GarantiBank International N.V.

Annual Report 2008

Mission Statement

The mission of GarantiBank International N.V. is to be recognized by our stakeholders and competitors as the most reliable and respectable bank within our niche markets by offering speedy and accurate services, providing tailor-made, innovative and country specific solutions and investing in cutting-edge technology and in our human resources.

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Chairman's statement

In 2008, GarantiBank International N.V. (GBI) delivered a steady financial performance despite sharply contrasting market conditions. The excellent results in the first three quarters were achieved in a relatively benign environment; in the fourth quarter we were not immune from the credit market turbulence which resulted in lower revenues. However, our net profit was EUR 34.9 million, which is almost at the same level as 2007 (EUR 35 million). In 2008, we booked EUR 7.7 million of provisions whereas in 2007 this amount was negligible. The balance sheet grew by 7 percent compared to the same period last year. The loan portfolio decreased by 11.3 percent but our cash at central banks increased by 136 percent. Funds entrusted increased by 9.5 percent of which the majority came from retail banking deposits. Shareholders' equity increased by 16 percent due to the zero dividend pay-out policy.

GBI did not have any exposure to the sub-prime market, CDO's or other similar products, nor did it have any exposure to financial institutions defaulted in 2008. However, we were not isolated from the sharp economic downturn while the global financial markets in general and the trade finance sub-market in particular were contracting heavily as of mid of 2008. Our trade finance volume decreased by 17 percent, closing the year with USD 6.4 billion. This is the first time since 2001, the financial crisis in Turkey, that the transaction volume plunged.

Strong financial performance was also supported by a high liquidity position, non-reliance to wholesale funding and a matched balance sheet asset-liability duration structure of the Bank. Funds entrusted remained to be the backbone of GBI's funding. In 2008, the general tendency of the customers worldwide was to escape from unregulated markets, risky assets and to deposit their cash in interest-bearing savings products. We benefited from this trend. Our Retail Banking customer funds increased compared to 2007 by 46 percent. Despite the insolvency of some retail banks in the Netherlands and Germany, our clientele remained loyal and kept their trust in our bank.

The capital base remained strong owing to our continuing dividend retention policy, low level of balance sheet leverage and the implementation of the Basel II Internal Rating Based approach. As last year, we will convert the net profit of 2008 into the nominal capital of the Bank. We will continue to strengthen our capital base with a comfortable (Tier 1) capital ratio in an environment of heightened risks.

In 2008, we continued to increase the number of retail agencies in Romania. At the end of 2008 we had 49 agencies throughout the country. It is our solid intention to sell our Romanian operations to a new Romanian bank entity which will be established by the shareholders of our parent bank. The sale is expected to be effectuated in 2009. The investments related to the growth of the Romanian operations are recorded in our balance sheet as a reimbursement right from GBI's shareholder.

The world has dramatically changed since my last Statement. In a time of significant market turbulence and severe economic downturn it is important to be clear and confident about the strategy of the bank. Our goal remains to deliver value to our shareholder and customers and to continue supporting them while we emphasize risk containment policies. Although we are not pessimistic for the near future, the years ahead do not predict a sustainable growth and the increasing trend in return on invested equity could be hindered for a while.

Amsterdam, 27 March 2009

S. Sözen
Chairman of the Supervisory Board

Annual accounts

The annual accounts were drawn up by the Managing Board and audited by KPMG Accountants N.V. who issued an unqualified opinion dated 27 March 2009. In compliance with the provisions of the Articles of Association of GarantiBank International N.V., the Supervisory Board has examined the auditor's report and the financial statements of the year 2008. The Supervisory Board advises and proposes that the Shareholder adopts the 2008 annual accounts at the Annual General Meeting of Shareholders on 15 April 2009. The Supervisory Board also recommends that the Annual General Meeting of Shareholders discharge the Managing and Supervisory Board for their respective management and supervision during the financial year 2008.

Financial statements and proposed dividend

This annual report includes the financial statements as drawn up by the Managing Board. In accordance with Article 27, paragraph 4 of the Articles of Association, these accounts were audited by KPMG Accountants N.V. and in accordance with Article 29 will be adopted at the Annual General Meeting of Shareholders on 15 April 2009. The Supervisory Board has decided to adopt the Managing Board's proposal to convert the net profit of 2008 (EUR 34,932,000) into nominal share capital by issuing 34,932 shares.

Composition of the Supervisory Board

The Supervisory Board is composed of the following members:

Name	Age	Position	Appointment	End of Term
S. Sözen	62	Chairman	1998	2010
A. Acar	54	Member	2002	2011
H. Akhan	56	Member	2003	2009
T. Gönensin	46	Member	2000	2009
E. Özen	48	Member	2001	2010
F. Şahenk	45	Member	2002	2009

Members of the Supervisory Board are elected for a term of three years. Messrs. Akhan, Gönensin and Şahenk are due to resign by rotation on 15 April 2009. These three Supervisory Board members are nominated by the Supervisory Board for reappointment by the Shareholder for a new term of three years, effective 15 April 2009. GBI has benefited enormously from the international banking experience and knowledge of the respective Supervisory Board members and would like to continue to benefit from their professional support and guidance in the next three years.

Composition of the Managing Board

The Managing Board is composed of the following members:

Name	Age	Position	Since
B. Ateş	45	Chief Executive Officer	2000
M.P. Padberg	54	Managing Director	1993

Supervisory Board activities

The Supervisory Board met seven times in 2008 to discuss issues such as monthly results, risk and control related topics, the expansion of the Romanian operations, but above all the global financial banking and economical crisis and the possible impact on GBI. The annual accounts and the findings of the external auditor were discussed in the presence of the external auditor. Besides these seven Supervisory Board meetings, the Chairman of the Board (and at the same time the Chairman of the Credit Committee of the Supervisory Board), paid many visits in 2008 to the bank to discuss the credit, bank and country exposures in detail. These discussions took place in the presence of the Amsterdam Credit Committee.

Supervisory Board Audit and Risk Management Committee

The Audit and Risk Management Committee of the Supervisory Board held constructive discussions with the Managing Board, GBI's Internal Auditor and the Manager of the Risk Management Department about the development of the financial results, the audit and tax planning, audit status reports, internal and external audit reports as well as risk management related issues. Outcomes of third party validation of GBI's risk models and ICAAP discussions with supervisory bodies were discussed in detail. Two Audit and Risk Management Committee meetings were held in the year under review.

Although the global financial crisis has affected other reputable financial institutions in the Netherlands and worldwide, we can report that in 2008 GBI did not suffer from the ongoing depression. However, for the year to come we expect a downward movement in our revenues and a decrease of the size of our balance sheet. We have already implemented stringent risk policies and we will further build up our equity base to increase our capital requirement ratios.

This has been a demanding year for our Management and staff and we have to thank them for the excellent results they have achieved despite the sharply contrasting market conditions and the deepening of the global financial crisis.

Amsterdam, 27 March 2009

Board of Supervisory Directors:

Mr. S. Sözen (Chairman)

Mr. A. Acar

Mr. H. Akhan

Mr. T. Gönensin

Mr. E. Özen

Mr. F. Şahenk

Key Figures

	2008	2007	2006	2005	2004
	EUR 1,000	*EUR 1,000*	*EUR 1,000*	*EUR 1,000*	*EUR 1,000*
Total assets	**3,626,743**	3,394,847	2,856,183	2,279,566	1,913,910
Banks (assets)	**1,099,027**	1,195,132	1,253,020	859,934	833,042
Loans and advances	**982,645**	1,107,733	1,014,838	694,982	534,399
Banks (liabilities)	**915,453**	892,658	862,803	581,000	257,099
Funds entrusted	**2,217,134**	2,025,362	1,689,090	1,424,554	1,401,511
Subordinated liabilities	**78,007**	78,007	78,004	38,288	59,132
Shareholders' equity	**252,215**	217,140	182,129	174,285	154,032
Operating result before tax and value adjustments	**52,706**	46,075	36,979	33,414	33,806
Result after tax	**34,932**	35,011	23,501	20,688	23,140
Foreign branches and representative offices	**6**	6	4	4	4
Cost to income ratio % *	**41**	40	44	46	44
Return on average equity % **	**17.49**	20.55	15.05	13.48	15.91
Return on average assets %	**0.99**	1.12	0.92	0.99	1.26
Average number of employees	**763**	426	243	230	224

* Cost to income ratio is calculated using total expenses and total income. Value adjustments to receivables and expansion related items are excluded (see notes to the financial statements 10 and 27).

** Return on average equity is calculated using average shareholders' equity excluding result after tax

Financial analysis

Operating result before tax and value adjustments amounted to EUR 52.7 million in 2008, which is 14 percent higher than in 2007 (EUR 46.1 million). Net result after tax stands at EUR 34.9 million, which is a slight decrease compared to 2007 (EUR 35.0 million).

Net interest income of EUR 42.1 million increased by EUR 1.2 million, which is 3 percent higher compared to 2007 (EUR 40.9 million). The net interest income increase is mainly due to asset growth. Net commission income amounted to EUR 30.7 million, of which EUR 3.3 million relates to the expansion activities of GBI Romania. Excluding the expansion related commission, the net commission income increased by almost 25 percent or EUR 5.4 million compared to 2007. This is mainly due to an increase in trade finance commissions and the contribution of the Structured Finance business line, which was established in 2008. Result on financial transactions increased by EUR 5.8 million to EUR 19.5 million, which is 42 percent more than in 2007. The main contributor to the growth in result on financial transactions is foreign currency trading.

Total administrative expenses amounted to EUR 61.6 million, of which EUR 28.0 million relates to the expansion activities of GBI Romania. Excluding the expansion expenses, the total administrative expenses amounted to EUR 33.6 million which is 16 percent or EUR 4.7 million higher compared to 2007. Value adjustments to receivables amounted to EUR 7.7 million, of which EUR 1.9 million relates to the expansion activities. Excluding the expansion expenses, the value adjustments to receivables showed an increase of EUR 5.7 million compared to 2007.

The balance sheet grew 7 percent or EUR 232 million, which on the asset side is mainly reflected in an increase in cash (EUR 491 million) whereas banks (EUR 96 million), loans & advances (EUR 125 million) and interest-bearing securities (EUR 26 million) decreased. On the liability side the growth is mainly reflected in banks (EUR 23 million) and funds entrusted (EUR 192 million) whereas debt securities (EUR 50 million) decreased. In 2008, GBI successfully continued its prudent growth strategy and further diversified its country risk exposures.

Following the planned takeover of the Romanian operations by a joint venture of Doğuş Holding A.Ş. and General Electric Capital Corporation, GBI has been guaranteed a reimbursement by the parent company for the expansion cost and income incurred by GBI Romania in anticipation of the takeover. The negative operating result of the expansion amounted to EUR 27.6 million in 2008 (2007: EUR 11.2 million). Due to the reimbursement guarantee, a receivable from the parent company has been included in the balance sheet under other assets. The reimbursement has also been included in the profit and loss account as other income.

Economic outlook

In 2008, the world has witnessed one of the sharpest economic downturns and broadest financial crises in the history. Throughout the year, and particularly the last quarter, the intensity of the negative news-flow regarding the financial institutions and the speed in which governments and central banks responded, were unprecedented.

Individual bank rescue operations quickly transformed into comprehensive national packages and they largely succeeded to stabilize the financial system. After a near complete standstill in the last quarter, both credit and capital markets started to show some signs of normalization by the end of the year.

Easy monetary policies, low inflation and tight credit spreads generated artificially inflated credit and derivative markets. Excessive liquidity caused the largest and broadest asset price bubbles in the world's history. However, the expansion and leverage in financial system were not sustainable. The first signs were in the housing sector in the United States, as the house prices started to decline after seeing their peaks in late 2006. Declining prices have led to poorer consumer collateral, increasing default rates, lower credit ratings and deteriorating asset quality in financial institutions balance sheets. The abundance in sophisticated derivatives structures further complicated the risk outlook and reduced transparency.

However, the housing sector was not the only victim. Tightening liquidity, diminishing confidence among institutions and de-leveraging flows depressed prices in nearly all asset classes. The global economy was slowing and large financial institutions were collapsing one by one. The turmoil in financial markets started to be felt in the manufacturing and retail sectors. Among other recovery policies, the central banks were forced to cut short-term interest rates to decrease the tension in money markets, and to prevent a potential recession/depression by stimulating growth. They were also obliged to be very active in providing liquidity to the financial system. In spite of the interventions by monetary tools and provision of abundant liquidity, the financial markets did not recover lost grounds, as economic data releases proved further deterioration.

