt in our country especially in the last quarter. When compared to the rest of the countries, Turkish banking sector has been one of the least affected ones owing to the structural measures put in place since 2001.

Eurobank Tekfen carries out banking activities in regions responsible for the production of approximately 69% of GNP as at end 2008.

At year-end 2008, the Bank's total assets reached TL 3,481,107 thousand, signifying a year-on increase by 27%.

Parallel to the market volatility especially in the last quarter of 2008, the Bank preferred to increase its liquidity level and consequently liquid assets took 12% share in the balance sheet.

Securities increasing by 20% went up to TL 1,775,952 thousand as at 31 December 2008 and took a 51% share in the balance sheet as a result of the increase in government bonds classified in trading and available for sale portfolios.

Growth was secured both in cash and non-cash loans, by 24% and 79%, respectively. The share of cash loans in the balance sheet was 32%.

The Bank's non-performing loans to total cash and non-cash loans ratio stands at 3% (excluding non-performing loans with cash collateral).

While 56% increase was attained in deposits, the number of time deposit customers reached 5,793. The share of deposits in the balance sheet increased from 42% to 52%.

In 2008, approximately TL 85 million (TL 91 million as of 31 December 2008 with related interest accrual) of the perpetual loan secured from EFG Eurobank in 2007 was converted to a subordinated loan to improve the Bank's capital base. Total borrowings increased by 6% and its share in the balance sheet dropped from 45% to 37% as a result of the high growth in deposits.

Shareholders' equity totaled TL 272,563 thousand.

### *Summary Financial Data for the Past Five Years Including the Reporting Period*

The financial data presented below is drawn up in accordance with the Turkish Accounting Standards for 2005-2008, and with the provisions of applicable legislation for other years.

<i>TL Thousand</i>	<i>31.12.2008</i>	<i>31.12.2007</i>	<i>31.12.2006</i>	<i>31.12.2005</i>	<i>31.12.2004</i>
<i>Total Assets</i>	3,481,107	2,740,435	1,115,845	745,171	602,004
<i>Loans</i>	1,112,700	895,971	576,778	313,426	231,606
<i>Deposits</i>	1,795,524	1,151,874	760,781	533,679	391,811
<i>Shareholders' Equity</i>	272,563	271,556	117,083	101,319	94,767
<i>Net Profit</i>	12,367	18,498	12,386	1,899	5,021
<i>Non-cash Loans</i>	1,177,325	656,561	479,115	320,039	263,248
<i>Capital Adequacy Ratio</i>	17.89%	21.78%	16.90%	22.61%	26.58%

Information on consolidated subsidiaries:

<i>Subsidiaries</i>	<i>Associates</i>	<i>Joint Ventures</i>
1. EFG Finansal Kiralama A.Ş.	-	-
2. EFG İstanbul Menkul Değerler A.Ş.	-	-

Main financial figures of the consolidated subsidiaries in the order of the above table:

<i>TL Thousand</i>	<i>Total Assets</i>	<i>Shareholders' Equity</i>	<i>Fixed Assets</i>	<i>Interest Income</i>	<i>Income from Marketable Securities Portfolio</i>	<i>Current Period Profit</i>	<i>Prior Period Profit</i>	<i>Fair Value</i>
1	154,936	10,226	-	12,211	2,890	2,537	1,197	-
2	92,321	80,341	623	8,723	1,508	25,191	16,156	-

Please refer to App. 4 for Independent Auditors' Report on consolidated basis, Consolidated Financial Reports and Financial Structure.

### *Information on Risk Management Policies Implemented by Types of Risks*

Basic Risk Principles applied at the Bank are as follows:

#### ***a) Balance Sheet Management***

- Eurobank Tekfen's capital adequacy ratio may not fall below the level recommended by BRSA.
- Eurobank Tekfen's liquidity ratio may not fall below the legal level set by BRSA.
- The crucial balance sheet management understanding is the management and close monitoring of the maturity mismatches between assets and liabilities.

#### ***b) Market Risk***

- Eurobank Tekfen made it a principle not to carry foreign currency position risk in the markets; however, maximum risk limits that can be assumed in certain cases are defined in Treasury Risk Parameters and Asset and Liability Committee (ALCO) decisions.
- Upper limits for undertaking any country risk, as well as the maximum amounts of government bonds issued by the Turkish Republic are set in the Treasury Risk Parameters and ALCO decisions.
- Maturities and sizes of securities portfolios and placements may not exceed the limits defined in the Treasury Risk Parameters and ALCO decisions. Types of securities and sizes of placements are arranged in line with ALCO decisions.

#### ***c) Credit Risk***

- Lending authorization limits are set by the Board of Directors within the framework of the provisions of the Banking Law.
- The Bank sets the principles relating to extending, monitoring, revising, recalling, refusing and collateralization of credits in accord with applicable legislation and employing "best practice" models.
- Any transaction that may give rise to reputation risk for the Bank is avoided.
- Any demands of credit customers bearing speculative purposes that do not fall under the fields of activity are disregarded.
- Financial structure assessment of companies posing credit risks are renewed at least once a year.
- Creditworthiness of customers with loans is monitored and kept under control from the inception of the transaction until the entire risk is covered.
- The principle adopted is to maintain a credit portfolio composed by a large number of small-scale companies.
- Limits and processes are molded according to economic conjuncture and periodic impacts.

