

*(Convenience Translation of Consolidated Financial Statements and Related Disclosures  
and Footnotes Originally Issued in Turkish, See Section 3 Note I)*

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**

Consolidated Interim Financial Report

As of and for the Nine-Month Period Ended

30 September 2008

With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest

Muhasebeci Mali Müşavirlik AŞ

27 November 2008

*This report contains "Independent Auditors' Review  
Report" comprising 1 page and; "Consolidated  
Financial Statements and Related Disclosures and  
Footnotes" comprising 69 pages.*

**Convenience Translation of the Independent Auditors' Review Report  
Originally Prepared and Issued in Turkish (See Section 3 Note I)**

**To the Board of Directors of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı:**

We have reviewed the consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its financial subsidiaries as of 30 September 2008 and the related consolidated income statement, statement of cash flows and statement of changes in shareholders' equity for the nine-month period then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors, is to issue a report on these consolidated financial statements based on our review. We did not review the financial statements of certain consolidated companies as of 30 September 2008, which statements reflect total assets constituting 5.42 percent; and total operating income constituting 9.57 percent as of and for the nine-month period ended 30 September 2008 of the related consolidated totals. Those statements were reviewed by other auditors whose reports have been furnished to us, and our review report, insofar as it relates to the amounts included for those companies is based solely on the reports of the other auditors.

We conducted our review in accordance with the uniform chart of accounts, accounting and auditing standards in conformity with the (Turkish) Banking Law No 5411. These regulations require that we plan and perform the review to obtain reasonable assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its financial subsidiaries as of 30 September 2008, and of the results of its operations and its cash flows for the nine-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 and Article 38 of the (Turkish) Banking Law No 5411; and other communiqués, disclosures and directives announced by the Banking Regulation and Supervision Agency.

Istanbul,  
27 November 2008

Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Özkan Genç  
*Partner*  
*Certified Public Accountant*

**Additional paragraph for convenience translation to English:**

As explained in Section 3 Note I, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

**TÜRKİYE VAKIFLAR BANKASI TÜRK ANONİM ORTAKLIĞI  
AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED INTERIM FINANCIAL REPORT  
AS OF AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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The consolidated interim financial report as of and for the nine-month period ended 30 September 2008 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS
- ACCOUNTING POLICIES
- INFORMATION RELATED TO THE CONSOLIDATED FINANCIAL POSITION OF THE GROUP
- DISCLOSURES AND FOOTNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS’ REVIEW REPORT

The subsidiaries, associates and jointly controlled companies included in the consolidated financial report are as follows:

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**SUBSIDIARIES**

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Güneş Sigorta AŞ  
Vakıf Emeklilik AŞ  
Vakıfbank International AG  
Vakıf Finansal Kiralama AŞ  
Vakıf Deniz Finansal Kiralama AŞ  
Vakıf Finans Factoring Hizmetleri AŞ  
Vakıf Portföy Yönetimi AŞ  
World Vakıf Off Shore Banking Ltd.  
Vakıf Yatırım Menkul Değerler AŞ

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**ASSOCIATES**

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Vakıf Gayrimenkul Yatırım Ort. AŞ  
Vakıf Menkul Kıymetler Yat. Ort. AŞ  
Kıbrıs Vakıflar Bankası Ltd. Şti  
Türkiye Sınai Kalkınma Bankası AŞ

The interim consolidated financial statements and the related disclosures and footnotes that were subject to limited review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying interim consolidated financial statements are presented in thousands of New Turkish Lira (YTL), and have been subjected to limited review.

Yusuf BEYAZIT  
Board of Directors  
Chairman

Cem DEMİRAG  
Board Member and  
Audit Committee Member

Sabahattin BİRDAL  
Board Member and  
Audit Committee Member

Bilal KARAMAN  
General Manager

Dr. Metin Recep ZAFER  
Executive Vice President  
in charge of Accounting and  
Financial Affairs

Ş. Mehmet BOZ  
Director of Accounting and  
Financial Affairs

The authorized contact person for questions on this financial report:

Name-Surname/Title : A. Sonat ŞEN/Manager  
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S. Buğra SÜRÜEL /Assistant Manager  
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0 312 455 76 92

**SECTION ONE**

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# **Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries**

## **Consolidated Interim Financial Report**

**As of and for the Nine-Month Period Ended 30 September 2008**

(Currency: Thousands of YTL - New Turkish Lira)

### **SECTION ONE**

#### **General Information**

#### **I. History of the Bank including its incorporation date, initial legal status, amendments to legal status**

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı (“the Bank”) was established to operate as stated in note V in this section, under the authorization of a special law numbered 6219, called “the law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı”, on 11 January 1954 within the framework of the authority granted to The General Directorate of the Foundations of Turkish Republic Prime Ministry (“The General Directorate of the Foundations”). The Bank’s statute has not been changed since its establishment.

#### **II. The Parent Bank’s shareholders’ structure, management and internal audit, direct and indirect shareholders, change in shareholders’ structure during the period and information on the Bank’s risk group**

The shareholder having direct or indirect control over the shares of the Bank is The General Directorate of the Foundations.

The Bank’s paid-in capital is YTL 2,500,000, divided into 2.500.000.000 shares with each has a nominal value of 1 New Turkish Lira.

The Bank’s shareholder structure is stated below:

<b>Shareholders</b>	<b>Number of Shares</b>	<b>Nominal Value of the Shares – Thousands of YTL</b>	<b>Share Percentage (%)</b>
The General Directorate of the Foundations (Group A)	1.075.058.640	1,075,059	43.00
Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402.552.666	402,553	16.10
Foundations (Group B)	386.224.785	386,225	15.45
Other foundations (Group B)	4.681.052	4,681	0.19
Individuals and legal entities (Group C)	1.863.455	1,863	0.08
Publicly traded (Group D)	629.619.402	629,619	25.18
<b>Total</b>	<b>2.500.000.000</b>	<b>2,500,000</b>	<b>100.00</b>

### III. Information on the Bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their shareholdings in the Bank

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking and Business Administration
<b>Board of Directors</b>				
Yusuf BEYAZIT	Chairman	30 April 2004	Master	10 years
Rağıp DOĞU	Deputy Chairman	6 April 2005	University	33 years
Bilal KARAMAN	Member – General Manager	22 June 2005	University	29 years
Mehmet ÇEKİNMEZ	Member	24 July 2007	University	32 years
Serdar TUNÇBİLEK	Member	24 July 2007	University	23 years
Hasan ÖZER	Member	7 February 2003	University	22 years
Erkan TOPAL	Member	4 April 2006	University	13 years
Sabahattin BİRDAL <sup>(1)</sup>	Member	21 March 2008	University	22 years
Cem DEMİRAĞ	Member	4 April 2005	University	17 years
<b>Audit Committee</b>				
Sabahattin BİRDAL	Member	21 August 2008	University	23 years
Cem DEMİRAĞ	Member	4 April 2005	University	17 years
<b>Auditors</b>				
Ahmet Tanyolaç	Auditor	21 March 2003	University	5 years
Faruk Eroğlu	Auditor	21 March 2003	University	7 years
<b>Executive Vice Presidents</b>				
Tanju Yüksel	International Relations and Investor Relations	1 May 2000	University	24 years
Ahmet Atıf Meydan <sup>(2)</sup>	-	29 January 2003	University	20 years
Aydın Deliktaşlı <sup>(3)</sup>	-	9 August 2004	University	28 years
Şahin Uğur <sup>(4)</sup>	Support Services	9 August 2004	University	22 years
Feyzi Özcan	Retail Banking, Pension Fund, Directorates of the Regions, Distribution Channels, Consumer Loans	20 September 2005	University	19 years
Dr. Metin Recep Zafer <sup>(5)</sup>	Accounting and Financial Affairs, Planning and Performance, Human Resources, Investment Banking and Subsidiaries	13 June 2006	PHD	13 years
Birgül Denli	Treasury	3 July 2006	Master	14 years
Doğan Pençe	Corporate Loans and Directorates of Information	7 June 2006	University	16 years
Dr. M. Kürşad Demirkol	Software Development, Treasury and Foreign Operations, Banking Support, Ebis Operations, Ebis Support and Work Analysis, Alternative Distribution Channels Operations	30 November 2007	PHD	8 years
İhsan Çakır	Commercial Banking, Corporate Banking, Corporate Communication, Corporate Salary Payments and Commercial Centers	30 November 2007	University	13 years
Mehmet Cantekin	Legal Services and Directorates of Loans Follow-up	27 December 2007	Master	16 years

## **Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries**

Consolidated Interim Financial Report

As of and for the Nine-Month Period Ended 30 September 2008

(Thousands of New Turkish Lira (YTL))

<sup>(1)</sup> As per the resolution of Annual General Assembly held on 21 March 2008, Selahattin Toraman's membership in the Bank's Board of Directors has ended and Sebahattin Birdal has been appointed as the member of the Bank's Board of Directors. Sebahattin Birdal has taken up his duty on 26 March 2008.

<sup>(2)</sup> As per the 3 April 2008 dated resolution of the Board of Directors Ahmet Atıf Meydan has been appointed as Assistant General Manager of one of the Bank's subsidiaries, Vakıf Yatırım Menkul Değerler AŞ.

<sup>(3)</sup> As per the resolution of the Board of Directors on 21 August 2008, Aydın Deliktaşlı, the Bank's Executive Vice President in charge of Human Resources and Support Services, has retired.

<sup>(4)</sup> On 1 September 2008, Bank's Executive Vice President, Şahin Uğur, who was previously responsible for Investment Banking and Subsidiaries, has been appointed for Support Services.

<sup>(5)</sup> On 1 September 2008, Bank's Executive Vice President, Dr. Metin Recep Zafer, who was previously responsible for Accounting and Financial Affairs and Planning and Performance, has been appointed for Human Resources and Investment Banking and Subsidiaries in addition to his previous responsibilities.

Hasan Özer, the member of the Bank's Board of Directors, holds a C group non-admissioned share of the Bank amounting of YTL 0.60. The remaining members of the top management listed above do not hold any unquoted shares of the Bank.

### **IV. Information on the Bank's qualified shareholders**

The shareholder holding direct or indirect control over the Bank is The General Directorate of the Foundations having 43.00% of the Bank's outstanding shares. Another organization holding qualified share in the Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (the pension fund of the employees of the Bank), having 16.10% of outstanding shares of the Bank.

### **V. Information about the services and nature of the activities of the Bank**

The Bank was established under the authorization of special law numbered 6219, called "the Law of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı", on 11 January 1954 within the framework of the authority granted to The General Directorate of the Foundations. Operational activities of the Bank as stated at its Articles of Association are as follows:

- Lending loans by granting securities and real estates against,
- Establishing or participating in all kinds of insurance corporations already established,
- Trading real estates,
- Servicing all banking operations and services,
- Operating real estates and participating in industrial sectors for corporations handed over by foundations and General Directorate of the Foundations in line with conditions stipulated by agreements if signed.
- The Bank is established to render banking services to the foundations and carry out cashier transactions of the General Directorate of Foundations in compliance with the agreements signed by General Directorate of the Foundations.

As of 30 September 2008, the Bank has 512 domestic, 2 foreign, in total 514 branches (31 December 2007: 466 domestic, 2 foreign branches, in total 468 branches). As of 30 September 2008, the Bank has 9,600 employees (31 December 2007: 8,700).



## SECTION TWO – CONSOLIDATED FINANCIAL STATEMENTS

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries**  
Consolidated Balance Sheet  
At 30 September 2008  
(Thousands of New Turkish Lira (YTL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Section 3 Note 1

			Reviewed Current Period 30 September 2008			“Restated” Audited Prior Year 31 December 2007		
ASSETS		Notes	YTL	FC	Total	YTL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	1,215,450	1,161,468	2,376,918	1,626,725	866,575	2,493,300
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	110,977	307,473	418,450	120,081	336,806	456,887
2.1	Financial assets held for trading		100,888	297,439	398,327	97,817	319,957	417,774
2.1.1	Government securities		98,892	297,439	396,331	95,953	319,957	415,910
2.1.2	Equity securities		1,104	-	1,104	500	-	500
2.1.3	Other securities		892	-	892	1,364	-	1,364
2.2	Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1	Government securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Other securities		-	-	-	-	-	-
2.3	Derivative financial assets held for trading purpose		10,089	10,034	20,123	22,264	16,849	39,113
III.	BANKS	V-I-3	220,955	1,419,527	1,640,482	859,321	2,007,360	2,866,681
IV.	RECEIVABLES FROM INTERBANK MONEY MARKETS		2,452,279	-	2,452,279	715,835	-	715,835
4.1	Interbank money market placements		2,452,279	-	2,452,279	-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-	715,835	-	715,835
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	7,081,415	2,168,496	9,249,911	6,738,179	2,770,936	9,509,115
5.1	Equity securities		20,218	7,594	27,812	20,187	1,650	21,837
5.2	Government securities		7,061,197	2,097,661	9,158,858	6,717,929	2,689,220	9,407,149
5.3	Other securities		-	63,241	63,241	63	80,066	80,129
VI.	LOANS	V-I-5	20,830,643	9,770,129	30,600,772	17,088,234	6,714,898	23,803,132
6.1	Performing loans		20,720,095	9,769,633	30,489,728	17,088,234	6,714,429	23,802,663
6.1.1	Loans provided to the Bank’s risk group	V-V-1	589	5,633	6,222	126	3,993	4,119
6.1.2	Others		20,719,506	9,764,000	30,483,506	17,088,108	6,710,436	23,798,544
6.2	Loans under follow-up		1,382,225	52,172	1,434,397	1,156,517	87,614	1,244,131
6.3	Specific provisions (-)		1,271,677	51,676	1,323,353	1,156,517	87,145	1,243,662
VII.	FACTORING RECEIVABLES		127,213	2,605	129,818	52,389	5,146	57,535
VIII.	HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	1,914,716	326,015	2,240,731	1,457,965	206,386	1,664,351
8.1	Government securities		1,914,716	279,173	2,193,889	1,457,965	162,491	1,620,456
8.2	Other securities		-	46,842	46,842	-	43,895	43,895
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	92,828	3	92,831	88,029	3	88,032
9.1	Associates, consolidated per equity method		75,373	-	75,373	70,465	-	70,465
9.2	Unconsolidated Associates		17,455	3	17,458	17,564	3	17,567
9.2.1	Financial Associates		1,518	-	1,518	1,647	-	1,647
9.2.2	Non-Financial Associates		15,937	3	15,940	15,917	3	15,920
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	127,260	-	127,260	128,660	-	128,660
10.1	Unconsolidated financial subsidiaries		1,823	-	1,823	3,223	-	3,223
10.2	Unconsolidated non-financial subsidiaries		125,437	-	125,437	125,437	-	125,437
XI.	INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1	Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2	Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1	Financial joint-ventures		-	-	-	-	-	-
11.2.2	Non-Financial joint-ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	V-I-10	24,938	223,803	248,741	33,911	249,923	283,834
12.1	Finance lease receivables		30,510	255,607	286,117	42,127	291,614	333,741
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		5,572	31,804	37,376	8,216	41,691	49,907
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	-	-	-	-	-
13.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)		1,076,943	1,699	1,078,642	1,001,475	1,731	1,003,206
XV.	INTANGIBLE ASSETS (Net)		29,434	62	29,496	14,822	78	14,900
15.1	Goodwill		-	-	-	-	-	-
15.2	Other intangibles		29,434	62	29,496	14,822	78	14,900
XVI.	INVESTMENT PROPERTIES	V-I-12	52,827	-	52,827	56,786	-	56,786
XVII.	TAX ASSETS		82,501	852	83,353	49,724	1,179	50,903
17.1	Current tax assets		2,984	-	2,984	-	1,054	1,054
17.2	Deferred tax assets	V-I-13	79,517	852	80,369	49,724	125	49,849
XVIII.	ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS	V-I-14	1,704	-	1,704	1,702	-	1,702
18.1	Assets held for sale		1,704	-	1,704	1,702	-	1,702
18.2	Assets related to the discontinued activities		-	-	-	-	-	-
XIX.	OTHER ASSETS	V-I-15	1,016,102	258,348	1,274,450	765,762	252,299	1,018,061
TOTAL ASSETS			36,458,185	15,640,480	52,098,665	30,799,600	13,413,320	44,212,920

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

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries**

**Consolidated Balance Sheet**

At 30 September 2008

(Thousands of New Turkish Lira (YTL))