The emerging markets were hit hard particular in the second half of the year, although, at first hand, the problem was perceived to be in the developed markets. De-leveraging flows and tight liquidity conditions triggered hard sell-offs in emerging market assets. Wider credit spreads and lingering problems in accessing credit lines had put great pressure on countries with high foreign debts and current account deficits. The International Monetary Fund has signed or is on the verge of signing stand-by agreements with a couple of vulnerable economies.

Particularly in the developed world, economic data continue to weaken considerably and the recession has been confirmed in most countries. The effects of the credit crunch on the real economy have begun to be felt harshly and will be increasingly concerning. Emerging markets proved not immune to the turmoil in developed markets and financial relations have already transmitted the crisis across the world.

Inflation has ceased to be a problem in most countries due to depressed asset prices. Developed markets are expected to print a 1.9 percent consumer price increase, while emerging markets are likely to have an average year-on-year consumer inflation of 6.8 percent in the fourth quarter. Deflation is seen as the most immediate risk, while a long-term rise in inflation could be the next threat to the financial stability.

As the threat of inflation diminished and depression fears surfaced, central banks took aggressive rate cut decisions to avoid a prolonged recession, the official Fed Funds Rate declined down to 0 percent - 0.25 percent from 4.25 percent. The ECB, on the other hand, recently brought its REPO rate to 2.0 percent from 4.00 percent at the start of the year.

In 2008 the USD was the clear winner in FX markets. De-leveraging and repatriation flows boosted the demand for the currency. Carry trades were no longer popular as leveraged accounts were closed and remaining in cash was the wisest investment decision in a highly volatile environment.

Turkey was under pressure due to the credit crunch and deteriorating fiscal performance. While net portfolio flows turned negative, FDI was clearly positive at USD 15 billion for the year 2008. Foreign exchange, debt and equity markets faced foreign outflows especially in the second half of the year. The central bank of Turkey had to increase interest rates to 16.7 percent in order to stabilize the markets. However due to a benign inflation outlook year-end rates were fixed at 15 percent. The year-on-year CPI increased to 10.1 percent while PPI increased by 8.1 percent at the end of 2008. The external balance is mildly better; the current account deficit is estimated to be at around 5.5 percent of GDP.

The tug of war between heavy government interventions in the form of bank rescue packages and other direct involvements in financial markets and weak economic data continues. The financial crisis is likely to have major long-term repercussions; it started shock waves that will hit the rest of the economy, corporations and consumers in the months to come and will radically reshape the financial sector.

In late 2009, the global economic growth is expected to start recovering, albeit at a slow pace. The recovery in the financial sector is likely to be gradual while credit spreads and volatility are expected to remain high. Growth stimulus plans and rescue packages may only be effective towards the end of the year.

BUSINESS DEVELOPMENTS

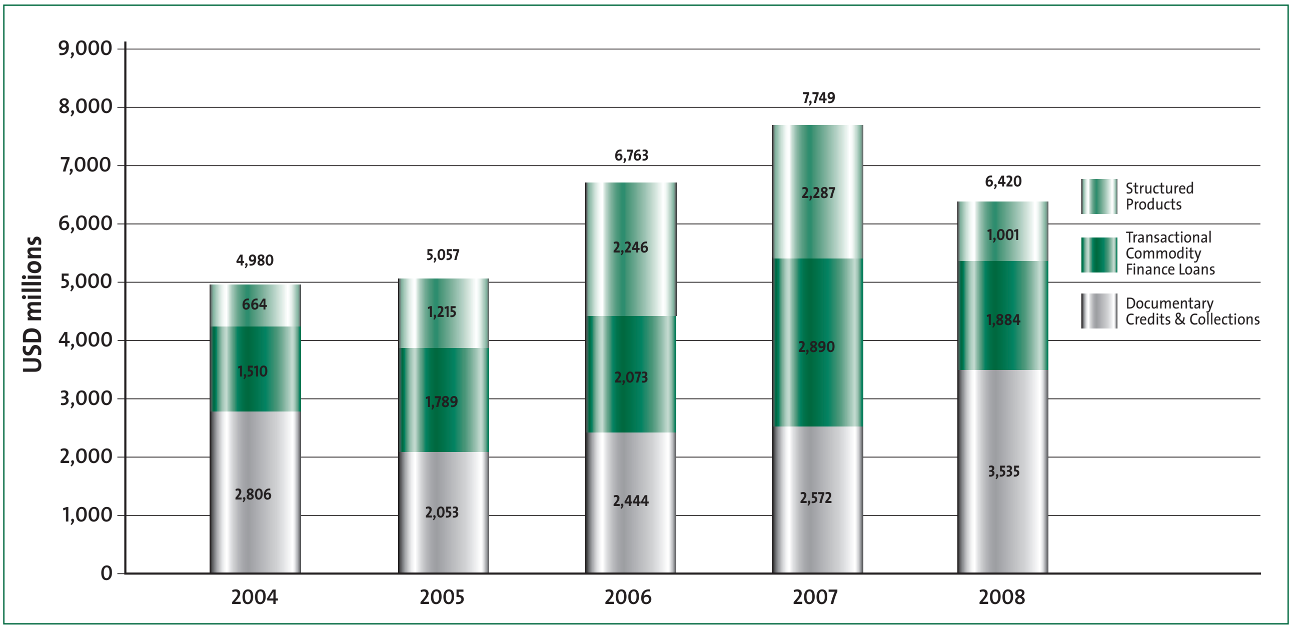
Trade Finance

Being a "global boutique" bank, GBI's Trade Finance Division provides fast, accurate, innovative, tailor-made and country-specific financing solutions with a holistic view. Other banks in emerging and developed markets, physical commodity traders, manufacturers and producers engaged in international trade, factoring, leasing and forfaiting houses form part of our client base.

The competitive advantage of GBI lies in its commodity expertise, regional expertise, risk management expertise and its well-established relationships with the trade finance market actors. As a result, during periods of volatility, GBI successfully mitigates risks while keeping valued relationships.

In regards to global financial markets in general, and the trade finance market in particular, 2008 was a year of extreme volatility. At the end of the summer, it was apparent that the so-called decoupling of emerging markets from the advanced economies would not occur while global de-leveraging gained momentum. Secondary markets for trade related emerging market debt dried up and most commodities signaled a hard landing after a continuous surge since 2002. Winter started as early as September. Global trade and demand for funding new trade finance transactions abruptly contracted and financial markets were in their most severe turmoil since 1929. The severity of events that all subsets of the global financial system have undergone was described as "once in a century" by Mr. Alan Greenspan, ex-chief of US Federal Reserve.

CHART-1 TRANSACTION VOLUME BY PRODUCT CLUSTERS



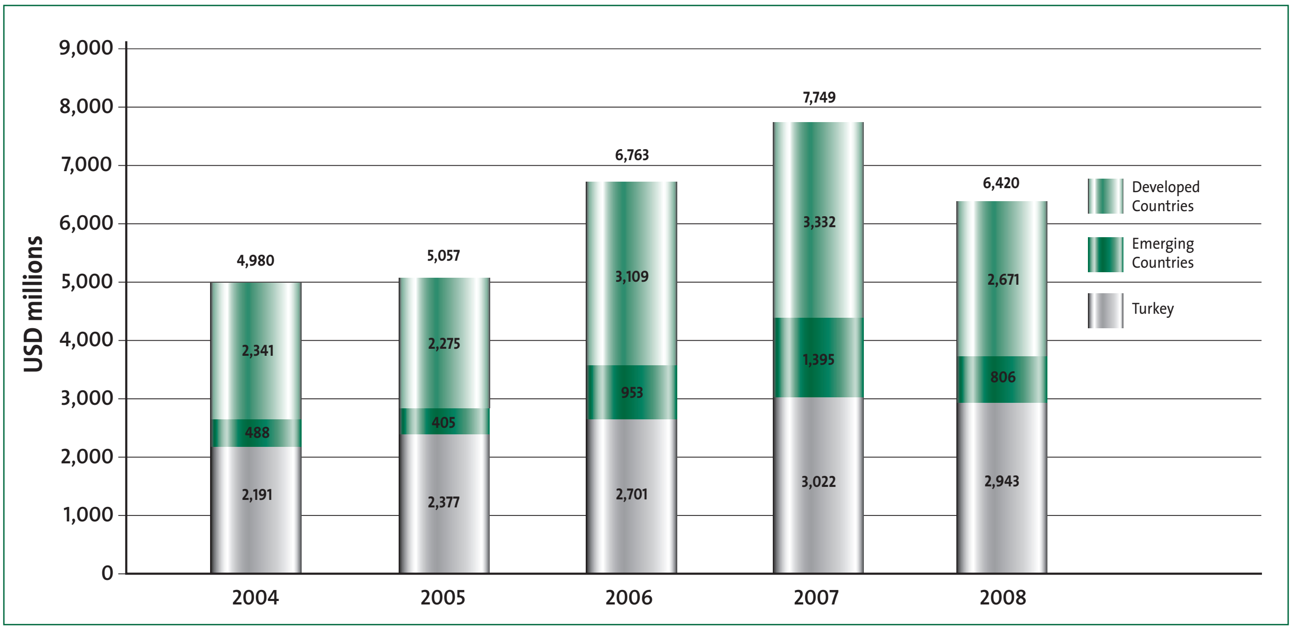
As Chart-1 points out, closing the year 2008 with USD 6.4 billion, GBI's trade finance transaction volume decreased by 17 percent while revenues surged considerably. This is the first time since 2001, the financial crisis in Turkey, that the transaction volume plunged. Especially the second half of the year was responsible for the drop in the annual transaction volume.

During the second half of the year, we observed slowing trade, lower demand for its financing and the end of decoupling. Simultaneously we imposed necessary risk containment policies.

Volume by Products

2008 signified a return to "old fashioned" trade banking products. While documentary credit and collection products surged, structured products plummeted by more than 50 percent. Drying up of secondary market liquidity due to de-leveraging on one side and the end of decoupling on the other, reduced the lenders' appetite for structured products such as syndicated loans, funded stand-by LC's and other forfaiting products. Accordingly, GBI Trade Finance Division emphasized origination of documentary credits and collections products, evidencing its continuing support to international trade between actual importers and exporters.

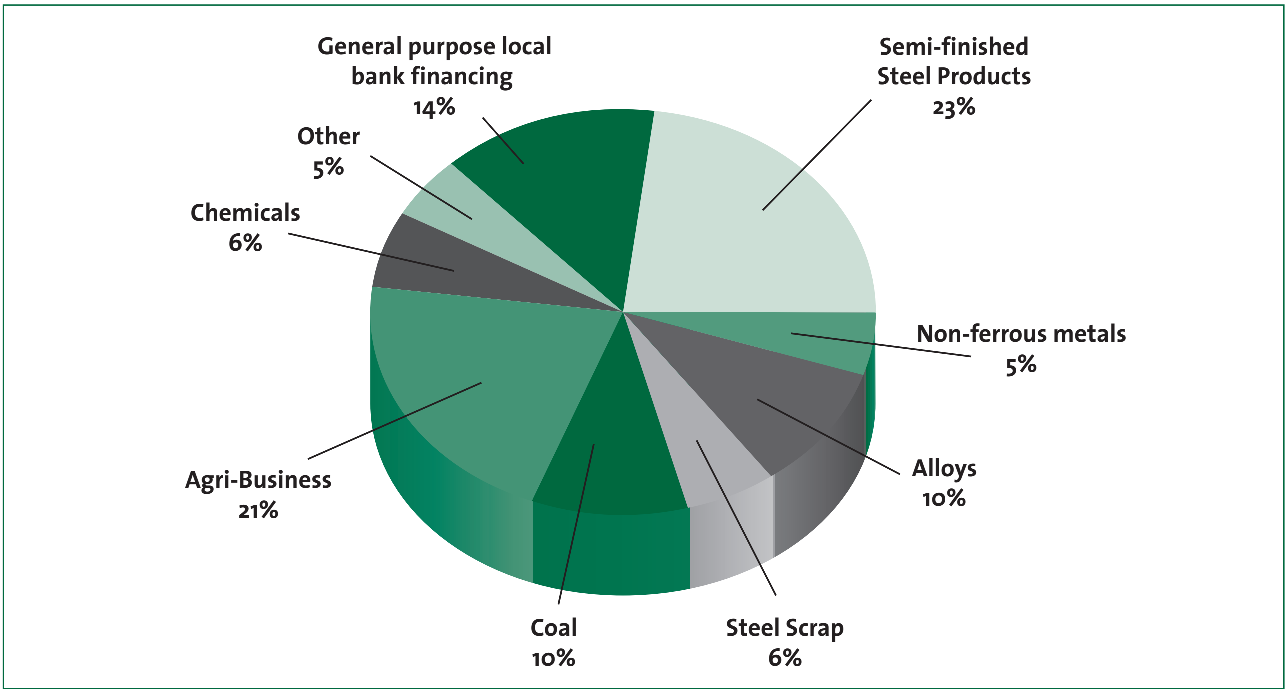
CHART-2 TRANSACTION VOLUME BY COUNTRY OF REPAYMENT



Volume by Country of Repayment

42 percent of GBI's 2008 trade finance transaction volume has its repayment due from advanced economies such as US, EU, Japan and Switzerland. The bulk of the remainder is from Turkey, portraying GBI's traditional involvement in Turkish foreign trade. The series of events in 2008 led GBI to simultaneously apply risk containment policies. As a result, the segment of transaction volume driven by emerging countries other than Turkey; reduced by 42 percent compared to 2007.