#### ***d) Operational Risk***

- Authority to access data and negotiable instruments is determined and implemented within the scope of relevant regulations.
- At Eurobank Tekfen, no transaction/cost is incurred that is not covered in the annual budget and that might have an adverse impact on the balance sheet structure.
- The Contingency Plan is kept up-to-date at all times in line with the developments and its effectiveness is checked at time intervals as set out in the regulation.
- It is a fundamental principle to abide by applicable legislation and internal regulations.
- It is a fundamental principle to comply with the budget in trying to achieve the profit targets.

- It is a fundamental principle for all employees to take necessary action, or provide information to the relevant management levels for necessary action, in relation to any operational risk that might arise in the Bank's any field of activity.

*e) Principles for Mitigating/Managing Limit Violations*

- All Eurobank Tekfen employees are obliged to communicate any element that contradicts with the Bank's Risk Policies that they observe during the course of their works to their line management.
- Limit violations and any nonconformity identified by the Internal Control System are communicated to the Audit Committee and related executive management committee.

*f) Notification and Warning Procedures*

- It is a fundamental principle that any transaction that is likely to bear suspicious transaction qualities will be reported to the Compliance Officer.
- Any information required by the organizational groups under Internal Systems pursuant to operating standards is delivered to relevant groups.
- Transparency is the fundamental principle in the qualitative and quantitative monitoring of market, credit, and operational risks. It is mandatory to abide by this rule in external notifications.
- In specific cases, temporary suspension or permanent removal of any restrictions imposed may be effected by the management level that imposed such restriction.

*g) Approvals and Confirmations*

- It is a fundamental principle to avoid any transaction that will be in contradiction to the regulations and procedures for whatsoever reason. However, for some specific businesses and transactions, the approval must be obtained from the executive management or from the Board of Directors.

*Ratings Granted by Rating Agencies and Their Contents*

**MOODY'S (Dated 25 November 2008 based on 31 December 2007 Data)**

(Individual Credit Rating)	D-
(Long-Term Foreign Currency)	B1
(Short-Term Foreign Currency)	Not Prime
(Outlook)	Stable
(Long-Term Local Currency)	Ba1
(Short-Term Local Currency)	Not prime

## Appendices



### **ON GÖZLÜ BRIDGE DİYARBAKIR**

The Ashlar Bridge over the Tigris is also known as the On Gözlü (Ten-Eyed) Bridge after its ten elegant arches. According to an inscription on the bridge, it was built in the 8<sup>th</sup> Century and demolished during the siege of the city by the Byzantine Emperor John I. Tzimisce.



# Appendix 1

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*Statutory Auditors' Report*

İstanbul, 12/03/2009

## STATUTORY AUDITORS' REPORT

To the Annual General Meeting of

Eurobank Tekfen A.Ş.

We have audited the transactions and accounts of Eurobank Tekfen A.Ş. for 2008 taking into account the provisions of the Banks Act, the Turkish Commercial Code, other laws and regulations, and the bank's articles of incorporation and we have ascertained that the bank's balance sheet and profit & loss statement conform to the books of account and that those books of account conform to the documents associated with them.

On that basis we respectfully recommend that the balance sheet and income statement submitted by the Board of Directors for your consideration be approved by the general assembly.

Statutory Auditor  
Dr. Ahmet Burak EMEL

Statutory Auditor  
Hakan DÜNDAR

Statutory Auditor  
Firdevs SANCI

## Appendix 2

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*Annual Report Statement of Compliance*

## **REPORT ON COMPLIANCE OF ANNUAL REPORT**

To the General Assembly of Shareholders of Eurobank Tekfen A.Ş.:

We have audited the compliance and consistency of the financial information included in the annual report of Eurobank Tekfen A.Ş. (“the Bank”) and its consolidated subsidiaries as of 31 December 2008 with the audited financial statements and explanatory notes. The annual report is the responsibility of Bank’s management. Our responsibility, as independent auditors, is to express an opinion on compliance and consistency of the financial information included in the annual report with the audited financial statements and explanatory notes.

We conducted our audit in accordance with principles and procedures set out by the regulations on preparation and issuance of annual report in the Banking Law No.5411 and independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance whether the financial information included in the annual report is consistent with the audited financial statements and explanatory notes and free from material misstatement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial information included in the accompanying annual report presents fairly, in all material respects, the information regarding the financial position of Eurobank Tekfen A.Ş. at 31 December 2008 in accordance with the principles and procedures set out by the regulations in conformity with article 40 of the Banking Law No.5411 and includes a summary of the Board of Directors’ report and the convenience translations of independent auditor’s reports originally issued by us in Turkish and is consistent with the convenience translations of audited financial statements and explanatory notes originally issued in Turkish.