**Convenience Translation of Financial Statements**

**and Related Disclosures and Footnotes**

**Originally Issued in Turkish, See Section 3 Note 1**

			Reviewed Current Period 30 September 2008			“Restated” Audited Prior Year 31 December 2007		
LIABILITIES AND SHAREHOLDERS' EQUITY		Notes	YTL	FC	Total	YTL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	V-II-1	<b>27,170,568</b>	<b>9,197,290</b>	<b>36,367,858</b>	<b>22,372,917</b>	<b>6,776,508</b>	<b>29,149,425</b>
1.1	Deposits of Bank's risk group	V-V-1	1,116,003	66,088	1,182,091	1,192,715	81,688	1,274,403
1.2	Others		26,054,565	9,131,202	35,185,767	21,180,202	6,694,820	27,875,022
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING PURPOSE</b>	V-II-2	<b>9,792</b>	<b>18,041</b>	<b>27,833</b>	<b>20,003</b>	<b>2,287</b>	<b>22,290</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	V-II-3	<b>76,831</b>	<b>5,293,813</b>	<b>5,370,644</b>	<b>52,619</b>	<b>4,985,261</b>	<b>5,037,880</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKET</b>		<b>827,517</b>	<b>916,637</b>	<b>1,744,154</b>	<b>793,915</b>	<b>1,359,520</b>	<b>2,153,435</b>
4.1	Interbank money market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		15,162	-	15,162	-	-	-
4.3	Obligations under repurchase agreements		812,355	916,637	1,728,992	793,915	1,359,520	2,153,435
<b>V.</b>	<b>SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
<b>VI.</b>	<b>FUNDS</b>		<b>105,584</b>	-	<b>105,584</b>	<b>121,964</b>	-	<b>121,964</b>
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		105,584	-	105,584	121,964	-	121,964
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>979,587</b>	<b>100,032</b>	<b>1,079,619</b>	<b>687,213</b>	<b>121,038</b>	<b>808,251</b>
<b>VIII.</b>	<b>OTHER EXTERNAL RESOURCES PAYABLE</b>	V-II-4	<b>77,502</b>	<b>200,807</b>	<b>278,309</b>	<b>143,899</b>	<b>140,449</b>	<b>284,348</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		-	-	-	<b>8,961</b>	<b>2,519</b>	<b>11,480</b>
<b>X.</b>	<b>LEASE PAYABLES (Net)</b>	V-II-5	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred financial leasing expenses ( - )		-	-	-	-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT PURPOSE</b>	V-II-6	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	V-II-7	<b>1,202,980</b>	<b>40,805</b>	<b>1,243,785</b>	<b>1,062,831</b>	<b>30,747</b>	<b>1,093,578</b>
12.1	General provisions		245,927	4,245	250,172	169,789	3,956	173,745
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		244,055	423	244,478	221,475	403	221,878
12.4	Insurance technical provisions (Net)		579,533	10,335	589,868	563,300	11,069	574,369
12.5	Other provisions		133,465	25,802	159,267	108,267	15,319	123,586
<b>XIII.</b>	<b>TAX LIABILITIES</b>		<b>176,035</b>	<b>3,720</b>	<b>179,755</b>	<b>182,338</b>	<b>1,756</b>	<b>184,094</b>
13.1	Current tax liabilities	V-II-8	170,667	3,720	174,387	176,706	1,756	178,462
13.2	Deferred tax liabilities	V-I-13	5,368	-	5,368	5,632	-	5,632
<b>XIV.</b>	<b>PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>		-	-	-	-	-	-
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>		<b>5,650,897</b>	<b>50,227</b>	<b>5,701,124</b>	<b>5,229,659</b>	<b>116,516</b>	<b>5,346,175</b>
<b>16.1</b>	<b>Paid-in capital</b>	V-II-9	<b>2,500,000</b>	-	<b>2,500,000</b>	<b>2,500,000</b>	-	<b>2,500,000</b>
<b>16.2</b>	<b>Capital reserves</b>		<b>746,022</b>	<b>(34,892)</b>	<b>711,130</b>	<b>790,164</b>	<b>41,627</b>	<b>831,791</b>
16.2.1	Share premium		726,691	-	726,691	726,691	-	726,691
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Valuation differences of the marketable securities	V-II-9	5,254	(34,892)	(29,638)	49,226	41,627	90,853
16.2.4	Revaluation surplus on tangible assets		12,526	-	12,526	12,526	-	12,526
16.2.5	Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6	Revaluation surplus on investment properties		-	-	-	-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		1,551	-	1,551	1,721	-	1,721
16.2.8	Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		-	-	-	-	-	-
<b>16.3</b>	<b>Profit reserves</b>		<b>1,611,726</b>	<b>40,820</b>	<b>1,652,546</b>	<b>708,393</b>	<b>38,058</b>	<b>746,451</b>
16.3.1	Legal reserves		303,514	-	303,514	200,418	-	200,418
16.3.2	Status reserves		1,863	-	1,863	1,245	-	1,245
16.3.3	Extraordinary reserves		1,104,860	4,693	1,109,553	341,876	4,693	346,569
16.3.4	Other profit reserves		201,489	36,127	237,616	164,854	33,365	198,219
<b>16.4</b>	<b>Profit or loss</b>		<b>569,058</b>	<b>37,069</b>	<b>606,127</b>	<b>1,019,366</b>	<b>36,831</b>	<b>1,056,197</b>
16.4.1	Prior years' profit/loss		(19,053)	29,475	10,422	(10,827)	33,757	22,930
16.4.2	Current period's profit/loss		588,111	7,594	595,705	1,030,193	3,074	1,033,267
<b>16.4.3</b>	<b>Minority shares</b>		<b>224,091</b>	<b>7,230</b>	<b>231,321</b>	<b>211,736</b>	-	<b>211,736</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>36,277,293</b>	<b>15,821,372</b>	<b>52,098,665</b>	<b>30,676,319</b>	<b>13,536,601</b>	<b>44,212,920</b>

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

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries**

**Consolidated Off-Balance Sheet Items**

At 30 September 2008

(Thousands of New Turkish Lira (YTL))

**Convenience Translation of Financial Statements**

**and Related Disclosures and Footnotes**

**Originally Issued in Turkish, See Section 3 Note 1**

		Reviewed Current Period 30 September 2008			Audited Prior Year 31 December 2007			
		Notes	YTL	FC	TOTAL	YTL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		9,704,883	5,716,183	15,421,066	9,254,896	4,356,330	13,611,226
I.	GUARANTEES AND SURETIES	V-III-1,4	3,177,234	4,457,388	7,634,622	2,778,295	3,162,830	5,941,125
1.1.	Letters of guarantee		3,176,694	1,790,323	4,967,017	2,778,167	1,584,570	4,362,737
1.1.1.	Guarantees subject to State Tender Law		439,947	622,239	1,062,186	378,638	359,572	738,210
1.1.2.	Guarantees given for foreign trade operations		186,644	150	186,794	83,353	229	83,582
1.1.3.	Other letters of guarantee		2,550,103	1,167,934	3,718,037	2,316,176	1,224,769	3,540,945
1.2.	Bank acceptances		-	472,441	472,441	-	456,865	456,865
1.2.1.	Import letter of acceptance		-	162,268	162,268	-	164,948	164,948
1.2.2.	Other bank acceptances		-	310,173	310,173	-	291,917	291,917
1.3.	Letters of credit		-	2,180,814	2,180,814	128	1,117,927	1,118,055
1.3.1.	Documentary letters of credit		-	2,180,718	2,180,718	128	1,117,927	1,118,055
1.3.2.	Other letters of credit		-	96	96	-	-	-
1.4.	Guaranteed pre-financings		-	10,936	10,936	-	2,639	2,639
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Marketable securities underwriting commitments		-	-	-	-	-	-
1.7.	Factoring related guarantees		540	1,984	2,524	-	-	-
1.8.	Other guarantees		-	890	890	-	829	829
1.9.	Other sureties		-	-	-	-	-	-
II.	COMMITMENTS		6,163,502	691	6,164,193	6,017,269	12,973	6,030,242
2.1.	Irrevocable commitments		6,155,525	515	6,156,040	6,008,713	12,809	6,021,522
2.1.1.	Asset purchase commitments		-	-	-	-	-	-
2.1.2.	Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4.	Loan granting commitments		1,371,894	-	1,371,894	1,452,873	-	1,452,873
2.1.5.	Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Commitments for cheque payments		1,474,850	-	1,474,850	1,330,395	-	1,330,395
2.1.8.	Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9.	Commitments for credit card limits		3,100,249	-	3,100,249	3,067,930	-	3,067,930
2.1.10.	Commitments for credit card and banking operations promotions		207,494	-	207,494	156,338	-	156,338
2.1.11.	Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12.	Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		1,038	515	1,553	1,177	12,809	13,986
2.2.	Revocable commitments		7,977	176	8,153	8,556	164	8,720
2.2.1.	Revocable loan granting commitments		7,977	176	8,153	8,556	164	8,720
2.2.2.	Other revocable commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		364,147	1,258,104	1,622,251	459,332	1,180,527	1,639,859
3.1.	Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1.	Fair value hedges		-	-	-	-	-	-
3.1.2.	Cash flow hedges		-	-	-	-	-	-
3.1.3.	Net foreign investment hedges		-	-	-	-	-	-
3.2.	Trading derivatives		364,147	1,258,104	1,622,251	459,332	1,180,527	1,639,859
3.2.1.	Forward foreign currency purchases/sales		190,271	185,199	375,470	248,357	236,369	484,726
3.2.1.1.	Forward foreign currency purchases		95,151	92,600	187,751	124,261	118,185	242,446
3.2.2.2.	Forward foreign currency sales		95,120	92,599	187,719	124,096	118,184	242,280
3.2.2.	Currency and interest rate swaps		173,876	979,153	1,153,029	210,975	944,156	1,155,131
3.2.2.1.	Currency swaps-purchases		10,892	253,065	263,957	40,000	307,912	347,912
3.2.2.2.	Currency swaps-sales		10,884	253,094	263,978	-	338,585	338,585
3.2.2.3.	Interest rate swaps-purchases		72,059	245,093	317,152	83,160	155,199	238,359
3.2.2.4.	Interest rate swaps-sales		80,041	227,901	307,942	87,815	142,460	230,275
3.2.3.	Currency, interest rate and security options		-	2	2	-	2	2
3.2.3.1	Currency call options		-	-	-	-	-	-
3.2.3.2	Currency put options		-	-	-	-	-	-
3.2.3.3	Interest rate call options		-	-	-	-	-	-
3.2.3.4	Interest rate put options		-	-	-	-	-	-
3.2.3.5	Security call options		-	2	2	-	2	2
3.2.3.6	Security put options		-	-	-	-	-	-
3.2.4	Currency futures		-	-	-	-	-	-
3.2.4.1.	Currency futures-purchases		-	-	-	-	-	-
3.2.4.2.	Currency futures-sales		-	-	-	-	-	-
3.2.5.	Interest rate futures		-	-	-	-	-	-
3.2.5.1.	Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2.	Interest rate futures-sales		-	-	-	-	-	-
3.2.6.	Others		-	93,750	93,750	-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		54,951,376	15,592,781	70,544,157	42,305,902	6,831,864	49,137,766
IV.	ITEMS HELD IN CUSTODY		14,883,687	490,791	15,374,478	14,290,347	418,492	14,708,839
4.1.	Customers' securities held		371,443	12,159	383,602	1,332,906	11,334	1,344,240
4.2.	Investment securities held in custody		13,107,740	2,963	13,110,703	12,028,244	2,761	12,031,005
4.3.	Checks received for collection		645,555	95,265	740,820	389,717	79,319	469,036
4.4.	Commercial notes received for collection		222,742	85,690	308,432	163,732	103,424	267,156
4.5.	Other assets received for collection		54,331	796	55,127	49,474	873	50,347
4.6.	Assets received through public offering		-	353	353	-	333	333
4.7.	Other items under custody		225,587	24,583	250,170	230,584	9,345	239,929
4.8.	Custodians		256,289	268,982	525,271	95,690	211,103	306,793
V.	PLEDGED ITEMS		40,067,689	15,101,990	55,169,679	28,015,555	6,413,372	34,428,927
5.1.	Securities		1,245,252	57,744	1,302,996	1,244,538	60,020	1,304,558
5.2.	Guarantee notes		785,699	245,380	1,031,079	526,589	247,779	774,368
5.3.	Commodities		6,675,765	-	6,675,765	6,193,978	-	6,193,978
5.4.	Warranties		-	-	-	-	6,420	6,420
5.5.	Real estates		30,020,643	13,884,911	43,905,554	19,495,407	5,516,873	25,012,280
5.6.	Other pledged items		1,033,694	873,697	1,907,391	368,347	559,863	928,210
5.7.	Pledged items-depository		306,636	40,258	346,894	186,696	22,417	209,113
VI.	CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)			64,656,259	21,308,964	85,965,223	51,560,798	11,188,194	62,748,992

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

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries**  
Consolidated Income Statement  
For The Nine-Month Period Ended 30 September 2008  
(Thousands of New Turkish Lira (YTL))

**Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Section 3 Note I**

		“Restated”		“Restated”	
		Reviewed Current Period 1 January 2008 – 30 September 2008	Reviewed Prior Period 1 January 2007 – 30 September 2007	Reviewed Current Period 1 July 2008 – 30 September 2008	Reviewed Prior Period 1 July 2007 – 30 September 2007
	Notes	Total	Total	Total	Total
<b>I. INTEREST INCOME</b>	V-IV-1	<b>4,703,804</b>	<b>4,043,264</b>	<b>1,648,848</b>	<b>1,398,003</b>
1.1 Interest income from loans		3,086,427	2,345,068	1,108,763	813,645
1.2 Interest income from reserve deposits		133,122	120,923	49,073	42,292
1.3 Interest income from banks		95,650	166,122	26,391	60,145
1.4 Interest income from money market transactions		61,365	160,685	23,675	47,239
1.5 Interest income from marketable securities		1,277,120	1,216,448	426,541	424,172
1.5.1 Interest income from trading financial assets		25,339	43,971	7,335	13,147
1.5.2 Interest income from financial assets at fair value through profit or loss		2,150	121	2,150	121
1.5.3 Interest income from available-for-sale financial assets		1,008,686	1,103,980	328,763	361,194
1.5.4 Interest income from held-to-maturity investment securities		240,945	68,376	88,293	49,710
1.6 Finance lease income		22,087	20,943	6,672	6,985
1.7 Other interest income		28,033	13,075	7,733	3,525
<b>II. INTEREST EXPENSE</b>	V-IV-2	<b>3,181,915</b>	<b>2,749,831</b>	<b>1,126,087</b>	<b>938,085</b>
2.1 Interest expense on deposits		2,809,560	2,406,092	1,017,124	807,705
2.2 Interest expense on funds borrowed		182,495	206,495	54,749	73,825
2.3 Interest expense on money market transactions		165,784	118,842	57,696	49,013
2.4 Interest expense on securities issued		-	-	-	-
2.5 Other interest expenses		24,076	18,402	(3,482)	7,542
<b>III. NET INTEREST INCOME [ I - II ]</b>		<b>1,521,889</b>	<b>1,293,433</b>	<b>522,761</b>	<b>459,918</b>
<b>IV. FEES AND COMMISSIONS, NET</b>		<b>346,131</b>	<b>245,574</b>	<b>111,243</b>	<b>85,001</b>
4.1 Fees and commissions received		465,658	359,551	153,757	125,297
4.1.1 Non-cash loans		44,209	35,400	17,357	12,180
4.1.2 Others		421,449	324,151	136,400	113,117
4.2 Fees and commissions paid		119,527	113,977	42,514	40,296
4.2.1 Non-cash loans		508	752	148	239
4.2.2 Others		119,019	113,225	42,366	40,057
<b>V. DIVIDEND INCOME</b>		<b>6,578</b>	<b>33,306</b>	<b>-</b>	<b>74</b>
<b>VI. TRADING INCOME/LOSSES, NET</b>	V-IV-3	<b>71,351</b>	<b>195,106</b>	<b>32,156</b>	<b>54,451</b>
6.1 Trading income/losses (Net)		38,574	77,801	20,398	11,657
6.2 Foreign exchange gains/losses (Net)		32,777	117,305	11,758	42,794
<b>VII. OTHER OPERATING INCOME</b>	V-IV-4	<b>570,917</b>	<b>569,169</b>	<b>175,185</b>	<b>221,212</b>
<b>VIII. OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>2,516,866</b>	<b>2,336,588</b>	<b>841,345</b>	<b>820,656</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	V-IV-5	<b>408,132</b>	<b>363,670</b>	<b>184,405</b>	<b>87,464</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	V-IV-6	<b>1,341,221</b>	<b>1,029,759</b>	<b>506,885</b>	<b>357,178</b>
<b>XI. OPERATING PROFIT/LOSS, NET (VIII-IX-X)</b>		<b>767,513</b>	<b>943,159</b>	<b>150,055</b>	<b>376,014</b>
<b>XII. INCOME FROM MERGES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>10,530</b>	<b>6,427</b>	<b>4,423</b>	<b>661</b>
<b>XIV. GAIN/LOSS ON MONETARY POSITION, NET</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)</b>		<b>778,043</b>	<b>949,586</b>	<b>154,478</b>	<b>376,675</b>
<b>XVI. PROVISION FOR TAXES FOR CONTINUING OPERATIONS</b>	V-IV-7	<b>(156,723)</b>	<b>(165,785)</b>	<b>(31,979)</b>	<b>(52,663)</b>
16.1 Current tax charge		(169,216)	(189,168)	(36,623)	(59,812)
16.2 Deferred tax charge		12,493	23,383	4,644	7,149
<b>XVII. NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)</b>		<b>621,320</b>	<b>783,801</b>	<b>122,499</b>	<b>324,012</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Income from investment properties		-	-	-	-
18.2 Income from sales of subsidiaries, affiliates and joint-ventures		-	-	-	-
18.3 Other income from discontinued activities		-	-	-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19.1 Investment property expenses		-	-	-	-
19.2 Losses from sales of subsidiaries, affiliates and joint ventures		-	-	-	-
19.3 Other expenses from discontinued activities		-	-	-	-
<b>XX. INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXI. PROVISION FOR TAXES FOR DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge		-	-	-	-
<b>XXII. NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. CURRENT PERIOD'S PROFIT/LOSS</b>	V-IV-8	<b>621,320</b>	<b>783,801</b>	<b>122,499</b>	<b>324,012</b>
23.1 Group's share		595,705	790,064	113,373	328,122
23.2 Minority share		25,615	(6,263)	9,126	(4,110)
<b>EARNINGS PER SHARE (full YTL)</b>		<b>0.2485</b>	<b>0.3135</b>	<b>0.0490</b>	<b>0.1296</b>