CHART-3 TRANSACTION VOLUME BY MERCHANDISE



Volume by Merchandise

In the course of 2008, GBI Trade Finance Division's commodity finance units supported the international trade of 10.6 million metric tons of commodities, only less than a 3 percent drop over that of 2007. Such tonnage was equivalent to USD 5.5 billion in value, which registered 6 percent growth over 2007 due to higher average commodity prices in the first half of 2008.

GBI's involvement in agri-business commodities such as grains, edible oils and fertilizers significantly improved over 2007 with a 46 percent growth in related transaction volume. Alloys, coal and chemicals related transaction volume also grew, whereas semi-finished steel products and steel scrap related volume contracted.

2008 has seen a rollercoaster of volatility in commodity prices. Many commodities had price hikes of more than 100 percent within the first half of the year under review, but then a sharp free fall of 50 percent from the peak values by the end of the year. The effects of such volatility were especially devastating for such buyers and the sellers, which carried large inventory positions or had weak commercial ties with their trading partners. During such extreme volatility, GBI provided valuable support and advice to its clientele.

GBI Trade Finance Division started the year 2008 with a cautious view. At the end of the year under review, we did benefit immensely as a result of our caution. We observed increasing revenues while risk containment policies have protected both our revenues and our asset quality. Old-fashioned banking gained further popularity and bilateral relationship based banking proved rewarding.

During 2008, Trade & Forfaiting Review, a well-respected publication circled in the global trade finance community, awarded GBI Trade Finance as the second best in agri-business, third best in metals and mining and the third best in Eastern Europe trade banking among all global trade finance players.

As a natural consequence of the global credit crisis, we foresee a contraction in global and regional trade in 2009. Consolidations and realignments among lenders – irrespective of their size - in the field of trade finance might take place. Increasing protectionism, unavoidable government interventions to commerce and banking and low global demand will challenge all institutions in 2009 and will test their survival abilities. On the other hand, for those resilient lenders quickly and decisively acting with conservative risk mitigation tools and policies, financing trade during such tough times would prove to be a winning strategy.

Understanding the value of continuing liquidity support for trade financing, GBI is committed to provide best value-added solutions and risk mitigation techniques to our present and future relationships.

Private Banking

The Private Banking Division continued to serve its high net worth individual and institutional clients with a view to provide wealth protection and long-term asset growth. In 2008, GBI's strategically conservative approach proved to be beneficial for the steady performance of the Division.

GBI offered its services under three categories; brokerage, advisory and discretionary asset management, tailored to meet each client's individual requirements. The emphasis was put on creating added value for GBI's clients by providing reliable portfolio and risk management guidance. Risk aversion was the major theme throughout the year. GBI's absence from hedge funds and the structured credit derivatives market contributed significantly to its customer satisfaction.

Product coverage remained holistic. GBI's product mix included a complete range of financial products such as deposits, foreign exchange spot and forwards, non-deliverable forwards, securities, equities, over-the-counter and exchange traded derivatives, capital guaranteed structured products, commodities, indices and exchange traded funds. GBI also cooperated with large international financial institutions in the distribution of third-party products. In 2008, simpler, cash-based products gained greater significance among the product offerings due to reduced liquidity and high volatility in financial markets.

Client acquisition was strong while the focus remained on building long-term consistent relationships with the bank's clientele. GBI enjoyed strong client loyalty, in spite of turbulent markets and increased competition. Target clientele were high net worth individuals and entities that have financial assets higher than USD 500,000 in Europe, Middle East, Turkey, Russia and CIS.

In line with the Bank's prudent approach, risk management policies were strictly adhered to. Strict implementation of the Know-Your-Customer policy, and thorough due diligence procedures at the client acceptance stage and following close monitoring, ensured healthy growth of client assets.

In 2008, the Division delivered excellent results with a significant contribution to the Bank's revenues. It further solidified its differentiated market position in Private Banking.

Treasury

In 2008, the Treasury Division had a successful year despite adverse market conditions. The long-term strategy of focusing on growth in commercial business ensured strong revenue generation throughout the year. Owing to the very low level of market exposures, treasury revenues remained steady in spite of huge movements in financial markets. Increased market volatility had a positive effect on commercial transaction volumes and margins.

As GBI did not have any strategic or trading exposure to sub-prime and asset-backed securities markets, it remained isolated from the associated market and credit losses that the sector largely suffered.

The Treasury Division also played a key role in managing the balance sheet risks in close consultations with the Risk Management Department. In 2008, short-term and long-term liquidity risks were kept under increased scrutiny with an extremely conservative approach. GBI maintained a large liquidity buffer and has been on the lending side in the interbank market throughout the year. While diversification in funding sources between different segments of wholesale and retail markets continued, the share of funds entrusted increased.

The high volatility in interest rates and margins had a minimal effect on the Bank's profitability due to a matched structure of the balance sheet in terms of duration. The Bank's prudent liquidity and interest mismatch risk management policies proved to be highly beneficial for its stable performance.

Commercial business momentum remained high, delivering substantial volumes in all product categories. Foreign exchange volumes reached to USD 49.1 billion. Capital market volumes were USD 31.6 billion. Strong volumes and wider spreads helped the Treasury Division to increase its trading income and to increase its contribution to GBI's performance in 2008.

The Treasury Division continued to be a market maker in its core products among financial institutions. It provided reliable product/market feedback and competitive pricing to Private Banking and Corporate clients.

Financial Institutions

In 2008, the Financial Institutions Division (FI) pursued its strategy of focusing on GBI's core counterparties that consist of top tier banks in developed countries. With a scope of building mutually beneficial long-term relationships, FI constantly explored potential areas for further cooperation which facilitated increased business volumes.

FI also worked in synergy with Treasury, Trade Finance and Structured Finance divisions as well as operational units to assure realization of sufficient transaction flows to main relationship banks in line with the targeted reciprocity levels. In addition, FI kept all counterparts well-informed about the performance of GBI and important developments within the Bank.

This commitment and close communication helped GBI maintain the confidence and support of its correspondents in a difficult environment where the financial markets had exceedingly deteriorated.

Despite the global financial turmoil, GBI successfully raised a syndicated loan in the amount of EUR 225 million with the participation of 22 reputable banks from 11 countries in April 2008. The amount will be repaid in 2009.

Leveraging its expertise on international banking, FI also provided support to other departments internally and continued promoting GBI's Treasury and Private Banking activities among financial institutions in selected regions.

GBI has a Baa1 rating for long-term foreign currency bank deposits and a Prime-2 for short-term debt and deposit ratings from Moody's Investors Services.

Structured Finance

In 2008, the Structured Finance Division established itself as a new business line within the GBI organization. At the beginning of the year, we set our areas of activity as Shipping Finance, Islamic Finance, Project Finance and Cash Management and founded related departments accordingly. Our objectives were to create additional product lines while sustaining a solid risk management framework, to enhance the ability to arrange bilateral facilities and to reap the incremental fee income associated with arranging the transactions by fully penetrating in subject credit markets. Under extremely volatile market conditions, in all areas of activity, we achieved our initial objectives set at the beginning of the year. Our internationally experienced staff, sophisticated risk management tools, conservative credit policies and credit management procedures were the major critical success factors.

The markets experienced in 2008, the most volatile year ever in the history of modern shipping finance. Stand alone, the Baltic Dry Index' fluctuation between 11,600 and 600 points, shows the volatility level in shipping markets. During this period, the Shipping Finance Department was able to create a Shipping Finance portfolio in EMEA and South East Asia, attached with a very conservative loan to value ratio, acceptable fleet age and a solid security and legal structure. At the end of the year, we launched our Shipping Finance PD model for further advancing in our internal risk management procedures. In 2009, our aim is to add advisory services in line with our ordinary Shipping Finance activities.

The Islamic Finance Department created added value to the organization. We established regulatory, legal, tax and organization structures to start Islamic financing covering financial institutions, non-bank financial institutions and companies. In 2008, we were available to grant bilateral a syndicated facility to our clients, including the first Islamic Shipping Finance deal originated in Turkey, thanks to combined knowledge in Shipping and Islamic Finance. Most of the facilities are perfected by the English law under the advice of Islamic scholars.

Due to the turbulent credit environment in 2008, the Project Finance Department took cautious steps for implementing asset and project based financing. Being involved in selective small-sized bilateral projects in Tourism, Health and Metal sectors, the departments enriched the know-how of project financing tools and added value by servicing our existing clients with an additional product.

We combined all account management functions within GBI under the Cash Management Department. The department has been staffed with experienced multi-lingual staff and focused purely on service-oriented customer management. We are providing deposit and payments services for our international clients where all have been served by a dedicated separate account officer and internet facilities. Speed and accuracy, combined with a pure and simple approach, lead us to triple our volumes in 2008.

Retail Banking

GBI's Retail Banking activities are executed in two countries, through the Head Office in the Netherlands and its branch in Germany. In 2008, the main focus of Retail Banking was fund raising and customer acquisition. During the course of 2008, Retail Banking deposits grew significantly and they continued to be one of the main funding sources of the bank.

One distinct event in 2008 was the insolvency of a foreign bank with a branch in the Netherlands in early October, which has affected the Dutch deposit market considerably. Combined with global financial news, this situation raised some questions in Dutch deposit holders towards getting to know their banks better. We experienced the same trend with our eligible customers. The proactive communication strategy and the effective implementation of this strategy gave us the opportunity to re-introduce ourselves to our customers. As a result, even in October, the deposit volume and the customer base in the Netherlands increased.

Distinguished service quality of GBI continued to be one of the vital elements into achieving our objectives. Our customers appreciate the high service standard. This competitive edge also enables us to attract deposits without offering high interest rates in mature Dutch and German retail deposit markets. These accomplishments are the result of our ever growing investments into the quality of human resources, efficient use of IT infrastructure with well-engineered in-house solutions, brand recognition targeted marketing campaigns and word-of-mouth advertisement as an inevitable by-product.

Listening to our customers will continue to be our guiding principle and our services will be shaped according to our customers' needs and requests.

International Branches

Romania

The Romanian economy continued its fast growth pace also in 2008, mainly derived from the first three quarters. The end of year nominal GDP at current prices is forecasted to reach EUR 139.3 billion, whereas the estimated real annual growth is 7.9 percent. The year-on-year CPI increased by 6.3 percent in 2008. Romanian exports grew by 13.3 percent compared to the previous year reaching to EUR 33.5 billion, whereas imports increased by 8.9 percent to EUR 55.9 billion resulting in a negative trade balance of EUR 22.4 billion. The current account deficit increased to EUR 18.3 billion representing 13.1 percent of the GDP.

The key interest rate of Romania stands at 10.25 percent while the unemployment rate increased to 4.4 percent from 4 percent in 2007. At the end of October 2008, the financial rating agency Standard & Poor's lowered the long-term foreign currency sovereign credit rating for Romania to "BB+" from "BBB", and to "B" from "A-" for short-term foreign currency sovereign credit. On 10 November 2008, they were followed by Fitch, who downgraded Romania's long-term foreign currency issuer default rating to "BB+" from "BBB", short term to "B" from "F3" and maintained a negative outlook. Moody's kept their "Baa3/P-3" rating, stable outlook.

After introducing Retail Banking, SME Banking and Plastic Cards businesses to its current activities in 2007, in 2008 GBI Romania Branch consolidated its position in these business lines reaching to more than 40,000 plastic cards and 47,000 clients out of which 1,900 are SME and 44,000 are retail clients. The branch extended its agency network to 49 and the workforce increased to 642 at the end of 2008. In 2008, the branch was able to achieve its targets in terms of volumes and revenues. It is still the intention to sell the GBI's Romanian Operations to a new established bank in Romania of which the shareholders are the co-shareholders of our parent bank. The application for obtaining a banking licence in Romania by the two joint-venture partners took longer than expected, but at the end of October 2008 the application has been filed. We expect the transaction to be finalized in 2009.