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

Alper Önder, SMMM  
Istanbul, 12 March 2009

# Appendix 3

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*Financial Statements and  
Information on Financial Structure*

EUROBANK TEKFEN A.Ş.  
Balance Sheet Analysis  
Thousand TL

<i>Assets</i>	<i>31.12.2007</i>	<i>31.12.2008</i>	<i>Change</i>
Liquid Assets	209,797	414,124	97%
Securities	1,476,913	1,775,952	20%
Loans and Factoring Receivables	895,971	1,112,700	24%
Subsidiaries	121,562	121,562	0%
Tangible and Intangible Assets	26,131	42,793	64%
Other Assets	10,061	13,976	39%
Total Assets	2,740,435	3,481,107	27%

*Liabilities*

Deposits	1,151,874	1,795,524	56%
Funds Borrowed	1,235,294	1,308,596	6%
Other Liabilities	81,711	104,424	28%
Shareholders' Equity	271,556	272,563	0%
Total Liabilities	2,740,035	3,481,107	27%

EUROBANK TEKFEN A.Ş.  
Structural Balance Sheet Analysis

<i>Assets</i>	<i>31.12.2007</i>	<i>31.12.2008</i>
Liquid Assets	8%	12%
Securities	54%	51%
Loans and Factoring Receivables	33%	32%
Subsidiaries	4%	4%
Tangible and Intangible Assets	1%	1%
Other Assets	0%	0%
Total Assets	100%	100%

*Liabilities*

Deposits	42%	52%
Funds Borrowed	45%	37%
Other Liabilities	3%	3%
Shareholders' Equity	10%	8%
Total Liabilities	100%	100%

The changes in the balance sheet structure as explained above as well as the movements in the interest rate environment impacted the net interest income line in 2008. Interest income from loans and securities increased by 53% and 78%, respectively. On the other hand, interest expense paid on deposits increased by 105% due to the significant increase in the deposit base. Consequently, the net interest income has increased by 16% when compared to previous year.

EUROBANK TEKFEN  
Net Interest Income Analysis  
Thousand TL

	31.12.2007	31.12.2008	Change
<b>Interest Income</b>	<b>274,370</b>	<b>457,703</b>	<b>67%</b>
Interest on loans	117,194	179,534	53%
Interest on reserve requirements	7,608	13,040	71%
Interest on banks	14,916	13,550	-9%
Interest on money market transactions	2,971	6,508	119%
Interest on securities	131,400	233,237	78%
Other interest income	281	11,834	4111%
<b>Interest Expense</b>	<b>(206,389)</b>	<b>(378,723)</b>	<b>83%</b>
Interest on deposits	(85,582)	(175,733)	105%
Interest on money market borrowings	(96,108)	(150,254)	56%
Interest on funds borrowed	(24,448)	(41,297)	69%
Other interest expense	(251)	(11,439)	4457%
<b>Net Interest Income</b>	<b>67,981</b>	<b>78,980</b>	<b>16%</b>

EUROBANK TEKFEN A.Ş.  
Structural Net Interest Income Analysis

	31.12.2007	31.12.2008	
<b>Interest Income</b>	<b>100%</b>	<b>100%</b>	
Interest on loans	43%	39%	
Interest on reserve requirements	3%	3%	
Interest on banks	5%	3%	
Interest on money market transactions	1%	1%	
Interest on securities	48%	51%	
Other interest income	0%	3%	
<b>Interest Expense</b>	<b>100%</b>	<b>100%</b>	
Interest on deposits	41%	46%	
Interest on money market borrowings	47%	40%	
Interest on funds borrowed	12%	11%	
Other interest expense	0%	3%	

Fee and commission income improved compared to the prior year, registering a 75% increase. Trading income consisting of foreign exchange and trading gains also rose by 72% on an annual basis. While other operating income stood at TL 7,703 thousand, provisions materialized as 22,145 thousand.

Other operating expenses, on the other hand, recorded 41% increase.

Under the light of the data above, net profit for the period was TL 12,367 thousand.

**EUROBANK TEKFEN A.Ş.**  
**Net Income Analysis**  
**Thousand TL**

	<i>31.12.2007</i>	<i>31.12.2008</i>	<i>Change</i>
Net interest income	67,981	78,980	16%
Net commission and fee income	11,743	20,559	75%
Dividend income	97	117	21%
Trading income/Loss (Net)	4,858	8,360	72%
Other operating income	3,375	7,703	128%
Reserve for loan and other losses	(10,299)	(22,145)	115%
Operating expenses	(55,310)	(78,059)	41%
Income before tax	22,445	15,515	-31%
Tax	(3,947)	(3,148)	-20%
<b>Net income</b>	<b>18,498</b>	<b>12,367</b>	<b>-33%</b>



# Independent Auditors' Report



## **MANAVGAT BRIDGE ANTALYA**

The Manavgat Bridge is located in the south of Turkey and provides a crossing over the Manavgat River for the Antalya-Alanya Highway, bypassing the town of Manavgat. The bridge is the first application in Turkey of an orthotropic steel deck for a relatively short single bridge.

# Directory

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Telex : 39511 xprr tr

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