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

	Reviewed Current Period 1 January - 30 September 2008	Reviewed Prior Period 1 January - 30 September 2007	Reviewed Current Period 1 July - 30 September 2008	Reviewed Prior Period 1 July - 30 September 2007
<b>GAINS AND LOSSES RECOGNIZED UNDER SHAREHOLDERS' EQUITY</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
<b>I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN SECURITIES VALUATION DIFFERENCES</b>	<b>(147,414)</b>	<b>58,389</b>	<b>169,077</b>	<b>(4,428)</b>
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	<b>-</b>	<b>10,253</b>	<b>-</b>	<b>2,579</b>
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IV. CURRENCY TRANSLATION DIFFERENCES</b>	<b>2,768</b>	<b>(6,493)</b>	<b>(7,016)</b>	<b>(2,094)</b>
<b>V. GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI. GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER GAINS AND LOSSES RECOGNIZED UNDER EQUITY IN ACCORDANCE WITH TAS</b>	<b>(2,439)</b>	<b>(29,599)</b>	<b>(23)</b>	<b>873</b>
<b>IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES</b>	<b>28,801</b>	<b>(11,264)</b>	<b>(32,759)</b>	<b>505</b>
<b>X. NET GAINS/LOSSES RECORDED DIRECTLY UNDER EQUITY</b>	<b>(118,284)</b>	<b>21,286</b>	<b>129,279</b>	<b>(2,565)</b>
<b>XI. CURRENT PERIOD'S PROFIT/(LOSS)</b>	<b>621,320</b>	<b>783,801</b>	<b>122,499</b>	<b>324,012</b>
11.1 Change in fair value of securities (Transfers to the income statement)	5,031	(9,546)	(11,527)	(24,357)
11.2 Gains/Losses recognized in the income statement due to reclassification of cash flow hedges	-	-	-	-
11.3 Gains/Losses recognized in the income statement due to reclassification of net foreign investment hedges	-	-	-	-
11.4 Others	616,289	793,347	134,026	348,369
<b>XXIII. TOTAL GAINS AND LOSSES RECOGNIZED DURING THE PERIOD</b>	<b>503,036</b>	<b>805,087</b>	<b>251,778</b>	<b>321,447</b>

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

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries**

**Consolidated Statement of Changes in Shareholders' Equity**

For the Nine-Month Period Ended 30 September 2008

(Thousands of New Turkish Lira (YTL))

**Convenience Translation of Financial Statements**

**and Related Disclosures and Footnotes**

**Originally Issued in Turkish, See Section 3 Note 1**

	Paid-in Capital	Capital Reserves from Inflation Adjustments to Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period's Net Profit/ (Loss)	Prior Year's Net Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Assets and Investment Property	Bonus Shares of Associates, Subsidiaries, and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Discount. Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>																		
<b>PRIOR PERIOD – 30 September 2007</b>																		
I. Balances at the beginning of the period	2,500,000	-	726,687	-	132,696	3	20,419	207,713	794,152	27,651	37,472	12,756	37,586	-	-	4,497,135	196,583	4,693,718
II. Correction made as per TAS 8	-	-	4	-	1,689	799	3,626	280	-	22,437	(38,778)	-	(6,133)	-	-	(16,076)	2,310	(13,766)
2.1 Effect of corrections	-	-	4	-	1,689	799	3,626	280	-	22,437	(38,778)	-	(6,133)	-	-	(16,076)	2,310	(13,766)
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at beginning of the period (I+II)	2,500,000	-	726,691	-	134,385	802	24,045	207,993	794,152	50,088	(1,306)	12,756	31,453	-	-	4,481,059	198,893	4,679,952
<b>Changes during the period</b>																		
IV. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Associates, subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	43,725	-	-	-	-	43,725	(48)	43,677
VI. Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	322	-	-	-	322	7,554	7,876
VIII. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	(25,726)	-	-	(25,726)	-	(25,726)
X. Translation differences	-	-	-	-	-	-	-	(6,266)	-	-	-	-	-	-	-	(6,266)	(227)	(6,493)
XI. Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	6,427	-	3,772	2,377	(4,197)	-	-	8,379	(118)	8,261
XIV. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current period's net profit/loss	-	-	-	-	-	-	-	-	783,637	-	-	-	-	-	-	783,637	(6,263)	777,374
XX. Profit distribution	-	-	-	-	66,033	443	322,438	(3,555)	(794,152)	(27,072)	-	-	-	-	-	(435,865)	7,513	(428,352)
20.1 Dividends	-	-	-	-	-	-	-	-	(435,865)	-	-	-	-	-	-	(435,865)	(267)	(436,132)
20.2 Transferred to reserves	-	-	-	-	66,033	443	322,438	(3,555)	(358,287)	(27,072)	-	-	-	-	-	-	7,780	7,780
20.3 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the period</b>	<b>2,500,000</b>	<b>-</b>	<b>726,691</b>	<b>-</b>	<b>200,418</b>	<b>1,245</b>	<b>346,483</b>	<b>198,172</b>	<b>790,064</b>	<b>23,016</b>	<b>46,191</b>	<b>15,455</b>	<b>1,530</b>	<b>-</b>	<b>-</b>	<b>4,849,265</b>	<b>207,304</b>	<b>5,056,569</b>
<b>CURRENT PERIOD – 30 September 2008</b>																		
I. Balances at the beginning of the period	2,500,000	-	726,687	-	197,941	-	338,246	197,974	1,030,521	6,389	118,889	10,149	12,051	-	-	5,138,847	209,466	5,348,313
II. Correction made as per TAS 8	-	-	4	-	2,477	1,245	8,323	245	2,746	16,541	(28,036)	2,377	(10,330)	-	-	(4,408)	2,270	(2,138)
2.1 Effect of corrections	-	-	4	-	2,477	1,245	8,323	245	2,746	16,541	(28,036)	2,377	(10,330)	-	-	(4,408)	2,270	(2,138)
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at beginning of the period (I+II)	2,500,000	-	726,691	-	200,418	1,245	346,569	198,219	1,033,267	22,930	90,853	12,526	1,721	-	-	5,134,439	211,736	5,346,175
<b>Changes during the period</b>																		
IV. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Associates, subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	(116,993)	-	-	-	-	(116,993)	(391)	(117,384)
VI. Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation differences	-	-	-	-	-	-	-	2,520	-	-	-	-	-	-	-	2,520	248	2,768
XI. Changes resulted from disposal of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes resulted from reclassifications of the assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on the Bank's equity	-	-	-	-	-	-	-	-	10,546	-	(3,498)	-	(170)	-	-	6,878	(605)	6,273
XIV. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current period's net profit/loss	-	-	-	-	-	-	-	-	585,159	-	-	-	-	-	-	585,159	25,615	610,774
XX. Profit distribution	-	-	-	-	103,096	618	762,984	36,877	(1,033,267)	(12,508)	-	-	-	-	-	(142,200)	(5,270)	(147,470)
20.1 Dividends	-	-	-	-	-	-	-	-	(142,200)	-	-	-	-	-	-	(142,200)	(5,270)	(147,470)
20.2 Transferred to reserves	-	-	-	-	103,096	618	762,984	36,877	(891,067)	(12,508)	-	-	-	-	-	-	-	-
20.3 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the period</b>	<b>2,500,000</b>	<b>-</b>	<b>726,691</b>	<b>-</b>	<b>303,514</b>	<b>1,863</b>	<b>1,109,553</b>	<b>237,616</b>	<b>595,705</b>	<b>10,422</b>	<b>(29,638)</b>	<b>12,526</b>	<b>1,551</b>	<b>-</b>	<b>-</b>	<b>5,469,803</b>	<b>231,321</b>	<b>5,701,124</b>

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

		<b>Reviewed Current Period 30 September 2008</b>	<b>Reviewed Prior Period 30 September 2007</b>
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>	<b>902,947</b>	<b>818,375</b>
1.1.1	Interests received	4,749,827	3,971,154
1.1.2	Interests paid	(3,155,874)	(2,704,896)
1.1.3	Dividend received	6,578	33,306
1.1.4	Fees and commissions received	346,131	359,551
1.1.5	Other income	420,753	766,074
1.1.6	Collections from previously written-off loans and other receivables	76,410	35,243
1.1.7	Payments to personnel and service suppliers	(1,274,532)	(375,723)
1.1.8	Taxes paid	(183,551)	(128,241)
1.1.10	Others	(82,795)	(1,138,093)
<b>1.2</b>	<b>Changes in operating assets and liabilities</b>	<b>30,922</b>	<b>(83,922)</b>
1.2.1	Net (increase) decrease in financial assets held for trading	12,699	89,145
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss	-	(3,573)
1.2.3	Net (increase) decrease in due from banks and other financial institutions	(220,280)	(37,522)
1.2.4	Net (increase) decrease in loans	(6,877,336)	(2,757,777)
1.2.5	Net (increase) decrease in other assets	(249,100)	(126,143)
1.2.6	Net increase (decrease) in bank deposits	545,034	(127,631)
1.2.7	Net increase (decrease) in other deposits	6,578,586	2,184,544
1.2.8	Net increase (decrease) in funds borrowed	347,331	(215,168)
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	(106,012)	910,203
<b>I.</b>	<b>Net cash flow from banking operations</b>	<b>933,869</b>	<b>734,453</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net cash flow from investing activities</b>	<b>(622,660)</b>	<b>(1,143,611)</b>
2.1	Cash paid for the acquisition of associates, subsidiaries and joint-ventures	-	-
2.2	Cash obtained from the disposal of associates, subsidiaries and joint-ventures	-	949
2.3	Purchases of tangible assets	(192,228)	(89,711)
2.4	Proceeds from the disposal of tangible assets	28,933	60,575
2.5	Cash paid for the purchase of financial assets available-for-sale	(4,047,607)	(95,754)
2.6	Cash obtained from the disposal of financial assets available-for-sale	4,155,956	-
2.7	Cash paid for the purchase of investments held-to-maturity	(1,420,320)	(1,019,670)
2.8	Cash obtained from the disposal of investments held-to-maturity	852,606	-
2.9	Others	-	-
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net cash flow from financing activities</b>	<b>(147,470)</b>	<b>(436,132)</b>
3.1	Cash obtained from funds borrowed and securities issued	-	-
3.2	Cash used for repayment of funds borrowed and securities issued	-	-
3.3	Equity instruments issued	-	-
3.4	Dividends paid	(147,470)	(436,132)
3.5	Payments for finance leases	-	-
3.6	Others	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>V.</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>163,739</b>	<b>(845,290)</b>
<b>VI.</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>5,382,011</b>	<b>5,991,037</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>5,545,750</b>	<b>5,145,747</b>

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

## **SECTION THREE**

### **Accounting Policies**

#### **I. Basis of presentation**

As per the Articles 37 and 38 of “Accounting and Recording Rules” of the Turkish Banking Law no.5411 published on the Official Gazette no.25983 dated 1 November 2005 and became effective, Türkiye Vakıflar Bankası TAO and its Financial Subsidiaries keeps its accounting records and prepare its consolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published by the Banking Regulation and Supervision Agency (“BRSA”) and in effect since 1 November 2006, Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the related statements and guidance (collectively “Reporting Standards”).

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis except for the financial assets at fair value through profit or loss, derivative financial assets and liabilities held for trading purpose, available-for-sale financial assets and investments in associates and subsidiaries that are quoted on the stock exchanges and assets available for sale, which are presented on a fair value basis.

#### **Additional paragraph for convenience translation to English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

#### **II. Strategy for the use of financial instruments and foreign currency transactions**

##### **Strategy for the use of financial instruments**

The Bank’s core operations are based on retail banking, corporate banking, private banking, foreign exchange operations, money market operations, investment security transactions, and international banking. As a result of the nature of its operations, the Bank intensively utilizes financial instruments. The Bank funds itself through deposits with different maturities as the main funding resources that are invested in assets earning higher returns.

The most important fund sources of the Bank other than the deposits are its equity and medium and long-term borrowings obtained from foreign financial institutions. The Bank pursues an effective asset-liability management strategy by securing balance between funding resources and investments so as to reduce risks and increase returns. Accordingly, the Bank attaches great significance to long-term placements bearing higher interest rates.

It is essential to consider the maturity structure of assets and liabilities in liquidity management. The essence of asset liability management is the keep the liquidity risk, interest rate risk, exchange rate risk, and credit risk within reasonable limits; while enhancing profitability and strengthening the shareholders’ equity.

Investments in marketable securities and lending loans generate higher return than the average rate of return of the Bank’s operating activities on the basis of maturity structures and market conditions. When bank placements are considered, they have short term maturity in terms of liquidity management but bears lower return.

The Bank takes position against short-term foreign exchange risk, interest rate risk and market risk in money and capital markets, by considering market conditions, within specified limits set by regulations.



The Bank hedges itself and controls its position against the foreign exchange risk being exposed due to foreign currency available-for-sale investments, investments in other portfolios and other foreign currency transactions by various derivative transactions and setting the equilibrium of foreign currency denominated assets and liabilities. The Bank also hedges itself against the risk exposed due to net investment in foreign operations by the same manner. The foreign currency position is monitored within the legal limitations set by the regulators and the internal control regulations and foreign currency position is controlled by the equilibrium of a currency basket to eliminate the foreign exchange risk by considering the market conditions.

In order to avoid interest rate risk, assets and liabilities with fixed and floating interests are kept in balance, taking the maturity structure into consideration.

#### **Foreign currency transactions**

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated at the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the consolidated income statement.

If the investment, other than consolidated subsidiaries, is stated at cost, the net investments in associates and subsidiaries operating in foreign countries are reported as translated into YTL by using the foreign exchange rate at the date of transaction. If related associates and subsidiaries are measured at fair value, net foreign operations are reported as translated into YTL by the rates prevailing at the date of the determination of the fair value.

Foreign currency differences arising from the translation of the financial statements of the net investment in foreign operations into YTL for consolidation purpose are classified as "foreign currency differences arising from associates, subsidiaries, and joint ventures" sub account under "other profit reserves" presented in the shareholders' equity.

### **III. Information about the companies subject to consolidation**

As at and for the nine-month period ended 30 September 2008, the financial statements of T. Vakıflar Bankası TAO, Vakıf International AG, World Vakıf Off Shore Banking Ltd., Vakıf Finansal Kiralama AŞ, Vakıf Deniz Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik AŞ, Vakıf Finans Factoring Hizmetleri AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ, Kıbrıs Vakıflar Bankası Ltd. Şti., and Türkiye Sınai Kalkınma Bankası AŞ have been included in the consolidated financial statements of T. Vakıflar Bankası TAO and its financial subsidiaries ("the Group").

*Vakıf International AG*, has been established in 1999 to operate in banking sector in foreign countries, in line with the Bank's globalization policy. Its head office is in Wien.

*World Vakıf Off Shore Banking Ltd.*, has been established in Turkish Republic of Northern Cyprus in 1993 for offshore banking operations. Its head office is in Lefkosa.

*Vakıf Finansal Kiralama AŞ*, has been established in 1988 to enter into financial lease operations and make related transactions and contracts. Its head office is in Istanbul.

*Vakıf Deniz Finansal Kiralama AŞ*, has been established in 1993 to enter into finance lease operations through the acquisition of vessels like cargo and ro-ro ships and make related transactions and contracts. The Company qualified for TS ISO 9002 Quality Assurance Certificate in 1995 and renewed it in 1998. Vakıf Deniz Finansal Kiralama AŞ is the first institution that has qualified for this certificate in finance sector. Its head office is in Istanbul.

*Güneş Sigorta AŞ*, has been established under the leadership of the Bank and Soil Products Office in 1957. The Company has been operating in all insurance branches like fire, accident, transaction, engineering, agriculture, health, forensic protection, and loan insurance. Its head office is in Istanbul.

*Vakıf Emeklilik AŞ*, has been established under the name Güneş Hayat Sigorta AŞ in 1992. In 2002 the Company has taken conversion permission from Treasury and started to operate in private pension system. Its head office is in Istanbul.

*Vakıf Finans Factoring Hizmetleri AŞ*, has been established in 1998 to perform factoring transactions and any kind of financing transactions. Factoring, the main operation of the Company, is a financing method that includes the trade receivables of production, distribution and service companies to be sold to intermediary institutions. Its head office is in Istanbul.

*Vakıf Gayrimenkul Yatırım Ortaklığı AŞ*, has been established as the first real estate investment partnership in finance sector under the adjudication of Capital Markets Law in 1996. The Company's main operation is in line with the scope in the Capital Markets Board's regulations relating to real estate investment trusts like, real estates, capital market tools based on real estates, real estate projects and investment on capital market tools. Its head office is in Ankara.