Germany

The German economy grew by 1.3 percent in 2008, only about half the previous year's rate as the global financial crisis took its toll on exports. Germany managed a healthy growth of 1.4 percent in last year's first quarter, but then the economy started to shrink and went into recession in the third quarter as the financial turmoil intensified. The Federal Statistical Office announced a rough preliminary estimate that the economy will further shrink by 1.5 to 2 percent in the fourth quarter. Economic growth in 2008 was solely based on domestic demand. Net exports, which had powered Germany's relatively strong economic performance in previous years, weighed down last year's growth and made a negative contribution of 0.3 percent to the GDP. Exports declined to 3.9 percent in 2008, down from the previous year's 7.5 percent, whereas growth in imports was up 5.2 percent from 5 percent. Recent data showed exports plummeted by 10.6 percent in November compared to the previous month, the sharpest monthly drop since the German reunification in 1990. Preliminary figures showed that Germany ran a small budget deficit, only 0.1 percent of GDP, last year. In an effort to help the economy withstand the global crisis, the German government agreed on a new 50 billion euro stimulus plan that includes investments in infrastructure, as well as tax relief, reductions in health care contributions and bonuses for families with children.

Despite the financial crisis, deepened in the last quarter of 2008, causing a climate of uncertainty among consumers worldwide, our branch in Germany managed to increase its savings deposits by a remarkable 44 percent, reaching almost EUR 819 million at year-end. The number of customers grew by 20 percent. The increase in time deposits compared to 2007 was 83 percent. This is a clear signal our customers have confidence in our operations and good services over the 10 years since we are active in the German market. We have invested new technologies in our Call Center to give a better service to our customers. The retail loan portfolio was further reduced as a result of the strategic decision of some years ago to step out of the retail lending market.

Risk Management

Overview on the governance around the risks

The risk management at GBI can be best described as a holistic approach, where all risks are defined one-by-one in detail and analyzed in coordination with their implications on the business decisions and interactions with other types of risks. The risk management culture at GBI supports value creation by providing insight into the levels of risk that can be absorbed, compared with the earnings power and the capital base. Integrated risk management has become a key ingredient in the Bank's strategy.

Senior management holds the ultimate responsibility to ensure the Bank is operating with sufficient capital in order to sustain the financial stability of the Bank.

Risk management at GBI is structured as an integrated effort under various levels within the organization. The Audit and Risk Management Committee of the Supervisory Board is the ultimate authority for the monitoring of risks and capital adequacy on the board level.

The Risk Management Committee (RMC) has the responsibility of the coordination of the risk management activities within the Bank and reports directly to the Audit and Risk Management Committee of the Supervisory Board. Other risk committees are established to manage more specifically the key banking risks; the Credit Committee for credit risk, the Asset & Liability Committee (ALCO) for market and liquidity risks and the Legal Committee for legal risk. Compliance and Internal Audit Services (C&IAS) is responsible for the monitoring of these risks through regular audits and reporting them to the Audit and Risk Management Committee of the Supervisory Board.

The Risk Management Department (RMD) is an independent risk control unit, which operates independent of commercial activities and reports directly to the RMC. RMD is responsible for the quantification and monitoring of the material risks in terms of economic capital and regulatory capital in order to limit the impact of potential events on the financial performance of the Bank. Risks are continuously monitored through a well established Internal Capital Adequacy Assessment Process (ICAAP) and reported comprehensively to the related committees. RMD develops and implements risk policies, procedures, methodologies and risk management infrastructures that are consistent with the regulatory requirements, best market practices and the needs of business lines. RMD also coordinates all the efforts for compliance of the Bank's risk management policies and practices with Basel principles and the Financial Supervision Act (FSA, Wet op het financieel toezicht / Wft).

Market risk

GBI assumes market risk in trading activities by taking positions in debt, foreign exchange, other securities and commodities as well as in equivalent derivatives. The Bank has historically been conservative while running the trading book. Hence the main strategy is to be active in intraday trading and keep the overnight trading positions at low levels.

ALCO bears the overall responsibility for the market risk and sets the limits for the trading positions and stop loss levels on product and desk level. Treasury Department actively manages the market risk within the limits provided by ALCO. Internal Control Unit (ICU) monitors and follows-up the transactions and positions on an ongoing basis, whereas Financial Control and Reporting Department follows-up the profit and loss on the transactions and the positions. RMD monitors market risk through regulatory and economic capital models and reports to ALCO.

GBI is using Value-at-Risk (VaR) methodology as a risk measure for the market risk on the trading book. VaR quantifies the maximum loss that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, etc.) for a time interval of one day, with a confidence level of 99.9 percent. VaR is supplemented by stress tests to determine the effects of potentially extreme market developments on the value of market risk sensitive exposures.

Interest Rate Risk on the Banking Book (IRRBB)

Interest rate risk is defined as the risk of loss in earnings or in the economic value on banking book items as a consequence of movements in interest rates. The asset and liability structure of the Bank creates certain exposure to IRRBB.

Business units are not allowed to run structural interest mismatch positions. As a result of this policy, all structural interest rate risks are managed by the Treasury Department in line with the policies and limits set by ALCO. GBI uses duration, gap and sensitivity analyses for the quantification of interest rate risk.

Sensitivity analyses are based on both economic value and earnings perspectives. Interest sensitivity is measured by applying standard parallel yield curve shifts, historical simulation approach and user defined yield curve twist scenarios. The outcomes of these analyses are discussed at ALCO and are used effectively in decision making processes for hedging and pricing. RMD is represented in ALCO and contributes to the market risk management process in a proactive manner.

The Bank has a low duration structure both in assets and liabilities and has a very limited duration gap. The Bank's sensitivity to interest rate shocks is limited. Net change in economic value of equity under regulatory interest rate shock scenario is closely monitored and lies considerably well below the regulatory threshold of 20 percent. The Bank enters into FX Swap, Forward Rate Agreement, Interest Rate Swap and Cross Currency Interest Rate Swap transactions in order to hedge the interest rate mismatches.

Liquidity risk

The main objective of GBI's liquidity risk policy is to maintain sufficient liquidity in order to ensure safe and sound operations. ALCO bears overall responsibility for the liquidity risk strategy. ALCO has delegated day-to-day liquidity management to the Treasury Department, which is responsible for managing the overall liquidity risk position of the Bank. The Treasury Department monitors all maturing cash flows along with expected changes in core-business funding requirements to maintain the day-to-day funding.

The Bank aims for a well-diversified funding mix in terms of instrument types, fund providers, geographic markets and currencies. The Bank monitors liquidity risk through gap analysis, which is supplemented by stress tests designed based on different scenarios. These analyses allow applying shocks with different magnitudes on the liquidity position of the Bank. Scenarios are driven based on bank-specific and market-specific liquidity squeezes. In addition to this, cash capital concept, which shows the excess of long-term funds over long-term assets, is used as a measure for long-term funding mismatch. The Bank has a detailed contingency funding plan in place for the management of a liquidity crisis situation. All liquidity analyses are reported to ALCO on a regular basis. ALCO reviews and plans the necessary actions to manage the liquidity gaps.

The Bank has not endured liquidity shortages during the liquidity squeeze in the market thanks to the prudent liquidity policy, which is based on balancing short-term and long-term liquidity gaps, and maintaining a high liquidity buffer. The Bank places its excess liquidity to central banks or governments in Europe and to very limited number of selected credible counterparties. GBI has a diversified mix of wholesale and retail funding sources. Retail funding, in general, is the primary funding source, which enables the Bank to have a positive liquidity gap even in the case where the wholesale funding market dries up.

Credit risk

GBI is mainly involved in low default portfolios such as sovereigns, banks, large corporate companies and trade finance activities. The credit risk assessment and monitoring processes are designed in a way to reflect the credit risk profile of the Bank. A primary element of the credit approval process is a detailed risk assessment of every credit exposure associated with an obligor. The risk assessment process considers both the creditworthiness of the counterparty and the risks related to the specific type of credit facility or exposure. This risk assessment not only affects the structuring of the transaction but also the outcome of the credit decision.

Being a Foundation-IRB Bank, GBI is using a series of credit-risk measurement models. The Bank has dedicated internal rating models for all asset classes for evaluating the creditworthiness of the counterparties. The rating models are integrated in the credit granting and monitoring processes. These models are validated by a third party on an annual basis.

The granular 22-grade rating scale, which is calibrated on a probability of default measure based upon a statistical analysis of historical defaults, enables the Bank to compare the internal ratings between different sub-portfolios of the institution. Risk rating models also serve as a basis for the calculation of the regulatory capital and economic capital that GBI needs to hold to cover possible losses from its lending activities. Ratings are also integral parts of pricing and risk-based performance measurement processes.

GBI makes use of internal economic capital models in order to assess the adequacy of the regulatory capital for Pillar 1 risks and to determine the additional capital requirement for concentration risk.

The Bank applies stress tests in order to assess the adequacy of the capital buffer after including all Pillar 1 and Pillar 2 risks. Additional scenario analyses are also used within the scope of the Capital Planning process.

The Credit Committee is responsible for the control of all the credit risks arising from the banking book, the trading book and concentration risks (single name, country and industry concentrations). Business lines, Corporate Credit Department and Credit FI and Sovereign Department perform credit assessment for all counterparties and the Credit Committee assigns the final limit based on these assessments together with the internal rating of the customer. RMD monitors the portfolio credit risk through rating models and economic capital models, regulatory capital model on a monthly basis and reports to RMC.

Operational risk

Operational risk includes potential losses caused by a breakdown in information or transaction processing and settlement systems and procedures, human errors, non-compliance with internal policies or procedures, including the possibility of unauthorized transactions by employees. Such risks are managed through bank-wide or through business line specific policies and procedures, controls, and monitoring tools. GBI's policy to control operational risk is communicated with and implemented in all business lines. Key elements in this policy are Know Your Customer principles, delegating tasks and responsibilities, issuing clear policies, procedures and directives, segregation of duties, four-eyes principles, carrying out supervision, taking corrective action, maintaining highly responsive accounting systems, systematic internal controls and performing periodic internal audits.

Legal, integrity and reputational risk

GBI is committed to the preservation of its reputation in the markets it operates. Since integrity is one of the core values of GBI, it is embedded in GBI's policies and specifically designed integrity and compliance procedures. Internal communication sessions support the proper understanding and effective compliance of these external and internal requirements. All legal issues are under the co-ordination of the Legal Committee. For each line of business, GBI has established standardized legal documentation and procedures to ensure that GBI's rights and obligations are clearly documented and legally enforceable.

Other risks

The Bank has limited or no exposure to residual risk, pension risk, settlement risk, underwriting risk and securitization risk. These risks are monitored in regular audit activities and assessments within the scope of Internal Capital Adequacy Assessment Process (ICAAP). Strategic risk is taken into account in the capital planning process in order to account for the possible increase in the capital requirement based on the strategies or the business models that are chosen by the Bank.

Risk appetite

The Bank has a well balanced risk appetite, which combines the risk and return in a comprehensive manner. GBI has always achieved to meet adequate level of solvency thanks to its committed shareholder, high level of attention paid to prudent risk management practices and risk averse strategies applied. GBI prefers to have a strong capital base with a high Tier 1 ingredient. As a reflection of this strategy the Bank aims for a minimum Tier 1 ratio of 8 percent and a solvency ratio of 10 percent. However, even in the severe market conditions, solvency ratio shall not be less than 9.5 percent. The Bank has applied this capital strategy successfully, looking at the historical solvency levels. The solvency ratio has never been below these anticipated levels in the history of the Bank. GBI has a zero tolerance for any breach in following the regulations and strictly refrains to take any risk that may hinder the reputation of the Bank as per the risk appetite statement of the Bank.

Basel II

De Nederlandsche Bank N.V. has approved GBI's application to use the Internal Rating Based Foundation (F-IRB) approach in regulatory capital calculation starting from 1 January 2008. The Bank uses the Standardized Measurement Approach for market risk and the Basic Indicator Approach for operational risk. Concentration risk, interest rate risk and other Pillar II risks are also taken into account in the regulatory capital calculation within the context of ICAAP, which is based on internal models and methodologies. ICAAP has also been reviewed and approved by the regulatory authorities.

The Basel II project is defined and organized as a part of the current risk management organization. The day-to-day activities within the Basel II project are executed by RMD. During 2008, all rating models have been validated by independent third party experts. The Internal Audit Department has reviewed the use of the models and the data quality. Experts from DNB have reviewed the performance of the models, the quality of all related information systems and the components of ICAAP within the scope of Supervisory Review Process.

GBI has been benefiting from advanced risk measurement and management practices in day-to-day activities. This provides the Bank with a significant experience and opportunity to enhance the risk management culture within the Bank as well as to promote the use of advanced risk management tools in decision-making and risk monitoring processes. The Bank has decided to leverage the accumulated risk management know-how and the pre-established risk culture to be an IRB compliant bank, which also provides a more risk sensitive and transparent risk management framework for all of its stakeholders. This has led the Bank being one of the first IRB compliant banks in the Netherlands and the first bank among its peers.

The Managing Board would like to thank our clients, shareholders and stakeholders for their continuing trust in our great bank and especially our employees for their continuous commitment to their work and for their appreciated contribution to the excellent results in a year of great difficulty.

Amsterdam, 27 March 2009

Board of Managing Directors:

Bahadır Ateş

Marc P. Padberg

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Balance sheet as at 31 December 2008 (before profit appropriation)

	Note		2008 EUR 1,000		2007 EUR 1,000
Assets					
Cash	3		**851,796**		361,201
Banks	4		**1,099,027**		1,195,132
Loans and advances	5		**982,645**		1,107,733
Interest-bearing securities	6		**542,404**		568,223
Shares	7		**–**		6,938
Participating interests	8		**318**		318
Property and equipment	9		**53,704**		49,309
Other assets	10		**42,835**		16,028
Prepayments and accrued income	11		**54,014**		89,965
Total assets			**3,626,743**		3,394,847
Liabilities					
Banks	12		**915,453**		892,658
Funds entrusted	13		**2,217,134**		2,025,362
Debt securities	14		**45,888**		95,849
Other liabilities	15		**13,327**		16,211
Accruals and deferred income	16		**99,520**		67,309
Provisions	17		**5,199**		2,311
			3,296,521		3,099,700
Subordinated liabilities	18		**78,007**		78,007
Paid-in and called-up capital		**196,567**		159,470	
Share premium account		**–**		2,086	
Revaluation reserves		**4,920**		4,777	
Other reserves		**15,796**		15,796	
Net profit		**34,932**		35,011	
Shareholders' equity	19		**252,215**		217,140
Total liabilities and shareholders' equity			**3,626,743**		3,394,847
Off-balance sheet liabilities	20		**185,027**		292,011

Profit and loss account for the financial year 2008

			2008 EUR 1,000		2007* EUR 1,000
Interest income	21	**225,910**		249,714	
Interest expense	22	**183,825**		208,813	
Net interest			**42,085**		40,901
Commission income	23	**33,179**		24,055	
Commission expense	24	**2,438**		2,055	
Net commission	25		**30,741**		22,000
Result on financial transactions	26		**19,505**		13,697
Other income	27		**27,567**		11,247
Total income			**119,898**		87,845
Administrative expenses:	29				
• Staff costs		**35,634**		25,664	
• Other administrative expenses		**25,947**		13,872	
			61,581		39,536
Depreciation	30		**5,611**		2,234
Value adjustments to receivables	31		**7,662**		41
Total expenses			**74,854**		41,811
Operating result before tax			**45,044**		46,034
Tax on result on ordinary activities	32		**10,112**		11,023
Net result after tax			**34,932**		35,011

* Adjusted for reasons of comparison

Cash flow statement for the year 2008

	2008	2007*
	EUR 1,000	*EUR 1,000*
Net cash flow out of operational activities		
Net profit	**34,932**	35,011
Adjustments for depreciation	**5,611**	2,234
Adjustments for value adjustments to receivables	**7,662**	41
Adjustments for other income	**(5,525)**	(592)
Due from banks, excluding due from banks demand	**108,648**	65,043
Loans and advances, excluding value adjustments to receivables	**119,347**	(92,936)
Trading portfolio	**88,840**	(113,046)
Other assets	**(26,807)**	(13,438)
Prepayments and accrued income	**35,951**	(28,916)
Due to banks, excluding due to banks on demand	**15,587**	45,250
Funds entrusted	**191,772**	336,272
Debt securities	**(49,961)**	94,194
Other liabilities	**(2,884)**	10,162
Accruals and deferred income	**32,211**	33,194
Provisions relating to deferred tax and pension	**2,888**	(27)
Release of deferred tax liability	**143**	–
	558,415	372,446
Net cash flow out of investment activities		
Investments in:		
• Fixed assets	**(6,402)**	(11,797)
• Investment portfolio	**(56,083)**	(32,888)
	(62,485)	(44,685)
Net cash flow out of financing activities		
Subordinated liabilities	**–**	3
	–	3
Net cash flow	**495,930**	327,764
Cash and cash equivalents as at 1 January	**361,430**	33,666
Cash and cash equivalents as at 31 December	**857,360**	361,430
Net cash flow	**495,930**	327,764

* Adjusted for reasons of comparison

CASH FLOW STATEMENT FOR THE YEAR 2008

	2008	2007*
	EUR 1,000	*EUR 1,000*
Specification of cash and cash equivalents as at 31 December		
Cash	**851,796**	361,201
Due from banks on demand	**5,564**	229
	857,360	361,430

* Adjusted for reasons of comparison

1 **Overview of GarantiBank International N.V.**

General

The financial information of GarantiBank International N.V. (hereafter: "GBI" or "the Bank") will be included in the financial statements of Türkiye Garanti Bankası A.Ş., incorporated in Turkey. GBI works in close cooperation with its 100 percent shareholder Türkiye Garanti Bankası A.Ş..

GBI is mainly active in financing of international trade and corporate lending, as well as in retail banking, treasury and private banking.

Economic environment

The financial position of GBI is to a large extent related to the economic developments in Turkey and emerging markets. The accompanying financial statements reflect GBI's best assessment of the impact of these economic developments on the financial position of GBI.

Basis of presentation

The financial statements are compiled in conformity with the provisions governing the financial statements of banks as contained in Part 9, Book 2 of the Netherlands Civil Code, Guidelines of the Council for Annual Reporting (Raad voor de Jaarverslaggeving - RJ) and the formats prescribed for the balance sheet and profit and loss account of banks under the Financial Statements Formats Decree.

All amounts are stated in thousands of euros, unless otherwise indicated.

Principles for consolidation

The participating interests are not consolidated, but are included at their invested equity amounts, because they are not material to the balance sheet of the Bank.

2 **Significant accounting policies**

General

Assets and liabilities are stated at nominal value, unless otherwise stated below.

Foreign currencies

Assets and liabilities denominated in foreign currencies are converted at the spot rate as at balance sheet date.

Foreign exchange rate differences are taken to the profit and loss account as 'Result on financial transactions', with the exception of exchange differences resulting from the conversion of capital investments in participating interests and related hedging transactions. These are accounted for in shareholders' equity together with the results from related hedging instruments, after allowing for taxation.

Other outstanding forward transactions in foreign currencies are valued at the applicable forward rate for the residual term to maturity as at balance sheet date.

Transactions and the resulting income and charges in foreign currencies are converted at the rate applicable on transaction date. The resulting exchange rate effects are accounted for as 'Result on financial transactions' in the profit and loss account.

Results of participating interests in foreign currencies are translated at the rates prevailing at the end of the month in which the results are realized. The difference resulting from the translation at the rates prevailing at the end of months instead of the rate at balance sheet date is accounted for in shareholders' equity.

The results of the branch in Romania are translated at the rates prevailing at balance sheet date and are adjusted for the revaluation of the book value of the fixed assets in the local currency.

Derivatives
Derivatives are financial instruments embodied in contracts of which the value depends on one or more underlying assets or indices.

Where GBI has entered into derivatives to cover its own currency positions, these are recognized in accordance with the accounting principles applicable to these positions, i.e. derivatives are converted at period-end rate (spot rate). The forward points on currency swaps are amortized to the profit and loss account on a linear basis. Where GBI has entered into derivatives to cover its own interest positions, GBI applies the possibility of cost price hedge accounting as stated in the Dutch Accounting Standard RJ 290. Derivative instruments used to hedge the Bank's own interest positions are recorded at cost and the interest results on these instruments are recognized under interest income and/or interest expense.

The other derivatives are recorded at fair value, i.e. market value as at balance sheet date. The resulting price and valuation differences are stated in the profit and loss account as Result on financial transactions.

Loans and advances to banks/customers
Loans and advances to banks/customers are valued at nominal value, after deduction of general and specific provisions for doubtful debts. The additions to or transfers from the general and specific provisions for doubtful debts are recognized in 'Value adjustments to receivables' in the profit and loss account.

Profits or losses on the sale of loans and advances to banks/customers (forfaiting) are taken to the profit and loss account as 'Result on financial transactions'.

Investment and trading portfolio
The investment portfolio shown in the item 'Interest-bearing securities' comprises all investments, which are intended to be held on a permanent basis or to maturity.

The trading portfolio shown in the items 'Interest-bearing securities' and 'Shares' consists of investments which are intended to be used to gain transaction results on a short-term basis.

Interest-bearing securities
Interest-bearing securities, including fixed-income securities belonging to the investment portfolio, are stated at redemption value. The difference between redemption value and acquisition price is deferred and included in the balance sheet as either a prepayment or an accrual and is amortized over the remaining life of the relevant securities.

Interest-bearing securities included in the trading portfolio are stated at market value. Profits or losses from revaluation or trading of these securities are taken to the profit and loss account as 'Result on financial transactions'.

Shares
Shares belonging to the trading portfolio are stated at market value. The resulting differences in value are accounted for in the profit and loss account as 'Result on financial transactions'.

Participating interests
Participating interests in which GBI has a significant influence on the commercial and financial policy are stated at net asset value determined in conformity with the accounting policies applied in these financial statements.

Property and equipment
The valuation principles for tangible fixed assets are as follows:

Land and buildings in use by GBI
Premises held as a long-term investment or held for sale are valued at the 'best efforts' market value. Changes in this value are accounted for in the revaluation reserve, taking deferred tax liabilities into account.

A debit balance of the revaluation reserve is taken to the profit and loss account. Incidental revaluations of GBI's premises held for sale are released to the profit and loss account upon realization. Land is not being depreciated.

Depreciation periods applied are as follows:
- Properties, excluding land : 50 years.
- Improvement of properties : 50 years.

Other fixed assets
These are stated at acquisition price less straight-line depreciation on the basis of estimated useful economic lives.
Depreciation periods applied are as follows:
- Renovation properties : 10 to 15 years.
- Furniture and equipment : 3 to 10 years.

Provisions

General
Provisions are carried on the balance sheet to cover obligations and losses at the balance sheet date, for which the amounts are uncertain as at the balance sheet date but which can be reliably estimated.

Deferred tax liabilities
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are accounted for only if there is sufficient assurance about their collectability.

Pensions
Pension plans have been established for the employees in the Netherlands and the majority of staff employed outside the Netherlands in accordance with the regulations and practices of the relevant countries. Third parties, mostly insurance companies, administer and execute these plans.

The nature and substance of the plans are decisive for their treatment in the financial statements. In this respect, a distinction is made between defined contribution plans and defined benefit plans.

Defined benefit obligations are calculated in accordance with the projected unit credit method of actuarial cost allocation.

Under this method, the present value of pension and other employee benefit obligations is determined on the basis of the number of active years of service up to balance sheet date, the estimated salary scale at the time of the expected retirement date and the market rate of interest on high quality corporate bonds.

To determine the pension cost, the expected return on the plan assets is included in the calculation. Differences between the expected and actual returns on the plan assets, as well as actuarial changes, are only (partly) recorded in the profit and loss account of the next financial year if the total of these accumulated differences and changes exceeds a corridor of 10 percent of the largest of obligations under the plan or the amount in the profit and loss account in the next financial year over the members' average remaining years of service. Additions in defined benefit obligations resulting from revised plans regarding past-service periods (past-service cost) are recognized over the period these benefits become vested.

In the case of a defined contribution plan, contributions owing are charged directly to the profit and loss account in the year to which they relate.

Income

All income items are attributed to the period in which they arise or in which the service was provided, with the exception of value differences in respect of trading positions stated at market value. The latter are added or charged directly to the result for the year.

Interest income and interest expenses are recognized in the year to which they relate. Interest results on off-balance sheet instruments used to hedge GBI's own positions, are recognized in interest income and/or interest expense. Commission income and commission expense are recognized in the year to which they relate.

Interest income and commissions from the extension of credits are not stated as income if the collection of the interest and commission is doubtful.