*Vakıf Yatırım Menkul Değerler AŞ*, has been established in 1996 to provide service to investors through making capital markets transactions, issuance of capital market tools, commitment of repurchase and sales, and purchase and sales of marketable securities, operating as a member of stock exchange, investment consultancy, and portfolio management. Its head office is in Istanbul.

*Vakıf Portföy Yönetimi AŞ*, operates in investment fund management, portfolio management and pension fund management. Its head office is in Istanbul.

*Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ*, was established in 1991 in Istanbul. The main operation of the Company is to invest a portfolio including marketable debt securities, equity securities without having managerial power in the partnerships whose securities have been acquired; and gold and other precious metals traded in national and international stock exchange markets or active markets other than stock exchange markets, in accordance with the principles and regulations promulgated by Capital Markets Board. Its head office is in Istanbul.

*Kıbrıs Vakıflar Bankası Ltd. Şti.*, was established in 1982 in Turkish Republic of Northern Cyprus, mainly to encourage the credit cards issued by the Bank, and increase foreign exchange inflow, and carry on retail and commercial banking operations. Its head office is in Lefkosa.

*Türkiye Sinai Kalkınma Bankası AŞ*, was established in 1950 to support investments in all economical sectors. Its head office is in Istanbul.

In cases where the accounting policies for the preparation of the financial statements of Financial Subsidiaries of the Bank are different than that of the Parent Bank, the differences have been adjusted to the accounting policies of the Parent Bank, taking the materiality principle into account. The financial statements of local Financial Subsidiaries, and foreign Financial Subsidiaries that prepare their financial statements according to the principles of the countries which they are located in, have been adjusted in accordance with Reporting Standards as of 30 September 2008, 30 June 2008, 31 December 2007, 30 September 2007, 30 June 2007, and 31 December 2006. Inter-company balances and transactions, and any unrealized gains and losses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

#### **IV. Information on forwards, options and other derivative financial instruments**

The derivative financial instruments mainly consist of foreign currency and interest rate swaps and foreign currency forward contracts. The Bank does not have any embedded derivatives.

The Bank has classified its derivative transactions, mentioned above as "trading derivative" in accordance with the Turkish Accounting Standard 39 ("TAS 39") "Financial Instruments: Recognition and Measurement". Derivatives are initially recorded at their purchase costs including the transaction costs. In addition, the assets and liabilities that arise from derivative transactions are recorded in off-balance sheet accounts at the amounts on the related contracts. Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively. Subsequent fair value changes of derivative financial assets held for trading purposes are recorded in the consolidated income statement.

## **V. Information on interest income and expense**

### **Banking operations**

Interest income and expense are recognized according to the effective interest method based on accrual basis.

The accrued interest income on non-performing loans are reversed and subsequently recognized as interest income only when collected.

### **Finance lease operations**

Total of minimum rental payments including interests and principals are recorded under “financial lease receivables” as gross. The difference, i.e. the interest, between the total of rental payments and the cost of the related tangible asset is recorded under “unearned income”. When the rent payment incurs, the rent amount is deducted from “financial lease receivables”; and the interest portion is recorded as interest income in the consolidated income statement.

## **VI. Information on fees and commissions**

Fees and commission received and paid are recognized according to either accrual basis of accounting or effective interest method depending on nature of fees and commission, incomes derived from agreements and asset purchases for third parties are recognized as income when realized.

## **VII. Financial assets**

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

When a financial asset is recognized initially, it is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial assets are classified in four categories; as financial assets at fair value through profit or loss, investment securities available-for-sale, investment securities held-to-maturity, and loans and receivables.

### **Financial assets at fair value through profit or loss**

Such assets are valued at their fair values and gains/losses arising are recorded in the consolidated income statement. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the consolidated income statement. In case of sales of such securities before their maturity, the gains/losses on such sales are recorded under trading income/losses.

### **Investment securities held-to-maturity, financial assets available-for-sale and loans and receivables**

*Investment securities held-to-maturity* are the financial assets with fixed maturities and pre-determined payment schedules that the Group has the intent and ability to hold until maturity, excluding loans and receivables.

There are no financial assets that are not allowed to be classified as investments held-to-maturity for two years due to the tainting rules applied for the breach of classification rules.

Investment securities held-to-maturity are measured at amortized cost using effective interest rate method after deducting impairments, if any. Interests earned on investments held-to-maturity are recognized as interest income.

*Financial assets available-for-sale*, are the financial assets other than assets held for trading purposes, investment securities held-to-maturity and loans and receivables.

Financial assets available-for-sale are initially recorded at cost and subsequently measured at their fair values. However, assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair value and the discounted values are recorded in “securities value increase fund” under the shareholders’ equity. In case of sales, the realized gain or losses are recognized directly in the consolidated income statement.

Purchase and sale transactions of securities are accounted at settlement dates.

*Loans and receivables* are the financial assets raised by the Bank providing money, commodity and services to debtors. Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans and receivables are recorded at cost and measured at amortized cost by using effective interest rate method. The duties paid, transaction expenditures and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers.

#### **Associates and subsidiaries**

Subsidiaries are the entities that the Parent Bank has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries are accounted in accordance with TAS 39 in the unconsolidated financial statements. Subsidiaries, which are traded in an active market or whose fair value can be reliably measured, recorded at fair value. Subsidiaries which are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any. The financial subsidiaries of the Group are consolidated in the accompanying consolidated financial statements and non-financial subsidiaries are accounted in accordance with TAS 39.

Associates have been reclassified under financial assets available-for-sale in unconsolidated financial statements and associates which are not traded in an active market and whose fair value cannot be reliably set are reflected in unconsolidated financial statements with their costs after deducting impairment losses, if any. In the consolidated financial statements, associates have been subject to consolidation based on equity method if the Group has the power to participate in determining the financial and operational policies. If the group does not have this power, associates are recorded in accordance with TAS 39.

### **VIII. Impairment of financial assets**

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Bank estimates the amount of impairment.

Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (“loss event(s)”) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank provides specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables published on the Official Gazette no.26333 dated 1 November 2006. The allowances are recorded in the consolidated income statement of the related period.

### **IX. Netting of financial instruments**

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

## **X. Repurchase and resale agreements and securities lending**

Securities sold under repurchase agreements (“repo”) are recorded on the balance sheet in accordance with the Uniform Chart of Accounts for Banks. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Securities Subject to Repurchase Agreements” and valued based on their original portfolio, either at fair value or at amortized cost using effective interest. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted on an accrual basis.

Securities purchased under resale agreements are classified under “Interbank Money Markets” separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

## **XI. Assets held for sale and discontinued operations**

A tangible asset (or a disposal group) classified as “asset held for sale” is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the consolidated income statement. The Group has no discontinued operations.

## **XII. Goodwill and other intangible assets**

The Group’s intangible assets consist of software and rights.

Goodwill and other intangible assets are recorded at cost in compliance with the Turkish Accounting Standard 38 (“TAS 38”) “Intangible Assets”.

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortized based on straight line amortization.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (“TAS 36”) “Impairment of Assets” and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

## **XIII. Tangible assets**

The costs of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price.

Maintenance and repair costs incurred for tangible assets, are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

Depreciation rates and estimated useful lives are:

<b>Tangible assets</b>	<b>Estimated useful lives (years)</b>	<b>Depreciation Rates (%)</b>
Buildings	50	2
Office equipment, furniture and fixture, and motor vehicles	5-10	10-20
Assets obtained through finance leases	4-5	20-25

The Group firms assess as of each reporting date whether there is any indicator in respect of impairment on the assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 ("TAS 36") "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

#### **XIV. Investment properties**

Investment property is a property held either to earn rental income or for capital appreciation or for both. The Group holds investment property as a consequence of operations of its real estate company and insurance companies, consolidated in the accompanying consolidated financial statements. Investment properties are measured initially at cost including transaction costs.

Subsequent to initial recognition, the Group measured all investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less any accumulated impairment losses).

#### **XV. Leasing activities**

##### *Leasing activities as the lessee*

The maximum period of the lease contracts is 4 years. Tangible assets acquired by way of finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the balance sheet of the Group. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through finance lease is calculated in the same manner as tangible assets.

##### *Operational leases*

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

#### **XVI. Provisions and contingent liabilities**

In the consolidated financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the consolidated financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in consolidated financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset.

## **XVII. Obligations concerning employee rights**

As per the existing labor law in Turkey, the Group is required to pay certain amounts to the employees retired or fired except for resignation or misbehaviors.

The Group reserved for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 ("TAS 19") "Employee Benefits".

As at 30 September 2008 and 31 December 2007, major statistical assumptions used in the calculation of the total liability are as follows:

	<b>Current Period</b>	<b>Previous Period</b>
Discount Rate	5.71%	5.71%
Expected Rate of Salary/Limit Increase	5.00%	5.00%
Estimated Employee Turnover Rate	0.84%	0.51%

The Group has provided for undiscounted short-term employee benefits earned during the financial period as per services rendered in compliance with TAS 19 in the accompanying consolidated financial statements.

The employees of the Bank are the members of "Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı" ("the Fund") established on 15 May 1957 as per the temporary article no.20 of the Social Security Law no.506.

The first paragraph of the temporary article no.23 which states the Banks should transfer pension funds to the Social Security Institution within three years after the issue date of the Banking Law no.5411 issued in the 1 November 2005 dated and 25983 numbered Official Gazette has been cancelled by the Constitutional Court's 22 March 2007 dated and 2007/33 numbered decision. Reasoned ruling of the Constitutional Court has been issued on 15 December 2007 in the Official Gazette no.26731.

Following the publication of the ruling, the Turkish Parliament started to work on new legal arrangements and on 17 April 2008, the Social Security Law no.5754 ("the Law") has been approved by Turkish Parliament. The Law is enacted by the approval of the President of Turkey and the Law is issued on the 8 May 2008 dated and 26870 numbered Official Gazette.

In accordance with the temporary article no.20 of the Article no.73 of the Law;

The discounted liability for each fund in terms of the persons transferred as of the transfer date, including the contributors left the fund, should be calculated by the assumptions below,

- The technical interest rate to be used for the actuarial calculation is 9.80%
- Income and expenditures in respect to fund's insurance division are considered in the calculation of discounted liability.

The employer of pension fund participants (the Banks) will continue to pay the non-transferable social rights, which are disclosed in the article of association of the pension fund to the pension participants and their right owners even though the salary payment obligation has been transferred to the Social Security Foundation.

The technical financial statements of the Fund are audited by the certified actuary according to the Article no.21 of the Insurance Law no. 5684 and the "Actuaries Regulation" issued as per this Article. As per the actuarial report dated February 2008 and prepared in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against.

## **XVIII. Taxation**

### **Corporate tax**

In Turkey, statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, increased to 15% from 10%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

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

The corporate tax rate for the associate in the Turkish Republic of Northern Cyprus has been determined as 2% and this associate is exempted from stamp duty.

The corporate tax rate for the Group's subsidiary in Austria has been determined as 25%. Pre-paid corporate taxes for every three months are computed and paid using the related period's tax rate. Taxes which have been paid for the previous periods can be deducted from corporate taxes computed from annual total earnings. According to the Double Taxation Treaty Agreement between Turkey and Austria, Turkish corporations in Austria possess the right to benefit from tax returns.

### **Deferred taxes**

According to the Turkish Accounting Standard 12 ("TAS 12") "Income Taxes"; deferred tax assets and liabilities are recognized, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The deferred tax assets and liabilities of the consolidated financial institutions are reported separately as net in the consolidated financial statements since according to tax law, every institution have the right to deduct its current tax assets from current tax liabilities. In the consolidated financial statements, deferred tax assets and deferred tax liabilities are not netted since the consolidated financial institutions have not the right to receive or make solely netted payment.

If transactions and events are recorded in the consolidated income statement, then the related tax effects are also recognized in the consolidated income statement. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.



### **Transfer pricing**

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

### **XIX. Funds borrowed**

Financial liabilities for trading purposes and derivative financial liabilities are valued at fair value. All other financial liabilities are carried at amortized cost using effective interest rate method.

There are no convertible bonds or any other securities issued.

### **XX. Shares and share issuances**

The shares of the Bank having nominal value of YTL 322,000,000, representing the 25.18% of the Bank's outstanding shares, was publicly offered at a price between YTL 5.13-5.40 for each share having a nominal value of YTL 1 on November 2005, and YTL 1,172,347 was recorded as “Share Premiums” in shareholders' equity. YTL 448,429 of this amount has been utilized in capital increase on 19 December 2006.

### **XXI. Confirmed bills of exchange and acceptances**

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

As of the balance sheet date, there are no acceptances recorded as liability in return for assets.

### **XXII. Government incentives**

As of 30 September 2008, the Group does not have any government incentives.

### **XXIII. Segment reporting**

Operational segments are determined based the structure of the Bank's risks and benefits and presented in the disclosure VII of the fourth section.

## XXIV. Other disclosures

### Corrections to the prior periods' consolidated financial statements

The Bank has started to follow the shares of Türkiye Sınai Kalkınma Bankası AŞ ("TSKB"), which were previously presented under available-for-sale financial assets and measured with their fair values, as associate since the condition of being represented on the board of directors or equivalent governing body of the investee is fulfilled in accordance with "TAS 28 – Investment in associates". TSKB has been accounted for in the accompanying consolidated financial statements using equity method. The effect of the change on the Bank's consolidated shareholders' equity has been presented in the tables below.

	Share Premium	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Prior Year's Profit/ (Loss)	Valuation Differences of the Marketable Securities	Bonus Shares of Associates, Subsidiaries, and Joint-Ventures	Minority Shares	Total Shareholders' Equity
<b>31 December 2006</b>										
<b>Reported Balances</b>	726,687	132,696	3	20,419	207,713	27,651	37,472	37,586	196,583	4,693,718
Consolidation of TSKB per equity method	4	1,689	799	3,626	280	22,437	(38,778)	(6,133)	2,310	(13,766)
<b>Adjusted Balances</b>	<b>726,691</b>	<b>134,385</b>	<b>802</b>	<b>24,045</b>	<b>207,993</b>	<b>50,088</b>	<b>(1,306)</b>	<b>31,453</b>	<b>198,893</b>	<b>4,679,952</b>

	Share Premium	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Current Period's Profit/ (Loss)	Prior Year's Profit/ (Loss)	Valuation Differences of the Marketable Securities	Bonus Shares of Associates, Subsidiaries, and Joint-Ventures	Minority Shares	Total Shareholders' Equity
<b>30 June 2007</b>											
<b>Reported Balances</b>	726,687	197,941	-	338,246	199,794	461,451	6,389	80,003	11,860	207,917	4,744,744
Consolidation of TSKB per equity method	4	2,477	1,245	8,237	245	491	16,627	(30,854)	(10,320)	2,073	(9,775)
<b>Adjusted Balances</b>	<b>726,691</b>	<b>200,418</b>	<b>1,245</b>	<b>346,483</b>	<b>200,039</b>	<b>461,942</b>	<b>23,016</b>	<b>49,149</b>	<b>1,540</b>	<b>209,990</b>	<b>4,734,969</b>

	Share Premium	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Current Period's Profit/ (Loss)	Prior Year's Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries, and Joint-Ventures	Minority Shares	Total Shareholders' Equity
<b>30 September 2007</b>												
<b>Reported Balances</b>	726,687	197,941	-	338,246	197,927	789,625	6,389	81,197	13,078	11,860	205,112	5,068,062
Consolidation of TSKB per equity method	4	2,477	1,245	8,237	245	439	16,627	(35,006)	2,377	(10,330)	2,192	(11,493)
<b>Adjusted Balances</b>	<b>726,691</b>	<b>200,418</b>	<b>1,245</b>	<b>346,483</b>	<b>198,172</b>	<b>790,064</b>	<b>23,016</b>	<b>46,191</b>	<b>15,455</b>	<b>1,530</b>	<b>207,304</b>	<b>5,056,569</b>

	Share Premium	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Current Period's Profit/ (Loss)	Prior Year's Profit/ (Loss)	Valuation Differences of the Marketable Securities	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries, and Joint-Ventures	Minority Shares	Total Shareholders' Equity
<b>31 December 2007</b>												
<b>Reported Balances</b>	726,687	197,941	-	338,246	197,974	1,030,521	6,389	118,889	10,149	12,051	209,466	5,348,313
Consolidation of TSKB per equity method	4	2,477	1,245	8,323	245	2,746	16,541	(28,036)	2,377	(10,330)	2,270	(2,138)
<b>Adjusted Balances</b>	<b>726,691</b>	<b>200,418</b>	<b>1,245</b>	<b>346,569</b>	<b>198,219</b>	<b>1,033,267</b>	<b>22,930</b>	<b>90,853</b>	<b>12,526</b>	<b>1,721</b>	<b>211,736</b>	<b>5,346,175</b>

### **Changes in accounting policies and valuation basis in the current period**

While the Parent Bank has recorded specific provision at a percentage of 100 which is over the minimum ratio of 20% defined in the regulations, without taking the related collaterals into consideration till the end of 31 December 2007 for the loans classified under third, fourth and fifth Groups, in case there is an evidence that the Parent Bank may not be able to collect them in the future, based on the “Regulation on the Principles and Procedures of the Determination of the Nature of Loans and Other Receivables and Their Provisions” (“the Regulation”), issued in the Official Gazette no.26333 and dated 1 November 2006, and on the “Regulation for an Amendment in the Regulation on the Principles and Procedures of the Determination of the Nature of Loans and Other Receivables and Their Provisions”, issued in the Official Gazette no. 26779 and dated 6 February 2008, both of which are based on the articles no.53 and 93 of the Banking Law no.5411, issued in the Official Gazette no.25983 and dated 1 November 2005, the Parent Bank has started to record specific provision with a percentage of 20, as specified in the Regulation, for the loans classified under the third Group, without taking the related collaterals into consideration starting from 31 March 2008. As a result of this change in the Bank’s specific provision policy, the Bank recognized gain amounting to YTL 76,564, net off taxes, in the income statement in the period that the policy change has been made.

As of 31 March 2008, the Parent Bank has also started to record provisions for the unliquidated non-cash loans of the debtor whose cash loans are classified under the “loans under follow-up account” and followed under the third Group with a percentage of 20% in accordance with the Regulation, without taking the related collaterals into consideration, while provision with a percentage of 100 was recorded till the end of 31 December 2007. As a result of the Parent Bank’s provision policy change for the unliquidated non-cash loans, the Bank recognized gain amounting to YTL 993, net off taxes in the statement of income for the period that the policy change has been made.

### **Earnings per shares**

As of and for the nine month period ended 30 September 2008, earnings per share is YTL 0.2485 (30 September 2007: YTL 0.3135).

### **Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Shareholders, top executives and board members are accepted as related party personally, with their families and companies according to “Related Party Disclosures Standard” (“TAS 24”). Transactions made with related parties are disclosed in Section 5 Note V.

### **Cash and cash equivalents**

Cash and cash equivalents which is a base for preparation of cash flow statement includes cash in YTL, cash in FC, cheques, demand deposits for both CBT and other banks, money market placements and time deposits at banks whose original maturity is less than 3 months.

### **Insurance operations**

*Written Premiums:* Written premiums represent premiums on policies written during the period net of premiums from cancelled policies in prior periods and taxes. Premiums written, net off ceded are presented under other operating income in the consolidated financial statements.

*Reserve for unearned premiums:* Reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the balance sheet date for all short- term insurance policies. Reserve for unearned premiums is calculated for all contracts except for the insurance contracts for which the Group provides mathematical reserve. Reserve for unearned premiums is also calculated for the annual premiums of the insurance contracts which have long term maturity but renewed annually. Reserve for unearned premiums is presented under “insurance technical provisions” in the accompanying consolidated financial statements.

*Reserve for outstanding claims:* Reserve for outstanding claims is provided for the outstanding claims incurred and reported but not yet settled as of the reporting date. Such provisions are calculated taking the results of the appraisal reports or the preliminary assessments of the insured customer and the expert into account. Based on historic data, additional reserves are also provided for incurred but not reported (“IBNR”) claims. Provision for outstanding claims and IBNR reserves are presented under “insurance technical provisions” in the accompanying consolidated financial statements.

*Life mathematical provisions:* Life mathematical provisions consist of actuarial mathematical provisions (commitment of a fixed income to the insurance holder) and the profit share provisions and represent the liability of the Group to the policyholders in the life insurance branch.

Life mathematical provision represents the provision for future guaranteed policy benefits provided by the insurance companies operating in life insurance business. The life mathematical provision is computed by deducting administrative expenses, mortality risk premium and commissions from premiums collected from saving life insurance policies signed by the Group in accordance with Insurance Supervision Law no.5684. Profit share reserve is provided for the income obtained through the utilization of funds associated with mathematical reserves.

Life insurance provision is presented under insurance technical provisions in the accompanying consolidated financial statements.

*Deferred acquisition cost and deferred commission income:* Deferred acquisition cost is the deferred part of costs like commissions paid to the agents and costs related to sales personnel, incurred by the Group in acquiring and/or renewing insurance contracts, to the next period based on daily pro-rata basis. Deferred acquisition costs are presented under other assets in the consolidated financial statements. The part of the commission income to be incurred in the subsequent period and obtained from the premiums which have been transferred to reinsurance firms are calculated on daily basis as deferred commission income and presented under other external resources payable.

## **SECTION FOUR**

### **Information on financial position of the Group**

#### **I. Consolidated capital adequacy ratio**

The Bank's consolidated capital adequacy ratio is 13.43% (Parent Bank: 13.76%).

##### **Risk measurement methods in calculation of consolidated capital adequacy ratio**

Consolidated capital adequacy ratio is calculated within the scope of the "Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006, "Regulation for an Amendment for the Regulation on the Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26824 dated 22 March 2008 and "Regulation on the Equity of Banks".

In calculation of capital adequacy ratio, the accounting records prepared in compliance with the current legislation are used.

The items deducted from the capital base are not included in the calculation of risk weighted assets. In calculation of risk weighted assets, impairments, depreciation and amortization, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

In the calculation of the risk based values of the derivative financial instruments, such instruments are weighted and classified according to the related risk groups after being multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

**Information related to consolidated capital adequacy ratio**

	Unconsolidated - Parent Bank's Risk Weights – 30 September 2008							Consolidated – Group's Risk Weights – 30 September 2008						
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
<b>Balance Sheet Items (Net)</b>	<b>7,094,166</b>	-	<b>1,428,678</b>	<b>8,396,974</b>	<b>23,392,799</b>	<b>21,961</b>	<b>532</b>	<b>7,287,352</b>	-	<b>1,769,807</b>	<b>8,396,974</b>	<b>24,419,255</b>	<b>21,961</b>	<b>532</b>
Cash on Hand	513,254	-	154	-	-	-	-	516,096	-	154	-	-	-	-
Securities in Redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	1,012,973	-	-	-	-	-	-	1,012,973	-	-	-	-	-	-
Domestic and Foreign Banks, Foreign Head Offices and Branches	-	-	1,186,526	-	210,895	-	-	-	-	1,427,390	-	211,656	-	-
Interbank Money Market Placements	2,450,000	-	-	-	-	-	-	2,450,000	-	-	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve Deposits	797,831	-	-	-	-	-	-	797,831	-	-	-	-	-	-
Loans	171,457	-	169,301	8,262,322	20,999,018	21,961	532	171,457	-	251,145	8,262,322	21,293,957	21,961	532
Loans under Follow-Up (Net)	-	-	-	-	104,566	-	-	-	-	-	-	111,044	-	-
Lease Receivables	-	-	-	-	-	-	-	-	-	-	-	247,247	-	-
Financial Assets Available-for-Sale	-	-	18,775	-	-	-	-	-	-	26,780	-	1032	-	-
Investments Held-to-Maturity	1,913,649	-	37,500	-	-	-	-	2,089,661	-	46,261	-	0	-	-
Receivables from Term Sale of Assets	-	-	-	-	141,025	-	-	-	-	-	-	141,025	-	-
Miscellaneous Receivables	-	-	-	-	131,149	-	-	-	-	-	-	131,153	-	-
Accrued Interest and Income	152,993	-	16,422	134,652	342,354	-	-	159,164	-	18,077	134,652	350,335	-	-
Investments in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	-	591,338	-	-	-	-	-	-	141,377	-	-
Tangible Assets (Net)	-	-	-	-	809,022	-	-	-	-	-	-	960,355	-	-
Other Assets	82,009	-	-	-	63,432	-	-	90,170	-	-	-	830,074	-	-
<b>Off-Balance Sheet Items</b>	<b>96,801</b>	-	<b>119,110</b>	<b>264,625</b>	<b>4,284,766</b>	-	-	<b>96,801</b>	-	<b>123,751</b>	<b>264,625</b>	<b>4,331,285</b>	-	-
Non-Cash Loans and Commitments	96,801	-	103,788	264,625	4,282,711	-	-	96,801	-	103,788	264,625	4,329,230	-	-
Derivative Financial Instruments	-	-	15,322	-	2,055	-	-	-	-	19,963	-	2,055	-	-
<b>Total Risk-Weighted Assets</b>	<b>7,190,967</b>	-	<b>1,547,788</b>	<b>8,661,599</b>	<b>27,677,565</b>	<b>21,961</b>	<b>532</b>	<b>7,384,153</b>	-	<b>1,893,558</b>	<b>8,661,599</b>	<b>28,750,540</b>	<b>21,961</b>	<b>532</b>

**Summary information related to capital adequacy ratio**

	Parent Bank		Consolidated	
	Current Period	Prior Year	Current Period	Prior Year
Value at Credit Risk	32,351,928	27,027,653	33,494,057	28,066,520
Value at Market Risk <sup>(**)</sup>	1,347,988	650,125	1,416,163	675,163
Value at Operational Risk <sup>(*)</sup>	4,130,525	3,642,163	5,045,400	5,001,488
Shareholders' Equity	5,205,580	4,799,690	5,365,918	4,925,341
<b>Shareholders' Equity/ (VaCR+VaMR+VaOR)*100</b>	<b>13.76</b>	<b>15.32</b>	<b>13.43</b>	<b>14.60</b>

<sup>(\*)</sup> In accordance with the BRSA circular numbered BDDK.BYD.126.01 and dated 7 February 2008, value at operational risk based on gross income for the years ended 31 December 2005, 2006 and 2007 is used for the calculation of capital adequacy standard ratio during the year 2008.

<sup>(\*\*)</sup> In accordance with the 2nd article which was came into force starting from 1 January 2008, of the "Regulation for an amendment of the Regulation for the evaluation and the assessment and of the Banks' capital adequacy" which has been issued in the 10 October 2007 dated and 26669 numbered Official Gazette, since the share of the available-for-sale financial assets within the total securities portfolio of the Bank exceeds 10%, the accounts for the available-for-sale financial assets has been accepted as trading securities and capital obligation has been computed for the general market and specific risk for the determination of the market risk.

**Components of consolidated shareholders' equity items**

	Current Period	Restated Prior Year
<b>CORE CAPITAL</b>		
Paid-in Capital	2,500,000	2,500,000
Nominal Capital	2,500,000	2,500,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-
Share Premium	726,691	726,691
Share Cancellation Profits	-	-
Legal Reserves	303,514	200,418
I. Legal Reserve (Turkish Commercial Code 466/1)	163,567	110,602
II. Legal Reserve (Turkish Commercial Code 466/2)	-	-
Reserves allocated as per Special Legislations	139,947	89,816
Status Reserves	1,863	1,245
Extraordinary Reserves	1,347,169	544,788
Reserve allocated as per the Decision held by the General Assembly	1,109,553	346,569
Retained Earnings	237,616	198,219
Accumulated Losses	-	-
Exchange Rate Differences on Foreign Currency Capital	-	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-	-
Profit	606,127	1,056,197
Current Period Profit	595,705	1,033,267
Prior Periods Profit	10,422	22,930
Provision for Possible Losses (up to 25% of Core Capital)	-	-
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	25	25
Primary Subordinated Debt (up to 15% of Core Capital)	-	-
Minority Shares	225,273	205,351
Loss excess of Reserves (-)	-	-
Current Period Loss	-	-
Prior Periods Loss	-	-
Leasehold Improvements (-)	-	49,346
Prepaid Expenses (-)	294,024	213,237
Intangible Assets (-)	29,496	14,900
Deferred Tax Asset excess of 10% of Core Capital (-)	-	-
Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-	-
Consolidation goodwill (Net) (-)	-	-
<b>Total Core Capital</b>	<b>5,710,662</b>	<b>5,234,715</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General Provisions	250,172	173,745
45% of Revaluation Surplus on Immovables	5,637	5,637
Bonus shares of Associates, Subsidiaries and Joint-Ventures	1,551	1,721
Primary Subordinated Debt excluding the Portion included in Core Capital	-	-
Secondary Subordinated Debt	-	-
45% of Securities Value Increase Fund	(29,638)	40,884
Associates and Subsidiaries	1,314	1,613
Investment Securities Available for Sale	(30,952)	39,271
Other Profit Reserves	-	-
Minority shares	2,586	2,865
<b>Total Supplementary Capital</b>	<b>230,308</b>	<b>224,852</b>
<b>TIER III CAPITAL</b>		
<b>CAPITAL</b>	<b>5,940,970</b>	<b>5,459,567</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>575,052</b>	<b>534,226</b>
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership	3,341	4,870
Investments consolidated according to the equity method whose assets and liabilities are not consolidated	75,373	70,465
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments purchased from Such Parties qualified as Primary or Secondary Subordinated Debts	-	-
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Immovables exceeding 50% of the Capital and of Assets	-	-
Acquired against Overdue Receivables and Held for Sale as per the Article 57 Of the Banking Law but Retained more than Five Years	172,818	181,408
Others	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5,365,918</b>	<b>4,925,341</b>

(\*) In accordance with the "Amendment Regulation on the Regulation for the Evaluation and the Assessment of the Banks' Capital" which has been issued on 29 September 2007 and 26658 numbered Official Gazette, 45% of fair value changes of the investment securities available-for-sale, associates and subsidiaries is considered as supplementary capital if "valuation differences of those securities" account gives positive result. If the account gives negative result then 100% of the related account is deducted from the supplementary capital.

## II. Consolidated market risk

The Parent Bank has defined its risk management procedures and has taken necessary precaution in order to avoid market risk, in compliance with “Regulation on Bank’s Internal Control and Risk Management Systems” and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in Official Gazette no. 26333 dated 1 November 2006.

The market risk is defined as the potential risk of loss due to changes in interest rates, foreign exchange rates and equity prices in on and off-balance sheet positions of the group.

The capital required for General Market Risk and Specific Risk is calculated and reported monthly in accordance with the Standard Method defined in the “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

In addition to the standard method, the Bank also uses internal models like Historical and Monte Carlo Simulations in measuring market risk. The Bank also performs daily back-testing in order to measure the reliability of the models. Besides, scenario analyses are implemented in order to support the Standard Method and internal models. In order to monitor the maturity structure of the asset and liability accounts, liquidity analysis are performed and the duration of the Bank’s assets and liabilities is calculated.

The market risk analysis of the Bank is reported monthly as the foreign exchange rate risk analysis is reported weekly and both of these analyses are sent to the related regulatory institutions.

### Value at market risk

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	98,917
(II) Capital Obligation against Specific Risks - Standard Method	1,122
(III) Capital Obligation against Currency Risk - Standard Method	13,254
(IV) Capital Obligation against Stocks Risks - Standard Method	-
(V) Capital Obligation against Exchange Risks - Standard Method	-
(VI) Capital Obligation against Market Risks of Options - Standard Method	-
(VII) Capital Obligation against Market Risks of Banks applying Risk Measurement Models	-
(VIII) Total Capital Obligations against Market Risk (I+II+III+IV+V+VI)	113,293
<b>(IX) Value-At-Market Risk (12,5 x VIII) or (12,5 x VII)</b>	<b>1,416,163</b>

### Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

The effect on equity as a result of change in the fair value of equity instruments held as available for sale financial assets which are quoted to Istanbul Stock Exchange (“ISE”) and are valued at fair value at 30 September 2008 and 30 September 2007 due to a reasonably possible change in equity indices, with all other variable held constant, is as follows:

		30 September 2008	30 September 2007
	Change in index	Equity	Equity
ISE – 100 (IMKB- 100)	10%	99	189



### III. Operational risk

The Group calculated the value at operational risk in accordance with the fourth section related to the “Computation of Value of Operational Risk” of the circular, “Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette dated 1 November 2006, using gross profit of the last three years 2005, 2006 and 2007. The amount calculated as YTL 403,632 as of 30 September 2008 represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk amounting to YTL 5,045,400, presented in the table included in the note number I of this section is calculated as 12.5 times of the operational risk.

### IV. Consolidated foreign currency exchange rate risk

#### **Foreign exchange risk that the Parent Bank exposed to, estimation of effects of exposures, and the limits set by the Board of Directors of the Bank for the positions being monitored on a daily basis**

The Standard Method which is also used in the legal reporting is used in measuring the currency risk of the Parent Bank.

All of the foreign currency assets and liabilities and the forward foreign-currency transactions are taken into consideration in calculating the capital obligation for the currency risk of the Parent Bank and financial institutions subject to consolidation. The net long and short positions are calculated in New Turkish Lira equivalent of the each currency. The position with the biggest absolute value is determined as the base amount for the capital obligation. The capital obligation is calculated at that amount.

#### **The magnitude of hedging foreign currency debt instruments and net investment in foreign operations by using derivatives**

As of 30 September 2008 the Parent Bank does not have derivate financial instruments held for risk management.

#### **Foreign exchange risk management policy**

Risk policy of the Bank is based on the transactions within the limits and keeping the currency position well-balanced. In the light of the national legislations and international applications, the Bank has established a foreign currency risk management policy that enables the Bank to take position between lower and upper limits determined in respect of the current equity profile. Speculative position is not held by the Bank.