Positive results on the sale of interest-bearing securities belonging to the investment portfolio, are directly recognized in interest income. If, on balance, losses on the sale of interest-bearing securities belonging to the investment portfolio would arise, the surplus losses are charged directly to 'Interest expense'.

Operating expenses

Expenses are allocated to the period in which they arise.

Taxes

In determining the effective tax rate, all permanent and timing differences between pre-tax profit and the taxable amount in accordance with tax legislation, are taken into account.

Income tax in the profit and loss account for the year comprises current and deferred tax. Income tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Cash flow statement

The cash flow statement gives details of the source of liquid funds which became available during the year and the use of the liquid funds over the course of the year. The cash flows are classified into cash flows from operations/banking activities, investment activities and financing activities. Liquid funds include cash in hand, net credit balances on current accounts with other banks and net demand deposits with central banks.

Movements in loans, total customer accounts and interbank deposits are included in the cash flow from banking activities. Investment activities comprise purchases, sales and redemptions in respect of investment portfolios, as well as investments in and sales of participating interests, property and equipment. The issue of shares and the borrowing and repayment of long-term funds are treated as financing activities.

The cash flow statement has been drawn up using the same accounting principles as applied to the balance sheet and profit and loss account.

		2008	2007
3	**Cash**	**851,796**	361,201
	This item includes all legal tender, as well as demand deposits held at the central bank and giro and retail clearing services in countries in which GBI is established.		
4	**Banks**	**1,099,027**	1,195,132
	This item comprises all loans and advances to banks falling under government supervision as well as to central banks, which are not included in the 'Cash' item and insofar as not embodied in the form of debt securities including fixed-income securities.		
5	**Loans and advances**	**982,645**	1,107,733
	These include all loans and advances, excluding those to banks and those embodied in debt securities including fixed-income securities. (This amount is shown net of provisions amounting to EUR 18.2 million (2007: EUR 11.6 million)).		
6	**Interest-bearing securities**	**542,404**	568,223
	Included under this item are debt securities with a fixed interest rate or an interest rate dependent on the prevailing interest rate. The breakdown by issuer is as follows:		
	• Issued by public bodies	**295,640**	367,837
	• Issued by others	**246,764**	200,386
		542,404	568,223
	Of the interest-bearing securities EUR 154 million will mature in 2009, EUR 16.2 million has been issued by a group company and EUR 76.9 million is unlisted. The breakdown by portfolio is as follows:		
	• Investment portfolio	**490,863**	434,780
	• Trading portfolio	**51,541**	133,443
		542,404	**568,223**

The difference between the acquisition price and the market value of the trading portfolio is EUR 3.7 million positive (2007: EUR 11.4 million positive). EUR 45.9 million of securities in the trading portfolio are fully hedged by the debt securities that are included in the balance sheet item 'Debt securities' (see note 14). The difference between the acquisition price and the market value of the trading portfolio excluding these hedged securities is negligible (2007: EUR 3.2 million positive).

Changes in the investment portfolio are as follows:	2008	2007
Balance sheet value as at 1 January	**434,780**	401,892
Purchases	**359,956**	189,305
Sales	**(140,824)**	–
Redemptions	**(161,459)**	(143,793)
Foreign exchange rate differences	**(1,590)**	(12,624)
Balance sheet value as at 31 December	**490,863**	434,780

		2008	2007
	The purchase price of the investment portfolio was EUR 10.6 million above the redemption value (2007: EUR 18.9 million). The difference between the book value and the market value of the interest-bearing securities in the investment portfolio amounts to EUR 36.4 million negative (2007: EUR 5.3 million positive).		
7	**Shares**	**–**	6,938
8	**Participating interests**	**318**	318

This item comprises the following equity participations:

- 100 percent Trifoi SRL, Bucharest, the owner of the land where GarantiBank International Bucharest Branch, Romania, was located previously.
- 100 percent Trifoi Investment SRL, Bucharest, a financial services company.
- 100 percent Golden Clover Stichting Custody, Amsterdam, a custodian company.
- 100 percent United Custodian, Amsterdam, a custodian company.
- 100 percent Stichting Safekeeping, Amsterdam, the owner of the shares of Safekeeping Custody Company B.V., a custodian company.

The sole objective of the custodian companies is to hold, for the benefit of customers of GBI, rights with respect to securities, and to conclude agreements and perform or bring about the performance of all other acts conducive to the foregoing. Securities kept in custody amount to EUR 262 million in 2008 (2007: EUR 392 million).
The participating interests are not consolidated, but included at their invested equity amounts, because they are not material to the balance sheet of the Bank.

		2008	2007
9	**Property and equipment**	**53,704**	49,309

The changes in this balance sheet item are as follows:

	Land and buildings in use by GBI	Other fixed assets	Total
Balance sheet value as at 1 January 2008	40,374	8,935	49,309
Purchases	4,713	5,293	10,006
Depreciation *	(2,787)	(2,824)	(5,611)
Balance sheet value as at 31 December 2008	42,300	11,404	53,704
Accumulated depreciation	10,835	7,118	17,593

* Depreciation includes EUR 3,840 thousand of depreciation expenses which is included in the reimbursement right amounting to EUR 38.8 million in 'Other assets' (see notes 10 and 27).

		2008	2007
10	**Other assets**	**42,835**	16,028
	This item includes those amounts, which are not of an accrued or deferred nature or which cannot be classified with any other balance sheet asset item. This concerns, for example, balances of payment transactions still to be settled, deferred tax assets of EUR 2.1 million (2007: EUR 2.3 million) and current taxes receivable amounting to EUR 0.9 million (2007: EUR 0.3 million). This item also includes a reimbursement right from the shareholder, amounting to EUR 38.8 million relating to the planned sale of GBI Romania to a joint venture of Doğuş Holding A.Ş. and General Electric Capital Corporation *(see also note 27)*.		
11	**Prepayments and accrued income**	**54,014**	89,965
	This item includes the prepayments for costs to be charged to following periods, as well as uninvoiced amounts still to be received, such as accrued interest. It also includes the net positive value of forward foreign exchange contracts and other off-balance sheet instruments stated at cost value amounting to EUR 0 million (2007: EUR 22.1 million).		
12	**Banks**	**915,453**	892,658
	This includes the non-subordinated amounts owed to banks insofar as not embodied in debt certificates.		
13	**Funds entrusted**	**2,217,134**	2,025,362
	Included under this item are all non-subordinated debts, insofar as these are not amounts owed to banks or embodied in debt certificates. This item can be specified as follows:		
	• Savings accounts	**1,526,712**	1,112,167
	• Other funds entrusted	**690,422**	913,195
		2,217,134	2,025,362
14	**Debt securities**	**45,888**	95,849
	This item includes issued notes that are fully linked to securities that are kept in the Bank's trading portfolio.		
15	**Other liabilities**	**13,327**	16,211
	This item includes those amounts, which are not of an accrued or deferred nature or which cannot be classified under any other balance sheet liability item.		
16	**Accruals and deferred income**	**99,520**	67,309
	This item includes prepayments received in respect of profits attributable to following periods and amounts still to be paid, such as accrued interest, as well as the net loss on forward foreign exchange contracts and other off-balance sheet instruments stated at cost value amounting to EUR 22.8 million (2007: EUR 0 million).		

		2008	2007
17	**Provisions**	**5,199**	2,311
	The following table summarizes the composition of the provisions:		
	Provision for deferred tax liabilities *(see note 32)*	**5,084**	2,055
	Provision for pension obligations	**115**	256
	Total	**5,199**	2,311
	Provision for pension obligations	**115**	256
	The changes in this item were as follows:		
	Position as at 1 January	**256**	325
	Recognized change in pension obligations less investments	**(141)**	(69)
	Position as at 31 December	**115**	256
	The main actuarial assumptions to determine the value of the provision for pension obligations are as follows:		
	• Discount rate	**5.60%**	5.60%
	• Expected increment in salaries	**3.00%**	3.50%
	• Expected return on investments	**5.60%**	5.60%
	• Indexation pensions	**3.00%**	3.00%
	• Inflation	**3.00%**	1.50%
	The following tables summarize the change in projected benefit obligations and plan assets of the defined benefit pension plan as well as the funded status of the plan:		
	Projected benefit obligations		
	Position as at 1 January	**2,322**	3,223
	Service cost	**347**	404
	Interest cost	**149**	172
	Actuarial loss/(gain)	**1,186**	(1,477)
	Position as at 31 December	**4,004**	2,322
	Plan assets		
	Position as at 1 January	**2,175**	3,035
	Expected return on plan assets	**157**	173
	Management expenses	**(156)**	(145)
	Employer's contribution	**636**	616
	Actuarial gain / (loss)	**946**	(1,504)
	Position as at 31 December	**3,758**	2,175
	Pension		
	Funded deficit	**(246)**	(147)
	Unrecognized net actuarial loss	**131**	(109)
	Accrued benefit costs	**(115)**	(256)

		2008	2007
18	**Subordinated liabilities**	**78,007**	78,007

This item comprises subordinated retail loans and subordinated lower Tier 2 notes issued. The subordinated liabilities are subordinate in respect of the other current and future liabilities of GBI.
The subordinated retail loans have a fixed yearly interest payment or a variable yearly interest payment at a rate of EURIBOR plus 3 percent at a minimum rate of 5.5 percent. The original maturity of the retail loans is 5, 6, 8 or 10 years.

The subordinated lower Tier 2 notes issued have a quarterly interest payment at a variable rate of EURIBOR plus 1.5 percent. The original maturity of the notes is 10 years.

In the financial year the charges paid in respect of the subordinated loans and subordinated notes issued amounted to EUR 4.9 million (2007: EUR 4.6 million).

		2008	2007
19	**Shareholders' equity**	**252,215**	217,140
	Paid-in and called-up capital	**196,567**	159,470

The authorized capital amounts to EUR 500 million and is subdivided into 500,000 shares with a nominal value of EUR 1,000 each, of which 196,567 shares have been issued and fully paid-in.

The changes in this item were as follows:

	2008	2007
Position as at 1 January	**159,470**	134,750
Issue of new shares – transfer from share premium account	**2,086**	–
Issue of new shares – transfer from net profit	**35,011**	24,720
Position as at 31 December	**196,567**	159,470

During the year, the Bank issued 37,097 shares against a nominal value of EUR 1,000 each.

	2008	2007
Share premium account	**–**	2,086
The changes in this item were as follows:		
Position as at 1 January	**2,086**	2,086
Addition to paid-in and called-up capital	**(2,086)**	–
Position as at 31 December	**–**	2,086

	2008	2007
Revaluation reserves	**4,920**	4,777
This item comprises revaluation reserves for buildings.		
The changes in this item were as follows:		
Position as at 1 January	**4,777**	4,777
Release from deferred tax liability due to change in tax rate	**143**	–
Position as at 31 December	**4,920**	4,777

	2008	2007
Other reserves	**15,796**	15,796
Position as at 1 January	**15,796**	17,015
Transfer as a result of 2006 profit appropriation	**–**	(1,219)
Position as at 31 December	**15,796**	15,796

	2008	2007
Net profit	**34,932**	35,011
The changes in this item were as follows:		
Position as at 1 January	**35,011**	23,501
Profit distribution	**(35,011)**	(24,720)
Transfer from other reserves	**–**	1,219
Result after tax	**34,932**	35,011
Position as at 31 December	**34,932**	35,011

Capital adequacy

The standards applied by the Dutch Central Bank (DNB) for the principal capital ratios are based on the capital adequacy guidelines of the European Union and the Basel Committee for Banking Supervision.

As of 1 January 2008, in accordance with the Basel II Capital Accord, the Bank is using the Internal Rating Based Foundation (F-IRB) approach to calculate the regulatory capital ratios.

These ratios compare GBI's total capital and Tier 1 capital with the required pillar I capital for credit risk (based on the total of risk-weighted assets and off-balance sheet items), the market risk associated with the trading portfolios and, as of 2008, the operational risk. The minimum requirement for the BIS ratio is 8 percent of risk-weighted assets.

The following table analyzes actual capital and the minimum standard in accordance with international BIS requirements before profit appropriation:

	2008 Basel II	2007 Basel II	2007 Basel I
Tier 1 capital	**212,363**	177,352	177,352
Tier 2 capital	**46,221**	54,428	54,428
Total capital	**258,584**	231,780	231,780
Required pillar I capital	**171,274**	150,664	128,928
BIS ratio	**12.08%**	12,31%	14,38%
Tier 1 ratio	**9.92%**	9.42%	11.00%

The difference between the capital ratios of 31 December 2007 under Basel II and those under Basel I can be explained by the change in methodology and the inclusion of a capital requirement for operational risk.