The Parent Bank’s effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in YTL are as follows:

	US \$	EUR
The Bank’s foreign currency purchase rate at the balance sheet date	1.2500	1.7936
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	1.2100	1.7714
Day 2	1.2100	1.7806
Day 3	1.2100	1.7742
Day 4	1.2100	1.7909
Day 5	1.2100	1.7557
	US \$	EUR
Last 30-days arithmetical average rate	1.1892	1.7233

**Information on consolidated currency risk**

<b>Current Period</b>	<b>Euro</b>	<b>US \$</b>	<b>Yen</b>	<b>Other FCs</b>	<b>Total</b>
<b>Assets</b>					
Cash and Central Banks	477,023	681,967	40	2,438	<b>1,161,468</b>
Banks and Other Financial Institutions	864,030	506,509	1,498	47,490	<b>1,419,527</b>
Financial Assets at Fair Value through Profit/Loss <sup>(*)</sup>	86,506	220,960	6	-	<b>307,472</b>
Interbank Money Market Placements	-	-	-	-	<b>-</b>
Financial Assets Available-for-Sale	639,172	1,529,324	-	-	<b>2,168,496</b>
Loans <sup>(**)</sup>	3,417,961	6,551,474	8,116	56,897	<b>10,034,448</b>
Associates, subsidiaries and joint-ventures	3	-	-	-	<b>3</b>
Investments Held-to-Maturity	102,595	223,420	-	-	<b>326,015</b>
Derivative Financial Assets Held for Risk Management	-	-	-	-	<b>-</b>
Tangible Assets	1,208	491	-	-	<b>1,699</b>
Intangible Assets	62	-	-	-	<b>62</b>
Other Assets <sup>(***)</sup>	171,422	284,966	-	2,010	<b>458,398</b>
<b>Total Assets</b>	<b>5,759,982</b>	<b>9,999,111</b>	<b>9,660</b>	<b>108,835</b>	<b>15,877,588</b>
<b>Liabilities</b>					
Bank Deposits	20,217	131,660	-	11,522	<b>163,399</b>
Foreign Currency Deposits	3,527,011	5,460,963	2,534	43,383	<b>9,033,891</b>
Interbank Money Market Takings	458,166	458,471	-	-	<b>916,637</b>
Other Funding	1,720,868	3,526,578	-	46,367	<b>5,293,813</b>
Securities Issued	-	-	-	-	<b>-</b>
Miscellaneous Payables	33,750	66,097	1	184	<b>100,032</b>
Derivative Financial Liabilities Held for Risk Management	-	-	-	-	<b>-</b>
Other Liabilities <sup>(*)</sup>	101,438	160,953	429	551	<b>263,371</b>
<b>Total Liabilities</b>	<b>5,861,450</b>	<b>9,804,722</b>	<b>2,964</b>	<b>102,007</b>	<b>15,771,143</b>
<b>Net 'On Balance Sheet' Position</b>	<b>(101,468)</b>	<b>194,389</b>	<b>6,696</b>	<b>6,828</b>	<b>106,445</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>233,769</b>	<b>(206,877)</b>	<b>(6,339)</b>	<b>(3,387)</b>	<b>17,166</b>
Derivative Assets	260,684	329,740	-	336	590,760
Derivative Liabilities	26,915	536,617	6,339	3,723	573,594
Non-Cash Loans	1,628,306	2,690,887	30,966	107,229	4,457,388
<b>Prior Period</b>	<b>Euro</b>	<b>US \$</b>	<b>Yen</b>	<b>Other FCs</b>	<b>Total</b>
Total Assets	4,620,930	9,006,943	10,401	129,359	<b>13,767,633</b>
Total Liabilities	4,837,177	8,465,854	4,055	112,936	<b>13,420,022</b>
<b>Net 'On Balance Sheet' Position</b>	<b>(216,247)</b>	<b>541,089</b>	<b>6,346</b>	<b>16,423</b>	<b>347,611</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>305,256</b>	<b>(319,248)</b>	<b>(3,882)</b>	<b>(57)</b>	<b>(17,931)</b>
Derivative Assets	382,818	198,366	-	114	<b>581,298</b>
Derivative Liabilities	77,562	517,614	3,882	171	<b>599,229</b>
Non-Cash Loans	1,072,304	1,975,254	15,585	99,687	<b>3,162,830</b>

<sup>(\*)</sup> Foreign exchange accruals presented in trading derivative assets and liabilities are not included.

<sup>(\*\*)</sup> Foreign currency indexed loans amounting to YTL 264,319 which are presented in YTL column in the balance sheet are included in the table above. In accordance with the agreements signed with customers, the customers have to compensate the losses of the Bank due to decline in foreign exchange rates. Accordingly, foreign currency indexed loans amounting to YTL 264,319 results position for the Bank when foreign exchange rates increase.

<sup>(\*\*\*)</sup> Prepaid expenses amounting to YTL 27,210 YTL are not included.

### Exposure to currency risk

A 10 percent devaluation of the YTL against the following currencies as at 30 September 2008 and 30 September 2007 would have effect on consolidated equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	30 September 2008		30 September 2007	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	6,171	5,032	23,927	27,323
EUR	2,791	3,586	(6,160)	(3,563)
Other currencies	318	318	1,907	1,907
<b>Total, net</b>	<b>9,280</b>	<b>8,936</b>	<b>19,674</b>	<b>25,667</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of 10% devaluation of YTL against related currencies.

## V. Consolidated interest rate risk

Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into account the developments in market conditions.

Parent Bank's interest rate risk is measured using the standard method.

Measurements for standard method are carried out monthly using the maturity ladder table.

### Interest rate mismatch for the group "Interest rate sensitivity of assets, liabilities and off balance sheet items based on re-pricing dates"

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing <sup>(*)</sup>	Total
<i>Assets:</i>							
Cash and Central Banks	1,860,668	-	-	-	-	516,250	2,376,918
Banks	1,361,362	66,820	1,268	-	-	211,032	1,640,482
Financial Assets at Fair Value Through Profit/Loss	3,999	41,225	72,437	146,731	152,954	1,104	418,450
Interbank Money Market Placements	2,452,279	-	-	-	-	-	2,452,279
Available-for-Sale Financial Assets	1,599,794	334,250	4,754,349	1,294,463	1,239,243	27,812	9,249,911
Loans	8,900,044	9,040,094	5,571,825	4,749,840	2,224,353	114,616	30,600,772
Held-to-Maturity Investment Securities	216,709	245,114	1,113,795	491,705	173,408	-	2,240,731
Other Assets <sup>(*)</sup>	43,636	71,840	84,438	303,454	86,880	2,528,874	3,119,122
<b>Total Assets</b>	<b>16,438,491</b>	<b>9,799,343</b>	<b>11,598,112</b>	<b>6,986,193</b>	<b>3,876,838</b>	<b>3,399,688</b>	<b>52,098,665</b>
<i>Liabilities:</i>							
Bank Deposits	1,257,094	38,463	-	-	-	1,043	1,296,600
Other Deposits	18,720,816	7,979,098	2,297,263	742,342	1,204	5,330,535	35,071,258
Interbank Money Market Takings	339,429	405,103	188,863	810,759	-	-	1,744,154
Miscellaneous Payables	96	57,201	11,971	-	-	1,010,351	1,079,619
Securities Issued	-	-	-	-	-	-	-
Other Funding	2,223,161	2,045,639	1,067,810	32,266	-	1,768	5,370,644
Other Liabilities <sup>(**)</sup>	12,272	10,029	127,606	40,036	13,251	7,333,196	7,536,390
<b>Total Liabilities</b>	<b>22,552,868</b>	<b>10,535,533</b>	<b>3,693,513</b>	<b>1,625,403</b>	<b>14,455</b>	<b>13,676,893</b>	<b>52,098,665</b>
On Balance Sheet Long Position	-	-	7,904,599	5,360,790	3,862,383	-	17,127,772
On Balance Sheet Short Position	(6,114,377)	(736,190)	-	-	-	(10,277,205)	(17,127,772)
Off-Balance Sheet Long Position	97,500	82,535	72,058	65,059	-	-	317,152
Off-Balance Sheet Short Position	-	43,864	115,207	148,871	-	-	307,942
<b>Total Position</b>	<b>(6,016,877)</b>	<b>(697,519)</b>	<b>7,861,450</b>	<b>5,276,978</b>	<b>3,862,383</b>	<b>(10,277,205)</b>	<b>9,210</b>

<sup>(\*)</sup> Subsidiaries, associates and tangible and intangible assets are included in non-interest bearing column.

<sup>(\*\*)</sup> Shareholders' equity is included in non-interest bearing column of other liabilities.

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non Interest Bearing <sup>(*)</sup></b>	<b>Total</b>
<i>Assets:</i>							
Cash and Central Banks	2,072,134	-	-	-	-	421,166	<b>2,493,300</b>
Banks	2,648,136	36,138	-	-	-	182,407	<b>2,866,681</b>
Financial Assets at Fair Value Through Profit/Loss	38,415	10,762	79,164	151,233	176,813	500	<b>456,887</b>
Interbank Money Market Placements	715,835	-	-	-	-	-	<b>715,835</b>
Available-for-Sale Financial Assets	1,164,703	2,402,870	2,876,673	1,887,809	1,155,223	21,837	<b>9,509,115</b>
Loans	9,395,718	3,688,745	5,450,471	3,478,119	1,777,935	12,144	<b>23,803,132</b>
Held-to-Maturity Investment Securities	228,463	648,010	374,592	338,309	74,977	-	<b>1,664,351</b>
Other Assets <sup>(*)</sup>	48,844	27,246	103,492	236,869	1,062	2,286,106	<b>2,703,619</b>
<b>Total Assets</b>	<b>16,312,248</b>	<b>6,813,771</b>	<b>8,884,392</b>	<b>6,092,339</b>	<b>3,186,010</b>	<b>2,924,160</b>	<b>44,212,920</b>
<i>Liabilities:</i>							
Bank Deposits	723,911	26,269	162	-	-	1,224	<b>751,566</b>
Other Deposits	14,660,096	8,014,559	1,461,965	722,083	104	3,539,052	<b>28,397,859</b>
Interbank Money Market Takings	598,910	114,672	667,547	772,306	-	-	<b>2,153,435</b>
Miscellaneous Payables	-	15,219	45,990	-	-	747,042	<b>808,251</b>
Securities Issued	-	-	-	-	-	-	<b>-</b>
Other Funding	1,338,394	2,831,583	793,200	74,535	-	168	<b>5,037,880</b>
Other Liabilities <sup>(**)</sup>	129,422	3,504	5,741	5,114	-	6,920,148	<b>7,063,929</b>
<b>Total Liabilities</b>	<b>17,450,733</b>	<b>11,005,806</b>	<b>2,974,605</b>	<b>1,574,038</b>	<b>104</b>	<b>11,207,634</b>	<b>44,212,920</b>
On Balance Sheet Long Position	-	-	5,909,787	4,518,301	3,185,906	-	<b>13,613,994</b>
On Balance Sheet Short Position	(1,138,485)	(4,192,035)	-	-	-	(8,283,474)	<b>(13,613,994)</b>
Off-Balance Sheet Long Position	83,160	85,856	-	69,343	-	-	<b>238,359</b>
Off-Balance Sheet Short Position	(73,394)	(15,219)	(45,991)	(95,671)	-	-	<b>(230,275)</b>
<b>Total Position</b>	<b>(1,128,719)</b>	<b>(4,121,398)</b>	<b>5,863,796</b>	<b>4,491,973</b>	<b>3,185,906</b>	<b>(8,283,474)</b>	<b>8,084</b>

<sup>(\*)</sup> Subsidiaries, associates and tangible and intangible assets are included in “non-interest bearing” column.

<sup>(\*\*)</sup> Shareholders’ equity is included in non-interest bearing column of other liabilities.

Average interest rates applied to monetary financial instruments:

	<b>Euro</b>	<b>US \$</b>	<b>Yen</b>	<b>YTL</b>
<b>Current Period</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and Central Bank	1.88	0.75	-	12.56
Banks	4.41	3.91	-	18.43
Financial Assets at Fair Value Through Profit/Loss	9.21	11.79	-	13.40
Interbank Money Market Placements	-	-	-	16.75
Available-for-Sale Financial Assets	5.87	6.57	-	17.98
Loans	7.15	5.75	-	19.92
Held-to-Maturity Investment Securities	6.54	5.93	-	20.12
<b>Liabilities:</b>				
Bank Deposits	5.18	4.21	-	18.89
Other Deposits	3.83	4.63	-	15.23
Interbank Money Market Takings	4.95	3.35	-	18.11
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Funding	5.25	3.63	-	16.25
<b>Prior Period</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets:</b>				
Cash and Central Bank	1.80	1.95	-	11.81
Banks	3.67	4.69	-	16.74
Financial Assets at Fair Value Through Profit/Loss	9.45	11.66	-	16.65
Interbank Money Market Placements	-	-	-	17.10
Available-for-Sale Financial Assets	6.02	6.82	-	17.93
Loans	6.36	7.07	-	20.49
Held-to-Maturity Investment Securities	5.31	6.34	-	18.82
<b>Liabilities:</b>				
Bank Deposits	4.92	4.52	-	18.03
Other Deposits	3.30	3.84	-	15.15
Interbank Money Market Takings	5.19	5.41	-	18.37
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Funding	4.81	5.90	-	14.77

### Interest rate sensitivity

Interest rate sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income as at and for the nine-month period ended 30 September 2008, based on the floating rate non-trading financial assets and financial liabilities held at 30 September 2008.

Interest rate sensitivity of equity is calculated by revaluing available for sale financial assets at 30 September 2008 for the effects of the assumed changes in interest rates.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

This analysis is performed on the same basis for 30 September 2007.

	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>30 September 2008</b>				
Financial assets at fair value through profit or loss	(12,790)	13,771	(12,790)	13,771
Available-for-sale financial assets	-	-	(95,218)	99,531
Floating rate financial assets	157,348	(157,348)	157,348	(157,348)
Floating rate financial liabilities	(45,465)	45,465	(45,465)	45,465
<b>Total, net</b>	<b>99,093</b>	<b>(98,112)</b>	<b>3,875</b>	<b>1,419</b>

	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>30 September 2007</b>				
Financial assets at fair value through profit or loss	(15,628)	16,856	(15,628)	16,856
Available-for-sale financial assets	-	-	(104,416)	109,485
Floating rate financial assets	111,908	(111,908)	111,908	(111,908)
Floating rate financial liabilities	(43,572)	43,572	(43,572)	43,572
<b>Total, net</b>	<b>52,708</b>	<b>(51,480)</b>	<b>(51,708)</b>	<b>58,005</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of 100 bp increase or decrease in interest rates.

## VI. Consolidated liquidity risk

In order to avoid the liquidity risk, the Bank diverts funding resources as customer deposits and foreign borrowings, considers the maturity mismatch between assets and liabilities and maintains liquid assets to guarantee sufficient liquidity during market fluctuations.

While the Parent Bank's short term liquidity need is met mainly with deposits, its long term liquidity is provided through foreign funding sources such as syndication and securitization transactions. There are no significant idle liquidity resources.