		2008	2007
20	**Off-balance sheet liabilities**	**185,027**	292,011
	This includes all liabilities arising from transactions in which GBI has guaranteed the commitments of third parties.		
	The off-balance sheet liabilities can be broken down into liabilities in respect of:		
	• guarantees	**43,140**	36,221
	• irrevocable letters of credit	**93,029**	203,506
	• other commitments	**48,858**	52,284
		185,027	292,011

		2008	2007
21	**Interest income**	**225,910**	249,714
	This includes income arising from the lending of funds and related transactions as well as commissions and other income, which have an interest characteristic.		
	This item comprises interest and similar income from:		
	• debt securities including fixed-income securities	**56,959**	55,743
	• other	**168,951**	193,971
		225,910	249,714
22	**Interest expense**	**183,825**	208,813
	Included here are the costs arising from the borrowing of funds and the interest- related result of derivatives as well as other charges, which have an interest characteristic.		
23	**Commission income**	**33,179**	24,055
	This amount comprises the income from fees received in respect of banking services supplied to third parties insofar as these do not have an interest characteristic. This relates primarily to trade finance activities.		
24	**Commission expense**	**2,438**	2,055
	This concerns the expenses paid in respect of fees for banking services supplied by third parties insofar as these do not have the characteristics of interest.		
25	**Net commission**	**30,741**	22,000
	Net commission comprises:		
	• Trade finance	**24,718**	16,711
	• Payment services	**2,136**	1,788
	• Security brokerage	**335**	1,399
	• Private banking services	**1,886**	2,629
	• Structured finance	**1,915**	–
	• Other	**(249)**	(527)
		30,741	22,000
26	**Result on financial transactions**	**19,505**	13,697
	This heading covers value differences and profits and losses on the sale of securities belonging to the trading portfolio and currency differences and price/rate differences arising from dealing in other financial instruments.		
	• Securities trading	**3,309**	2,955
	• Foreign exchange dealing	**13,297**	5,450
	• Forfaiting	**666**	2,774
	• Other	**2,233**	2,518
		19,505	13,697

		2008	2007
27	**Other income**	**27,567**	11,247
	Following the planned takeover of GBI Romania by a joint venture of Doğ us, Holding A.S,. and General Electric Capital Corporation, GBI has been guaranteed, as of 2007, a reimbursement for the expansion cost and income incurred by GBI Romania in anticipation of the takeover. As a result of this reimbursement guarantee, an amount of EUR 27.6 million (2007: EUR 11.2 million) has been included in this item. The negative expansion result is included in the related items of the profit and loss account as follows:		
	Interest income	**11,851**	–
	Interest expense	**12,705**	–
	Net interest	**(854)**	–
	Commission income	**3,990**	–
	Commission expense	**650**	–
	Net commission	**3,340**	–
	Result on financial transactions	**3,695**	–
	Total income	**6,181**	–
	Administrative expenses:		
	• Staff costs	**12,705**	4,749
	• Other administrative expenses	**15,282**	5,906
	Total administrative expenses	**27,987**	10,655
	Depreciation	**3,840**	592
	Value adjustments to receivables	**1,921**	–
	Total expenses	**33,748**	11,247
	Operating result before tax	**(27,567)**	(11,247)

The cumulative expansion result has been included in the balance sheet item 'Other assets' as a reimbursement receivable from the parent company (see note 10). The takeover will take place after receiving the local supervisory approvals, which are expected in 2009.

		2008	2007
28	**Segmentation of income**	**278,594**	287,466
	The total of interest income, commission income and result on financial transactions can be broken down into the following geographical areas based on customer domicile:		
	• The Netherlands	**25,406**	21,961
	• Turkey	**117,846**	145,355
	• CIS countries	**48,040**	70,749
	• Rest of Europe	**80,972**	33,222
	• Rest of the world	**6,330**	16,179
		278,594	287,466

Other income is not included in this segmentation as it fully relates to the reimbursement right for the expansion result of GBI Romania.

		2008	2007
29	**Staff costs and other administrative expenses**	**61,581**	39,536
	This includes:		
	• Staff costs	**35,634**	25,664
	• Other administrative expenses	**25,947**	13,872
		61,581	39,536

EUR 12.7 million of staff costs (2007: EUR 4.7 million) and EUR 15.3 million of other administrative expenses (2007: EUR 5.9 million) relate to the expansion activities of GBI Romania (see notes 10 and 27).

The staff costs comprise:	2008	2007
• Wages and salaries	**28,353**	20,674
• Pension costs	**1,927**	1,785
• Other social costs	**3,600**	2,154
• Other staff costs	**1,754**	1,051
	35,634	25,664

The pension costs for own staff, break down as follows:	2008	2007
• Service cost	**347**	404
• Interest cost	**149**	172
• Actual return on plan assets	**(157)**	(173)
• Management expenses	**156**	145
• Defined benefit plan	**495**	548
• Defined contribution plan	**1,432**	1,237
	1,927	1,785

Other administrative expenses include expenses related to services provided by KPMG Accountants N.V. (the auditor of these financial statements) and other members of the international KPMG network. These can be broken down as follows:

	2008			2007		
	KPMG Accountants N.V.	**Other KPMG network**	**Total KPMG network**	KPMG Accountants N.V.	Other KPMG network	Total KPMG network
Audit on the financial statements	**116**	**49**	**165**	108	36	144
Other audits	**122**	**28**	**150**	98	37	135
Fiscal advice	**–**	**71**	**71**	–	45	45
Other non-audit expenses	**20**	**14**	**34**	–	–	–
	258	**162**	**420**	206	118	324

The number of full-time equivalent employees was 763 (2007: 426), which can be split as follows:

	2008	2007
• In the Netherlands	**161**	144
• Outside the Netherlands	**602**	282
	763	426

		2008	2007
30	**Depreciation**	**5,611**	2,234
	This item includes EUR 3,840 thousand (2007: EUR 592 thousand) which relates to the expansion activities of GBI Romania (see notes 10 and 27).		
	For a further breakdown of this item, please see the overview of changes in property and equipment in note 9.		
31	**Value adjustments to receivables**	**7,662**	41
	This item consists of additions to provisions for loans and advances to credit institutions and customers. EUR 1,921 thousand (2007: 0) relates to the expansion activities of GBI Romania (see notes 10 and 27).		
32	**Tax on result on ordinary activities**	**10,112**	11,023

The corporate income tax has been calculated using the nominal tax rate of 25.5 percent over the Dutch taxable income and the local applicable tax rates for taxable income in Germany (2008 : 30 percent, 2007: 40 percent) and Romania (2008: 16 percent ,2007: 16 percent). The overall effective tax rate decreased from 23.9 percent in 2007 to 22.5 percent in 2008.

	2008	2007
Dutch tax rate	**25.5%**	25.5%
Effect of deviating tax rate in foreign countries	**(1.4)%**	(2.1)%
Effect of tax credit	**(1.7)%**	0.0%
Other	**0.1%**	0.5%
Effective tax rate on operating income	**22.5%**	23.9%

The 2008 taxes amounted to EUR 10,112 thousand (2007: EUR 11,023 thousand), including a deferred tax expense of EUR 1,296 thousand (2007: EUR 878 thousand) and a tax credit of EUR 646 thousand. The tax credit follows from an internal review of the tax position for the years 2004 – 2006 and mainly results from the sale of the participation in Cappadocia Investments Ltd in 2006.

The provision for deferred tax liabilities relates to tax liabilities that will arise in the future owing to the difference between the book value of specific assets and liabilities and their valuation for tax purposes.

The sources of deferred tax liabilities can be specified as follows:

	2008	2007
Foreign branches	**1,117**	–
Buildings	**3,967**	2,055
	5,084	2,055

The sources of deferred tax assets can be specified as follows:

	2008	2007
Pensions	**29**	65
Foreign branches	**2,032**	2,221
	2,061	2,286

33 **Pledged assets**

EUR 19.8 million of asset item 'Banks' and EUR 258.5 million of 'Interest-bearing securities' have been pledged as collateral for EUR 185.7 million of liability item 'Banks'. These assets are consequently not freely available.

34 **Risk management**

34.1 ***Credit risk***

Credit risk encompasses all forms of exposure where counterparties may default on their obligations to GBI in relation to lending, hedging, settlement and other financial activities.

Concentrations of credit risks, including country and industry risks, indicate the relative sensitivity of GBI's performance to developments affecting a particular industry or geographical region.

34.1a ***Breakdown by geographical regions***

The geographical breakdown of assets and off-balance sheet liabilities is based on customer domicile as follows:

	Banks	Loans and advances	Interest-bearing securities	Off-balance liabilities
As at 31 December 2008				
• The Netherlands	**9,039**	**39,616**	**1,000**	**1,174**
• Turkey	**518,602**	**248,619**	**356,998**	**60,461**
• CIS countries	**369,969**	**126,576**	**177,097**	**6,040**
• Rest of Europe	**91,223**	**489,506**	**7,309**	**60,243**
• Rest of the world	**110,194**	**78,328**	**–**	**57,109**
	1,099,027	**982,645**	**542,404**	**185,027**

	Banks	Loans and advances	Interest-bearing securities	Off-balance liabilities
As at 31 December 2007				
• The Netherlands	41,299	45,892	1,358	5,566
• Turkey	488,065	296,495	401,437	58,811
• CIS countries	317,522	152,206	132,496	52,839
• Rest of Europe	241,606	443,539	32,737	99,418
• Rest of the world	106,640	169,601	195	75,377
	1,195,132	1,107,733	568,223	292,011

34.1b ***Breakdown by collateral***

The loans and advances can be broken down by collateral as follows:

	2008	2007
Guaranteed by banks	**18,820**	30,666
Advances against securities and cash	**37,268**	138,693
Advances against other collateral and unsecured	**926,557**	938,374
	982,645	1,107,733

		2008	2007
34.1.c	***Breakdown by sector and industry***		
	The loans and advances can be broken down by sector and industry as follows:		
	Retail customers	**135,721**	29,756
	Corporate customers:		
	• Manufacturing	**326,502**	175,623
	• Construction	**55,690**	–
	• Wholesale and retail trade	**207,309**	444,207
	• Financial services	**69,737**	220,627
	• Other services	**186,185**	233,306
	• Public sector	**1,501**	4,214
		982,645	1,107,733

34.1.d ***Derivatives and capital adequacy requirement***

Derivatives are financial instruments taking the form of contracts whose value depends on one or more underlying assets, reference prices or indices. Examples of derivatives are forward exchange contracts, swaps, options and forward rate agreements. Transactions in derivatives are contracted by GBI to hedge interest rate risks and foreign exchange risks on GBI's own positions and on behalf of clients.

The degree to which GBI is active in the respective markets or market segments is shown in the following analysis by means of notional amounts. However, the notional amounts give no indication of the size of the cash flows and the market risk or credit risk attached to derivatives transactions.

The market risk arises from movements in variables determining the value of derivatives, such as interest rates and quoted prices. The positive replacement value is the loss that would arise if a counterparty were to default. In calculating the positive replacement value shown in the following table, netting agreements and other collateral have not been taken into consideration.

		Nominal amounts < 1 year EUR 1,000	Nominal amounts 1<x<5 years EUR 1,000	Total EUR 1,000	Positive replacement value EUR 1,000
Interest rate contracts					
OTC	Swaps	**43,113**	**17,964**	**61,077**	**–**
Currency contracts					
OTC	Swaps	**1,825,067**	**146,057**	**1,971,124**	**37,765**
	Forwards	**107,267**	**–**	**107,267**	**1,010**
	Options	**280,891**	**–**	**280,891**	**11,485**
Other contracts					
	Options	**729**	**–**	**729**	**2**
		2,257,067	**164,021**	**2,421,088**	**50,262**

In the capital adequacy calculations according to the Basel II Capital Accord, the Bank applies the Original Exposure Method to determine the unweighted credit equivalent of the derivatives by taking a percentage of the relevant notional amounts, depending on the nature and original term of the contract. The analysis below shows the resulting credit equivalent, which is then weighted for the counterparty risk (mainly banks).

The figures allow for the downward impact of netting agreements and other collateral on risk exposure and capital adequacy.

	As at 31 December 2008		As at 31 December 2007*	
	EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
	Unweighted	**Weighted**	Unweighted	Weighted
Interest rate contracts	**757**	**92**	585	38
OTC currency contracts	**91,967**	**23,733**	55,487	5,795
Other contracts	**15**	**–**	2	–
	92,739	**23,825**	56,074	5,833

* Adjusted in line with the Basel II Capital Accord for reasons of comparison

34.2 ***Market risk***

Market risk arises from fluctuations in interest rates, foreign currency exchange rates and security prices. It is GBI's policy to avoid exposure to significant open positions in interest and foreign currency risk.

34.2.a ***Currency risk***

The total equivalent of assets in foreign currencies is EUR 2,077 million, while the total equivalent of liabilities in foreign currencies is EUR 1,048 million. The currency position is reduced to manageable levels through off-balance sheet instruments.

	As at 31 December 2008				As at 31 December 2007			
Currency	**Gross long position EUR 1,000**	**Gross short position EUR 1,000**	**Net long position EUR 1,000**	**Net short position EUR 1,000**	Gross long position EUR 1,000	Gross short position EUR 1,000	Net long position EUR 1,000	Net short position EUR 1,000
USD	**2,170,673**	**2,176,591**	**–**	**5,918**	2,354,310	2,356,655	–	2,345
TRY	**327,741**	**327,943**	**–**	**202**	382,119	380,497	1,622	–
CHF	**22,697**	**22,757**	**–**	**60**	343	367	–	24
RON	**265,896**	**265,798**	**98**	**–**	126,032	122,746	3,286	–
GBP	**42,271**	**42,677**	**–**	**406**	8,649	8,759	–	110
BRL	**4,368**	**4,365**	**3**	**–**	2,432	2,431	1	–
JPY	**18,992**	**18,991**	**1**	**–**	13,242	13,279	–	37
SEK	**119**	**128**	**–**	**9**	1	–	1	–
AUD	**64,096**	**64,102**	**–**	**6**	45,157	45,227	–	70
RUB	**4,815**	**525**	**4,290**	**–**	5,725	2	5,723	–
CAD	**21**	**18**	**3**	**–**	24	3	21	–
MXN	**3**	**–**	**3**	**–**	3	–	3	–
ZAR	**4**	**–**	**4**	**–**	7	–	7	–
KZT	**11**	**–**	**11**	**–**	–	41	–	41
NOK	**48**	**51**	**–**	**3**	–	–	–	–
CNY	**5,966**	**5,965**	**1**	**–**	–	–	–	–
XAU	**1**	**–**	**1**	**–**	–	–	–	–

34.2.b *Interest rate risk*

The following table provides a maturity calendar of all interest-bearing financial instruments, including derivatives as of 31 December 2008, which is based on remaining days to maturity for fixed rate instruments and next repricing date for floating rate instruments:

	Variable	< = 3 months	< = 1 year	< = 5 years	> = 5 years	Total
	EUR 1 mln	EUR 1 mln	EUR 1 mln	EUR 1 mln	EUR 1 mln	EUR 1 mln
Assets	117	2,176	567	332	86	3,278
Liabilities	(171)	(1,175)	(1,282)	(345)	(7)	(2,980)
Derivatives	–	82	(12)	(91)	–	(21)
Net interest position 31 Dec. 2008	**(54)**	**1,083**	**(727)**	**(104)**	**79**	**277**
Net interest position 31 Dec. 2007*	(222)	437	(277)	242	64	244

* Adjusted for reasons of comparison

The calculation of the sensitivity analysis as at 31 December 2008 shows that, assuming an unchanged structure of assets, liabilities and off-balance sheet items, an interest increase of one percent, taking into account a parallel movement of the yield curves for all currencies as per 1 January 2009, would result in an increase in the economic value of the Bank's equity amounting to approximately EUR 2.0 million (2008: EUR 2.8 million decrease).

34.3 *Liquidity risk*

The following table provides a maturity analysis of assets and liabilities according to their remaining maturity:

	On demand	< 3 months	> 3 months - < 1 year	> 1 year - < 5 years	> 5 years	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Assets						
Cash	851,796	–	–	–	–	851,796
Banks	28,577	394,226	574,129	102,095	–	1,099,027
Loans and advances	28,228	190,924	184,203	415,841	163,449	982,645
Interest-bearing securities	–	15,085	138,955	311,027	77,337	542,404
Participating interests	318	–	–	–	–	318
Property and equipment	–	–	–	–	53,704	53,704
Other assets	42,835	–	–	–	–	42,835
Prepayments and accrued income	54,014	–	–	–	–	54,014
31 Dec. 2008	**1,005,768**	**600,235**	**897,287**	**828,963**	**294,490**	**3,626,743**
31 Dec. 2007	508,171	834,240	939,073	855,013	258,350	3,394,847

	On demand	< 3 months	> 3 months - < 1 year	> 1 year - < 5 years	> 5 years	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Liabilities						
Banks	23,013	255,292	480,839	156,309	–	915,453
Funds entrusted *	850,651	613,347	514,087	238,634	415	2,217,134
Debt securities	–	714	11,335	33,839	–	45,888
Other liabilities	13,327	–	–	–	–	13,327
Accruals and deferred income	99,520	–	–	–	–	99,520
Provisions	–	–	–	–	5,199	5,199
Subordinated liabilities	–	24,258	17,115	36,634	–	78,007
Shareholders' equity	–	–	–	–	252,215	252,215
31 Dec. 2008	**986,511**	**893,611**	**1,023,376**	**465,416**	**257,829**	**3,626,743**
31 Dec. 2007	928,846	1,337,300	564,190	308,237	256,004	3,394,847

* This includes on demand retail funding which has a longer term characteristic.

35 **Fair value of financial instruments**

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

The fair value of certain financial instruments is not materially different from their carrying values except for the interest-bearing securities in the investment portfolio.

These financial instruments include loans and advances to banks and customers, deposits from banks and customers, obligations under repurchase agreements, loans and advances from banks and other short-term assets and liabilities which are of a contractual nature. The carrying amount of these particular assets and liabilities approximates their fair value, partially due to the fact that it is market practice to renegotiate interest rates to reflect current market conditions. The fair value of the interest-bearing securities in the investment portfolio amounts to EUR 452.0 million (2007: EUR 448.7 million), whereas the book value amounts to EUR 488.4 million (2007: EUR 443.4 million). The fair value of hedging derivatives as at 31 December 2008 is not materially different from their carrying value (2007: EUR 8.3 million negative).

36 **Related parties**

Related parties include the 100 percent shareholder Türkiye Garanti Bankasi A.Ş., its major shareholders Doğuş Holding A.Ş. and GE Capital Corporation (which together have a controlling interest over Türkiye Garanti Bankasi A.Ş.), all its subsidiaries and the Supervisory and Managing Board of Directors of GBI and all the entities on which the shareholders have a significant influence. During the course of the business, GBI has made placements with and granted loans to related parties and also received deposits from them at commercial terms. In addition to the regular business transactions with the shareholder, the expansion costs in respect of the Romanian branch that are prepaid on behalf of the future shareholders of these activities, is a related party transaction as well (see note 27). The ultimate settlement of this agreement will take place upon the actual transfer of the Romanian activities.

36.1 ***Outstanding balances***

GBI has the following balances outstanding from and transactions with related parties:

	As at 31 December 2008		As at 31 December 2007	
	Related parties with a participating interest in the Bank	**Other related parties**	Related parties with a participating interest in the Bank	Other related parties
	EUR 1,000	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**
Banks (assets)	**14,988**	**545**	25,868	375
Loans and advances	**–**	**20,811**	–	14,680
Interest-bearing securities	**–**	**16,227**	–	–
Shares	**–**	**–**	–	6,677
Other assets	**38,814**	**–**	11,247	–
Banks (liabilities)	**222,436**	**10,785**	6,586	11
Funds entrusted	**–**	**9,366**	–	34,974
Subordinated liabilities	**–**	**325**	–	325
Interest income	**1,559**	**3,635**	2,248	5,647
Interest expense	**1,978**	**3,012**	361	12,048
Commission income	**244**	**419**	352	593
Other income	**27,567**	**–**	11,247	–

36.2 ***Remunerations of Managing Board Directors and Supervisory Board Directors***

In accordance with the Articles of Association, the remuneration of the members of the Managing Board is subject for approval by the shareholder at the Annual General Shareholders' Meeting.

The remuneration policy for the members of the Managing Board will be submitted to the Annual General Shareholders' Meeting for adoption, on 15 April 2009. The objective of the remuneration policy is to attract, motivate and retain a qualified Managing Board with an international mindset and background.

Therefore, the remuneration policy for the Managing Board is composed to combine past and current operational performance with long-term objectives of the Bank.

The remuneration of current and former members of the Managing and Supervisory Board amounted to EUR 2,744,760 in 2008 (2007: EUR 2,577,296).

Amsterdam, 27 March 2009

BOARD OF MANAGING DIRECTORS:
Mr. B. Ateş
Mr. M.P. Padberg

BOARD OF SUPERVISORY DIRECTORS:
Mr. S. Sözen (Chairman)
Mr. A. Acar
Mr. H. Akhan
Mr. T. Gönensin
Mr. E. Özen
Mr. F. Şahenk

Profit appropriation

In the Annual General Shareholders' Meeting, it will be proposed to convert the net profit of 2008 (EUR 34,932,000) into nominal share capital by issuing 34,932 shares.

The profit appropriation has been proposed in conformity with article 31 of the Articles of Association, which states:

Article 31

1. The profits shall be at the disposal of the general meeting.
2. Dividends may be paid only up to an amount which does not exceed the amount of the distributable part of the net assets.
3. Dividends shall be paid after adoption of the annual accounts from which it appears that payment of dividends is permissible.
4. The general meeting may resolve to pay an interim dividend provided the requirement of the second paragraph has been complied with as shown by interim accounts drawn up in accordance with the provision of the law.
5. The general meeting may, subject to due observance of the provision of paragraph 2, resolve to make distributions to the charge of any reserve which need not be maintained by virtue of the law.

To the Managing Board, the Supervisory Board and the Shareholders of GarantiBank International N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2008 as included on page 24 to page 48 which are part of the annual report 2008 of GarantiBank International N.V., Amsterdam, which comprise the balance sheet as at 31 December 2008, the profit and loss account and the cash flow statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the report of the Managing Board, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of GarantiBank International N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Managing Board is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 27 March 2009

KPMG ACCOUNTANTS N.V.
E. Bleekrode RA

Supervisory Board

Mr. S. Sözen
Director since 1998. Chairman of GBI Supervisory Board since 2006. Vice-Chairman of Türkiye Garanti Bankası A.Ş. Supervisory Board.

Mr. A. Acar
Director since 2002. Chairman of Doğuş Automotiv. Holds several Board Member positions in various Doğuş Group companies. Previously served as CEO of Ottoman Bank in Turkey and as CEO of Bank Ekspres.

Mr. H. Akhan
Director since 2003. CEO of Doğuş Holding A.Ş.. Previously served as CEO of Körfezbank in Turkey.

Mr. T. Gönensin
Director since 2000. Holds Senior Management position in Türkiye Garanti Bankası A.Ş.. Previously served as CEO of Ottoman Bank in Turkey and as Senior Managing Director of GBI.

Mr. E. Özen
Director since 2001. CEO of Türkiye Garanti Bankası A.Ş. since April 2000. Previously held several Senior Management positions at Türkiye Garanti Bankası A.Ş..

Mr. F. Şahenk
Director since 2002. Previously held the position of Chairman between 2002 and 2006.
Presently Chairman of Türkiye Garanti Bankası A.Ş..

Managing Board

Mr. B. Ateş
CEO, since 24 March 2000.

Mr. M. P. Padberg
Managing Director, since 1 January 1993.

GarantiBank International N.V. The Netherlands (Head Office)

Trade Finance
Mr. C.O. Draman
Executive Director

Treasury
Mrs. Ö. Etker-Simons
Executive Director

Private Banking
Mrs. Ö. Etker-Simons
Executive Director

Financial Institutions
Mrs. Ö. Etker-Simons
Executive Director

Credits
Mr. S. Kanan
Executive Director

Operations
Mr. G. Salman
Executive Director

Information & Communication Technology
Mr. G. Salman
Executive Director

Structured Finance
Mr. E. Zeyneloglu
Executive Director

Financial Control & Reporting
Mrs. M.F.C. Koomen
Manager

Risk Management
Mr. M.Ö. Sisman
Manager

Compliance & Internal Audit Services
Mr. L. Oztan
Manager

Retail Banking
Mr. O. Küpçü
Manager

Human Resources
Mrs. S. Tanriöver
Manager

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E-mail: info@garantibank.ro

GBI Romania Operations has 49 additional agencies throughout the country.
Please refer to our internet website www.garantibank.ro.

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Mr. F. Birincioğlu
Executive Director

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