Maturity analysis of assets and liabilities according to remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Assets:</b>								
Cash and Central Bank	2,376,918	-	-	-	-	-	-	2,376,918
Banks	211,032	1,361,362	66,820	1,268	-	-	-	1,640,482
Financial Assets at Fair Value through Profit/Loss	892	1,779	41,019	72,691	148,011	152,954	1,104	418,450
Interbank Money	-	2,452,279	-	-	-	-	-	2,452,279
Market Placements	-	2,452,279	-	-	-	-	-	2,452,279
Available-for-Sale Financial Assets	-	5,769	302,598	2,184,395	4,625,737	2,103,600	27,812	9,249,911
Loans	-	4,179,572	2,339,163	7,301,444	12,961,875	3,707,674	111,044	30,600,772
Held-to-Maturity Investment Securities	-	-	245,114	428,348	1,336,666	230,603	-	2,240,731
Other Assets	106,583	160,947	110,352	123,885	388,395	87,707	2,141,253	3,119,122
<b>Total Assets</b>	<b>2,695,425</b>	<b>8,161,708</b>	<b>3,105,066</b>	<b>10,112,031</b>	<b>19,460,684</b>	<b>6,282,538</b>	<b>2,281,213</b>	<b>52,098,665</b>
<b>Liabilities:</b>								
Bank Deposits	1,043	1,257,094	38,463	-	-	-	-	1,296,600
Other Deposits	5,330,535	18,720,816	7,984,331	2,291,831	742,541	1,204	-	35,071,258
Other Funding	1,070	125,769	760,222	1,329,792	717,986	2,435,805	-	5,370,644
Interbank Money	-	-	-	-	-	-	-	-
Market Takings	15,162	1,597	321,946	324,029	1,081,420	-	-	1,744,154
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	22,189	484,283	50,876	10,948	56,414	-	454,909	1,079,619
Other Liabilities	8,405	78,277	172,204	126,143	41,362	13,950	7,096,049	7,536,390
<b>Total Liabilities</b>	<b>5,378,404</b>	<b>20,667,836</b>	<b>9,328,042</b>	<b>4,082,743</b>	<b>2,639,723</b>	<b>2,450,959</b>	<b>7,550,958</b>	<b>52,098,665</b>
<b>Liquidity Gap</b>	<b>(2,682,979)</b>	<b>(12,506,128)</b>	<b>(6,222,976)</b>	<b>6,029,288</b>	<b>16,820,961</b>	<b>3,831,579</b>	<b>(5,269,745)</b>	<b>-</b>
<b>Prior period</b>								
<b>Demand</b>	<b>2,778,796</b>	<b>6,979,678</b>	<b>2,160,058</b>	<b>9,565,733</b>	<b>15,862,947</b>	<b>5,007,565</b>	<b>1,858,143</b>	<b>44,212,920</b>
<b>Up to 1 Month</b>	<b>6,979,678</b>	<b>2,160,058</b>	<b>9,565,733</b>	<b>15,862,947</b>	<b>5,007,565</b>	<b>1,858,143</b>	<b>44,212,920</b>	<b>44,212,920</b>
<b>1-3 Months</b>	<b>3,592,973</b>	<b>16,013,052</b>	<b>8,296,725</b>	<b>4,272,381</b>	<b>2,449,672</b>	<b>2,610,873</b>	<b>6,977,244</b>	<b>44,212,920</b>
<b>3-12 Months</b>	<b>3,592,973</b>	<b>16,013,052</b>	<b>8,296,725</b>	<b>4,272,381</b>	<b>2,449,672</b>	<b>2,610,873</b>	<b>6,977,244</b>	<b>44,212,920</b>
<b>1-5 Years</b>	<b>(814,177)</b>	<b>(9,033,374)</b>	<b>(6,136,667)</b>	<b>5,293,352</b>	<b>13,413,275</b>	<b>2,396,692</b>	<b>(5,119,101)</b>	<b>-</b>
<b>5 Years and Over</b>	<b>(814,177)</b>	<b>(9,033,374)</b>	<b>(6,136,667)</b>	<b>5,293,352</b>	<b>13,413,275</b>	<b>2,396,692</b>	<b>(5,119,101)</b>	<b>-</b>
<b>Undistributed (*)</b>	<b>(814,177)</b>	<b>(9,033,374)</b>	<b>(6,136,667)</b>	<b>5,293,352</b>	<b>13,413,275</b>	<b>2,396,692</b>	<b>(5,119,101)</b>	<b>-</b>
<b>Total</b>	<b>(814,177)</b>	<b>(9,033,374)</b>	<b>(6,136,667)</b>	<b>5,293,352</b>	<b>13,413,275</b>	<b>2,396,692</b>	<b>(5,119,101)</b>	<b>-</b>

(\*) Certain assets on the consolidated balance sheet that are necessary for the banking operations but not convertible into cash on short period such as tangible assets, intangible assets, associates, subsidiaries, miscellaneous receivables and shareholder's equity are included in this column.



## **VII. Consolidated segment reporting**

The Parent Bank operates in corporate, commercial, small business, retail and investment banking. Accordingly, the banking products served to customers are; time and demand deposit, accumulating account, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfeiting, leasing, insurance, forward, futures, salary payments, investment account, cheques, safety boxes, bill payments, tax collections, payment orders.

The Parent Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers' needs effectively and efficiently. The Bank also utilizes alternative delivery channels intensively.

Additionally, the Parent Bank provides "small business" banking service to enterprises in retail and service sectors. Products include overdraft accounts, POS machines, credit cards, cheque books, YTL and foreign currency deposits, investment accounts, internet banking and call-centre, debit card, and bill payment.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

*Major financial statement items according to business lines:*

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Operating profit	160,899	227,544	1,234,899	708,723	2,332,065
Undistributed expenses	-	-	-	(1,571,130)	(1,571,130)
<b>Operating profit</b>	<b>160,899</b>	<b>227,544</b>	<b>1,234,899</b>	<b>(862,407)</b>	<b>760,935</b>
Income from associates	-	-	-	-	17,108
Income before taxes	-	-	-	-	778,043
Provision for taxes	-	-	-	-	(156,723)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>621,320</b>
Segment assets	8,360,724	24,091,638	15,464,592	1,132,616	49,049,570
Investments in associates and subsidiaries	-	-	-	220,091	220,091
Undistributed assets	-	-	-	2,829,004	2,829,004
<b>Total assets</b>	<b>8,360,724</b>	<b>24,091,638</b>	<b>15,464,592</b>	<b>4,181,711</b>	<b>52,098,665</b>
Segment liabilities	12,046,916	24,320,931	6,900,880	403,157	43,671,894
Shareholders' equity	-	-	-	5,701,124	5,701,124
Undistributed liabilities	-	-	-	2,725,647	2,725,647
<b>Total Liabilities and Shareholders' Equity</b>	<b>12,046,916</b>	<b>24,320,931</b>	<b>6,900,880</b>	<b>8,829,926</b>	<b>52,098,665</b>

## SECTION FIVE

### Disclosure and Footnotes on Consolidated Financial Statements

#### I. Information and disclosures related to consolidated assets

##### 1. Cash and balances with the Central Bank

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Cash	453,411	62,225	364,297	57,813
Central Bank of Turkey <sup>(*)</sup>	761,981	1,098,687	1,262,351	807,894
Others	58	556	77	868
<b>Total</b>	<b>1,215,450</b>	<b>1,161,468</b>	<b>1,626,725</b>	<b>866,575</b>

<sup>(\*)</sup> YTL 800,949 (31 December 2007: YTL 587,886) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve deposits and related interest income accruals; YTL 46,746 (31 December 2007: YTL 38,108) of Turkish Lira balances is comprised of interest income accruals from unrestricted portion of the deposit at Central Bank of Turkey held as reserve requirement.

According to the no. 2005/1 announcement of the Central Bank of Turkey, “Announcement on Reserve Deposits”, all banks operating in Turkey should provide a reserve amounting to 6% of the liabilities in Turkish Lira and 11% of the liabilities in foreign currencies. The interest rates given by the Central Bank of Turkey are 12.56 % for YTL, 0.75% for US Dollar and 1.875% for Euro as of 30 September 2008. (31 December 2007: YTL %11.81, FC %1.95, %1.80).

##### *Balances with the Central Bank of Turkey*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Unrestricted Demand Deposits	715,235	297,738	1,224,243	220,008
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
<b>Total</b>	<b>715,235</b>	<b>297,738</b>	<b>1,224,243</b>	<b>220,008</b>

##### 2. Further information on financial assets at fair value through profit/loss

##### *Financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Shares	490	-	490	-
Bonds, Treasury Bills and similar Marketable Securities	47	-	169	-
Others	-	-	-	-
<b>Total</b>	<b>537</b>	<b>-</b>	<b>659</b>	<b>-</b>

##### *Trading securities subject to repurchase agreements*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Government Bonds	-	-	-	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	96,237	-	191,407
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>-</b>	<b>96,237</b>	<b>-</b>	<b>191,407</b>

***Positive value differences of trading purpose derivatives***

	<b>Current Period</b>		<b>Prior Period</b>	
	YTL	FC	YTL	FC
Forwards	2,720	2	5,115	3
Swaps	7,369	10,032	17,149	16,846
Futures	-	-	-	-
Options	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>10,089</b>	<b>10,034</b>	<b>22,264</b>	<b>16,849</b>

**3. Banks and other financial institutions**

***Banks and other financial institutions***

	<b>Current Period</b>		<b>Prior Period</b>	
	YTL	FC	YTL	FC
Banks	220,955	1,419,527	859,321	2,007,360
Domestic Banks	119,394	286,122	795,256	176,139
Foreign Banks	101,561	1,133,405	64,065	1,831,221
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>220,955</b>	<b>1,419,527</b>	<b>859,321</b>	<b>2,007,360</b>

**4. Information on available-for-sale financial assets**

***Available-for-sale financial assets given as collateral or blocked***

	<b>Current Period</b>		<b>Prior Period</b>	
	YTL	FC	YTL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Marketable Securities	1,273,934	11,384	1,224,760	10,945
Others	-	-	-	-
<b>Total</b>	<b>1,273,934</b>	<b>11,384</b>	<b>1,224,760</b>	<b>10,945</b>

***Available-for-sale financial assets subject to repurchase agreements***

	<b>Current Period</b>		<b>Prior Period</b>	
	YTL	FC	YTL	FC
Government Bonds	890,787	299,980	931,117	906,987
Treasury Bills	-	-	-	-
Other Debt Securities	-	542,573	-	397,186
Bonds Issued or Guaranteed by Banks	-	43,021	-	54,927
Asset Backed Securities	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>890,787</b>	<b>885,574</b>	<b>931,117</b>	<b>1,359,100</b>

***Information on available-for-sale financial assets***

	<b>Current Period</b>	<b>Prior Period</b>
<b>Debt instruments</b>	<b>9,320,413</b>	<b>9,511,551</b>
Quoted	9,320,413	9,511,551
Unquoted	-	-
<b>Equity instruments</b>	<b>85,703</b>	<b>79,446</b>
Quoted	1,333	1,638
Unquoted	84,370	77,808
<b>Impairment provision (-)</b>	<b>156,205</b>	<b>81,882</b>
<b>Total</b>	<b>9,249,911</b>	<b>9,509,115</b>

The Parent Bank has provided 100% impairment for İzmir Enternasyonel Otelcilik AŞ and Güçbirliği Holding AŞ which had the carrying value amounting to YTL 6,178 and YTL 270, respectively and booked provision of YTL 6,448 as associates, subsidiaries and held-to-maturity assets impairment loss in accordance with the directives of BRSA.

As per the resolution of the Parent Bank's Board of Directors dated 27 December 2007, it was decided to dispose the shares in İzmir Enternasyonel Otelcilik AŞ through sale to the other existing shareholders.

Equity shares having a carrying value of YTL 77, representing the 0.73% of the outstanding shares of EGS Gayrimenkul Yatırım Ortaklığı AŞ which were classified in the available for sale portfolio of the Parent Bank in the prior periods, were sold at a price of YTL 102 on 6 June 2007. The Parent Bank has recorded gain on sale of equity shares amounting to YTL 25 in its financial statements.

**5. Information related to loans**

*Information on all types of loans and advances given to shareholders and employees of the Bank*

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	<b>726</b>	-	<b>669</b>
Legal entities	-	726	-	669
Real persons	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	-
<b>Loans Granted to Employees</b>	<b>37,125</b>	<b>33</b>	<b>31,977</b>	<b>17</b>
<b>Total</b>	<b>37,125</b>	<b>759</b>	<b>31,977</b>	<b>686</b>

*Information about loans classified in groups I and II and other receivables and loans that have been restructured or rescheduled*

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
<b>Cash Loans</b>				
<b>Loans</b>	<b>28,771,248</b>	-	<b>1,400,513</b>	<b>224,565</b>
Discounted bills	242,091	-	-	16
Export loans	1,862,797	-	52,717	167,262
Import loans	-	-	-	14
Loans to the financial sector	1,399,564	-	-	-
Overseas loans	71,958	-	-	-
Consumer loans	7,474,722	-	276,733	687
Credit cards	618,553	-	11,414	773
Precious metal loans	-	-	-	-
Others	17,101,563	-	1,059,649	55,813
<b>Specialization loans</b>	<b>89,830</b>	-	-	-
<b>Other receivables</b>	<b>3,572</b>	-	-	-
<b>Total</b>	<b>28,864,650</b>	-	<b>1,400,513</b>	<b>224,565</b>

***Consumer loans, retail credit cards, personnel loans and personnel credit cards***

	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans – YTL</b>	<b>393,960</b>	<b>6,800,721</b>	<b>7,194,681</b>
Housing Loans	10,252	3,101,446	3,111,698
Automobile Loans	2,119	131,841	133,960
General Purpose Loans	137,555	3,567,347	3,704,902
Other	244,034	87	244,121
<b>Consumer Loans – FC-indexed</b>	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Consumer Loans – FC</b>	<b>3,653</b>	-	<b>3,653</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	3,653	-	3,653
Other	-	-	-
<b>Retail Credit Cards – YTL</b>	<b>593,134</b>	<b>532</b>	<b>593,666</b>
With Installment	127,218	532	127,750
Without Installment	465,916	-	465,916
<b>Retail Credit Cards – FC</b>	<b>1,607</b>	-	<b>1,607</b>
With Installment	-	-	-
Without Installment	1,607	-	1,607
<b>Personnel Loans – YTL</b>	<b>1,028</b>	<b>22,461</b>	<b>23,489</b>
Housing Loan	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	1,028	22,461	23,489
Other	-	-	-
<b>Personnel Loans - FC-indexed</b>	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans – FC</b>	<b>327</b>	-	<b>327</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	327	-	327
Other	-	-	-
<b>Personnel Credit Cards – YTL</b>	<b>13,249</b>	-	<b>13,249</b>
With Installment	3,502	-	3,502
Without Installment	9,747	-	9,747
<b>Personnel Credit Cards – FC</b>	<b>60</b>	-	<b>60</b>
With Installment	-	-	-
Without Installment	60	-	60
<b>Deposit Accounts– YTL (Real Persons)</b>	<b>529,992</b>	-	<b>529,992</b>
<b>Deposit Accounts– FC (Real Persons)</b>	-	-	-
<b>Total</b>	<b>1,537,010</b>	<b>6,823,714</b>	<b>8,360,724</b>

***Installment based commercial loans and corporate credit cards***

	Short-Term	Medium and Long-Term	Total
<b>Installment-based Commercial Loans – YTL</b>	<b>293,331</b>	<b>4,936,390</b>	<b>5,229,721</b>
Real Estate Loans	50	118,510	118,560
Automobile Loans	33,542	618,844	652,386
General Purpose Loans	259,739	4,199,036	4,458,775
Other	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>211,391</b>	<b>51,827</b>	<b>263,218</b>
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	211,133	-	211,133
Other	258	51,827	52,085
<b>Corporate Credit Cards – YTL</b>	<b>21,982</b>	<b>-</b>	<b>21,982</b>
With Installment	1,439	-	1,439
Without Installment	20,543	-	20,543
<b>Corporate Credit Cards – FC</b>	<b>176</b>	<b>-</b>	<b>176</b>
With Installment	-	-	-
Without Installment	176	-	176
<b>Overdraft Accounts– YTL (corporate)</b>	<b>139,136</b>	<b>-</b>	<b>139,136</b>
<b>Overdraft Accounts– FC (corporate)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>666,016</b>	<b>4,988,217</b>	<b>5,654,233</b>

***Allocation of domestic and foreign loans***

	Current Period	Prior Period
Domestic loans	30,277,176	23,635,280
Foreign loans	212,552	167,383
<b>Total</b>	<b>30,489,728</b>	<b>23,802,663</b>

***Loans to associates and subsidiaries***

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	-	-
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

***Specific provisions for loans***

Specific provisions	Current Period	Prior Period
Loans and receivables with limited collectibility	26,141	68,815
Loans and receivables with doubtful collectibility	157,847	151,330
Uncollectible loans and receivables	1,139,365	1,023,517
<b>Total</b>	<b>1,323,353</b>	<b>1,243,662</b>

**Information on non-performing loans (NPLs) (Net)**

*Information on non-performing loans and other receivables restructured or rescheduled*

	<b>III. Group:</b>	<b>IV. Group:</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>	-	2,967	125,136
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	-	2,967	125,136
<b>Prior period</b>	2,557	-	129,055
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	2,557	-	129,055

*Movements in non-performing loan groups*

	<b>III. Group:</b>	<b>IV. Group:</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Prior period end balance</b>	68,815	151,330	1,023,986
Additions (+)	357,005	814	16,517
Transfers from other categories of loans under follow-up (+)	97,523	300,679	351,876
Transfers to other categories of loans under follow-up (-)	326,058	248,464	172,392
Collections (-)	66,578	46,512	77,523
Write-offs (-)	-	-	-
Differences from inflation adjustments(-)	-	-	3,379
<b>Current period end balance</b>	130,707	157,847	1,145,843
Specific provision (-)	26,141	157,847	1,139,365
<b>Net Balance on balance sheet</b>	104,566	-	6,478

*Information on non-performing loans and other receivables in foreign currencies*

	<b>III. Group:</b>	<b>IV. Group:</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectibility</b>	<b>Loans and receivables with doubtful collectibility</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period</b>			
Net Balance at the end of Period	2,130	3,159	291,093
Specific provision (-)	426	3,159	286,937
<b>Net Balance on balance sheet</b>	1,704	-	4,156
<b>Prior Period</b>			
Net Balance at the end of Period	6,133	10,232	283,063
Specific provision (-)	6,133	10,232	282,594
<b>Net Balance on balance sheet</b>	-	-	469

Uncollectible loans and receivables are collected by liquidation of collaterals and legal follow-up.



### Write-off policy for uncollectible loans and receivables

The Bank writes off a loan balance (and any related allowances for impairment losses) when Bank concludes that those loans are uncollectible. This conclusion is given after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

#### *Loan customer concentration of non-performing loans:*

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
<b>Current Year (Net)</b>	104,566	-	6,478
Consumer and Commercial Loans (Gross)	130,543	157,334	1,057,289
Special Provision (-)	26,108	157,334	1,056,793
Consumer and Commercial Loans (Net)	104,435	-	496
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	164	513	87,003
Special Provision (-)	33	513	81,021
Other Loans and Receivables (Net)	131	-	5,982
<b>Prior Year (Net)</b>	-	-	469
Consumer and Commercial Loans (Gross)	58,997	147,503	960,086
Special Provision (-)	58,997	147,503	959,617
Consumer and Commercial Loans (Net)	-	-	469
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	9,818	3,827	62,349
Special Provision (-)	9,818	3,827	62,349
Other Loans and Receivables (Net)	-	-	-

**6. Information on held-to-maturity investment securities**

***Held-to-maturity public sector debt securities***

	Current Period		Prior Period	
	TP	YP	TP	YP
Government bonds	1,914,716	142,004	1,457,965	-
Treasury bills	-	-	-	-
Other government securities	-	137,169	-	162,491
<b>Total</b>	<b>1,914,716</b>	<b>279,173</b>	<b>1,457,965</b>	<b>162,491</b>

***Information on held-to-maturity investment securities***

	Current Period	Prior Period
<b>Debt securities</b>	<b>2,241,655</b>	<b>1,664,935</b>
Quoted at stock exchanges	2,204,023	1,629,765
Unquoted at stock exchanges	37,632	35,170
<b>Impairment losses (-)</b>	<b>924</b>	<b>584</b>
<b>Total</b>	<b>2,240,731</b>	<b>1,664,351</b>

***The movement of held-to-maturity investment securities***

	Current Period	Prior Period
<b>Balances at the beginning of the period</b>	<b>1,664,351</b>	<b>280,451</b>
Foreign currency exchange differences on monetary assets	6,651	(14,007)
Purchases during the period	1,420,320	1,750,862
Disposals through sales/redemptions	(852,606)	(435,582)
Impairment losses (-)	(797)	(105)
Change in amortized costs of existing securities (*)	2,812	82,732
<b>Balances at the end of the period</b>	<b>2,240,731</b>	<b>1,664,351</b>

(\*) Differences in the amortized costs of the marketable securities are included in this column.

The Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of YTL 1,135,000,000 (full YTL) and US Dollar 100,000,000 (full US Dollar) to its held-to-maturity investment securities portfolio at their fair values of YTL 1,054,490,250 (full YTL) and US Dollar 101,934,270 (full US Dollar), respectively as of their reclassification dates, in 2008. These reclassifications are presented in “purchases during the period” line in the movement table of held-to-maturity investment securities. The value increases of such securities are recorded under the shareholders’ equity and will be amortized through the consolidated income statement until their maturities. The changes in fair value of such securities amounting YTL 703,956 (full YTL) and US Dollar 1,958,193 (full US Dollar), respectively, which are recorded under the shareholders’ equity will be amortized through the statement of income until their maturities.

Additionally, the Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of YTL 1,240,000,000 (full YTL), US Dollar 40,000,000 (full US Dollar), and EUR 20,000,000 (full EUR) to its investment securities held-to-maturity portfolio at their fair values of YTL 1,237,751,050 (full YTL), US Dollar 41,706,400 (full US Dollar), and EUR 19,475,000 (full EUR), respectively as of their reclassification dates, in 2007. The value increases/(decreases) of such securities amounting YTL 5,217,409 (full YTL), US Dollar 774,816 (full US Dollar), and EUR (448,178) (full EUR) are recorded under shareholders’ equity and will be amortized through the statement of income until their maturities.

**Information on held-to-maturity investment securities**

<b>Current Period</b>	<b>Cost Amount</b>		<b>Revalued Amount</b>	
	YTL	FC	YTL	FC
Collateralized/blocked investments	1,131,494	37,500	1,178,592	37,632
Investments subject to repurchase agreements	58,494	100,128	59,110	101,255
Held for structural position	-	-	-	-
Receivable from security borrowing market	-	-	-	-
Collateral for security borrowing market	-	-	-	-
Others <sup>(*)</sup>	627,015	181,949	677,014	187,128
<b>Total</b>	<b>1,817,003</b>	<b>319,577</b>	<b>1,914,716</b>	<b>326,015</b>

<b>Prior Period</b>	<b>Cost Amount</b>		<b>Revalued Amount</b>	
	YTL	FC	YTL	FC
Collateralized/blocked investments	1,326,230	34,950	1,414,100	35,170
Investments subject to repurchase agreements	-	25,505	-	26,055
Held for structural position	-	-	-	-
Receivable from security borrowing market	-	-	-	-
Collateral for security borrowing market	-	-	-	-
Others <sup>(*)</sup>	39,049	139,067	43,865	145,161
<b>Total</b>	<b>1,365,279</b>	<b>199,522</b>	<b>1,457,965</b>	<b>206,386</b>

<sup>(\*)</sup> In the “Others”, the securities held as free that are not treated by the Bank as subject of collateral/blockage or other transactions.

**7. Investments in associates (net)**

**Unconsolidated associates**

		Parent Bank's Share – If	
	Address (City/ Country)	Different, Voting Rights (%)	Bank Risk Group's Share (%)
Associates			
1- İşkur İşçi İşadamı Kimya Kuruluşları AŞ (in liquidation)	In Liquidation	25.00	25.13
2- Vakıf Gayrimenkul Ekspertiz ve Değ. AŞ	Ankara/Turkey	20.00	27.46
3- Roketsan Roket Sanayi ve Ticaret AŞ	Ankara/Turkey	10.00	10.00

	<b>Total Assets</b>	<b>Shareholders’ Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/(Loss)</b>	<b>Prior Period Profit/Loss</b>	<b>Company’s Fair Value (if available)</b>
1-	-	-	-	-	-	-	-	-
2-	9,811	7,767	726	829	217	3,677	3,696	-
3-	365,646	158,204	147,214	1,650	6	21,694	(1,854)	-

As per the resolution no.77232 of the Board of Directors of the Bank on 3 April 2008, it is decided to work on disposal process of Roketsan Roket Sanayi AŞ (“Roketsan”), with carrying value of YTL 7,594 in the accompanying consolidated financial statements, that the Bank owns 10% shares representing 14,600 YTL nominal shares of its capital of 146,000 YTL to the third parties or other shareholders of Roketsan.

As per the resolution of the Board of Directors dated 27 December 2007, it has been decided to review Capital Markets Board regulations to purchase majority of the shares of Vakıf Gayrimenkul Ekspertiz ve Değerleme AŞ is in conformity with the regulations.

**Reasons for not consolidating unconsolidated associates and accounting methods applied for such investments:**

Associates which the Group has the ability to determine their financial and operational policies are consolidated per equity method in the accompanying consolidated financial statements, otherwise accounted in accordance with TAS 39.

**Consolidated associates**

<b>Associates</b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Bank Risk Group's Share (%)</b>
1-Kıbrıs Vakıflar Bankası Ltd.	Lefkosa/NCTR	15.00	15.00
2-Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	11.75	21.77
3-Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	Ankara/Turkey	27.63	29.47
4- Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Turkey	8.38	8.38

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/(Loss)</b>	<b>Prior Period Profit/Loss and Extraordinary Reserves</b>	<b>Company's Fair Value (if available)</b>
1-	559,613	41,808	4,666	67,015	870	7,528	9,496	-
2-	14,176	13,395	64	368	(2,090)	(2,670)	2,094	723
3-	68,974	68,728	35,751	739	2,711	6,027	3,744	6,666
4-	5,336,070	790,038	223,656	165,174	162,240	99,377	92,268	43,144

As per the resolution of the Board of Directors of the Bank dated 27 December 2007, it is decided to sell the shares of Kıbrıs Vakıflar Bankası Ltd in case of appropriate economic conditions occur for this transaction.

**Movement table of the consolidated associates**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the beginning of the period (*)</b>	<b>81,887</b>	<b>81,539</b>
<b>Movements during the period</b>	<b>(28,235)</b>	<b>348</b>
Acquisitions and capital increases	294	-
Bonus shares received	8,604	9,292
Dividends from current year profit	-	-
Sales and liquidations	-	-
Revaluation increase, inflation correction difference and currency difference on foreign subsidiaries	(37,133)	(8,944)
Impairment losses (+)	-	-
<b>Balance at the end of period</b>	<b>53,652</b>	<b>81,887</b>
<b>Capital commitments</b>	<b>-</b>	<b>-</b>
<b>Share percentage at the end of the period (%)</b>	<b>-</b>	<b>-</b>

(\*) In the current period, the Bank has reclassified Türkiye Sınai Kalkınma Bankası AŞ (“TSKB”) shares, having a fair value of YTL 43,144 as “Financial associates”, which were previously presented as “Equity securities” under “Financial assets available for sale”. In the table presented above, the beginning balances have been restated according to TSKB’s fair value as of the related periods.

**Sectoral distribution of the consolidated associates**

	<b>Current Period</b>	<b>Prior Period</b>
Banks	46,263	68,262
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	7,389	13,625
<b>Total</b>	<b>53,652</b>	<b>81,887</b>

***Quoted consolidated associates***

	<b>Current Period</b>	<b>Prior Period</b>
Quoted to domestic stock exchanges	50,533	78,768
Quoted to international stock exchanges	-	-
<b>Total</b>	<b>50,533</b>	<b>78,768</b>

***Consolidated associates sold during the period***

There is not any sale in the current period of the Parent Bank.

The Bank sold its 9% shares in Orta Doğu Yazılım Hizmetleri AŞ with a carrying value of YTL 752 to Ahmet Serdar Oğhan Ortak Girişim Grubu in cash by US Dollar 690,000 on 16 April 2007 based on no.75471 and 26 January 2007 dated resolution of the Parent Bank's Board of Directors. 20% of the outstanding shares owned by Vakıf Deniz Finansal Kiralama AŞ, 25% of outstanding shares owned by Obaköy Gıda İşletmecilik AŞ, 15% of outstanding shares owned by Vakıf Girişim Sermayesi AŞ and 6% of outstanding shares owned by Vakıf Sistem Pazarlama AŞ are also subject to sales agreement with a total price of US Dollar 4,810,000. The Parent Bank has recorded gain on sale of associates amounting to YTL 166.

***Consolidated associates acquired during the period***

In the current period, Vakıf Yatırım Menkul Kıymetler Yatırım Ortaklığı AŞ, an associate of the Bank, increased its paid-in capital by YTL 2,500 from YTL 5,000 to YTL 7,500. The share of the Bank amounting to YTL 294 is presented as acquisitions in the movement table of the consolidated associates.

In the current period, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ increased its paid-in capital from YTL 18,480 to YTL 19,300 by a way of stock split. The share of the Bank amounting to YTL 227 is presented as bonus shares received in the movement table of the consolidated associates.

In the current period, TSKB increased its paid-in capital from YTL 400,000 to YTL 500,000 by a way of stock split. The share of the Bank amounting to YTL 8,377 is presented as bonus shares received in the movement table of the consolidated associates.

In year 2007, TSKB increased its paid-in capital from YTL 300,000 to YTL 400,000 by a way of stock split. The share of the Bank amounting to YTL 8,378 is presented as bonus shares received in the movement table of the consolidated associates.

In year 2007, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, an associate of the Bank, increased its paid-in capital from internal sources by YTL 1,680 from YTL 16,800 to YTL 18,480. The share of the Bank amounting to YTL 464 is presented as bonus shares received in the movement table of the consolidated associates.

In year 2007, Kıbrıs Vakıflar Bankası Ltd, an associate of the Bank, also increased its paid-in capital from internal sources by YTL 3,000 from YTL 17,000 to YTL 20,000. These shares are disclosed under the section of bonus shares received, in the table above. The share of the Bank amounting to YTL 450 is presented as bonus shares received in the movement table of the consolidated associates.

## 8. Investments in subsidiaries

### *Unconsolidated subsidiaries*

<b>Subsidiaries</b>	<b>Address(City / Country)</b>	<b>Bank's Share –If Different Voting Rights (%)</b>	<b>Bank's Risk Group Share (%)</b>
1- Vakıf Enerji ve Madencilik AŞ	Ankara/Turkey	65.50	84.92
2- Ataköy Mağazacılık Ticaret AŞ (in liquidation)	In Liquidation	45.79	45.79
3- Taksim Otelcilik AŞ	Istanbul/Turkey	51.00	51.52
4- Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara/Turkey	31.00	31.09
5- Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ	Ankara/Turkey	73.00	79.85

	<b>Total Assets</b>	<b>Shareholder's Equity</b>	<b>Tangible Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit / (Loss)</b>	<b>Prior Period Profit / (Loss)</b>	<b>Company's Fair Value</b>
1-	260,804	241,150	244,758	488	-	(2,141)	1,532	21,722
2-	-	-	-	-	-	-	-	-
3-	215,034	213,940	85,682	7,176	100	10,180	(8,356)	-
4-	4,431	4,397	13	318	209	223	(34)	1,823
5-	12,186	9,135	418	913	214	2,485	2,578	-

As per the resolution no.74887 of the Board of Directors of the Bank on 22 August 2006, it is decided to start liquidation process of Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ, that the Bank owns 73% of its outstanding shares.

The sales contract has been signed as of 7 March 2008 for the sale of the Bank's total shares of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ consisting of (A) Group share with a percentage of 25.00 and (B) Group share with a percentage of 6.00, 31.00% in total, to the Multinet Kurumsal Hizmetler AŞ and also for the sale of the shares with a percentage of 0.15 in total and consisting of (B) Group share of Vakıf Finansal Kiralama AŞ with a percentage of 0.05, (B) Group share of Vakıf Deniz Finansal Kiralama AŞ with a percentage of 0.05 and (B) Group share of Güneş Sigorta AŞ with a percentage of 0.05 to CFK Kurumsal Finansal Danışmanlık AŞ. Selling price for the shares has been determined as YTL 3,129. Authorization of the Capital Markets Board is needed for the sales transaction to be closed. Based on the application to the Capital Markets Board ("CMB") for the realization of sales transaction, it has been specified that "in our meeting dated 15 October 2008 and numbered 27 which the request has been discussed, it is decided not to take the related request into consideration in this stage" with CMB article no. B.02.1.SPK.0.15-1027 and dated 24 October 2008. It has been stated that subsequent process shall be determined after the assessment of the Bank's Board of Directors.

In year 2007, Taksim Otelcilik AŞ, a subsidiary of the Bank, increased its paid-in capital from internal sources by YTL 4,150 from YTL 93,000 to YTL 97,150. The share of the Bank amounting to YTL 2,116 is presented bonus shares received in the movement of investments in subsidiaries table.

### ***Reasons for not consolidating unconsolidated subsidiaries and accounting methods applied for such investments:***

As of 30 September 2008, Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ, one of the subsidiaries of the Bank, has been accounted at its fair value in the accompanying consolidated financial statements since its assets sum is less than the 1% of the Bank's assets.

Vakıf Enerji ve Madencilik AŞ, Ataköy Mağazacılık Ticaret AŞ, Taksim Otelcilik AŞ and Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ have not been consolidated since they are not among the financial subsidiaries of the Group. Therefore, they have been accounted in accordance with TAS 39.

**Investment in consolidated subsidiaries**

Subsidiaries	Address(City / Country)	Bank's Share –If Different Voting Rights (%)	Bank's Risk Group Share (%)
1- Güneş Sigorta AŞ	Istanbul/Turkey	36.35	36.35
2- Vakıf Emeklilik AŞ	Istanbul/Turkey	53.90	75.30
3- Vakıf Finans Factoring Hizmetleri AŞ	Istanbul/Turkey	78.39	86.97
4- Vakıf Finansal Kiralama AŞ	Istanbul/Turkey	58.71	64.40
5- Vakıf Deniz Finansal Kiralama AŞ (*)	Istanbul/Turkey	68.55	73.95
6- Vakıf Yatırım Menkul Değerler AŞ	Istanbul/Turkey	99.00	99.44
7- Vakıfbank International AG	Wien/Austria	90.00	90.00
8- World Vakıf Offshore Banking Ltd.	Lefkosa/NCTR	82.00	84.93
9- Vakıf Portföy Yönetimi AŞ	Istanbul/Turkey	99.99	99.99

	Total Assets	Shareholder's Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit / (Loss)	Prior Period Profit / (Loss)	Company's Fair Value
1-	617,964	231,887	136,770	2,010	14,783	25,138	(7,149)	145,033
2-	826,598	100,874	37,215	2,189	44,165	11,181	19,118	73,223
3-	139,149	51,349	134	13,282	-	7,544	(32,229)	24,301
4-	244,794	34,629	5,481	15,132	15	1,452	(4,072)	21,019
5-	124,925	2,270	61	8,167	-	1,416	(7,786)	-
6-	65,325	48,657	8,993	5,110	1,085	4,422	4,015	-
7-	734,408	88,289	1,273	27,061	7,535	4,422	6,192	100,158
8-	31,464	(10,601)	-	1,319	-	(995)	(13,526)	-
9-	3,965	3,880	40	103	294	691	616	-

(\*) Vakıf Deniz Finansal Kiralama AŞ's fair value is YTL 0 according to valuation report of another independent audit firm.

As per the resolution no.74887 of the Board of Directors of the Bank on 22 August 2006, it is decided to merge Vakıf Deniz Finansal Kiralama AŞ and Vakıf Finansal Kiralama AŞ and authorize a law office to carry required procedures for the merger.

According to the resolution of the Bank's Board of Directors on 15 May 2008, it is decided to sell the shares of consolidated subsidiaries Güneş Sigorta AŞ and Vakıf Emeklilik AŞ partially or entirely.

**Movement table of the consolidated subsidiaries**

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>367,243</b>	<b>264,847</b>
<b>Movements during the period</b>	<b>36,826</b>	<b>102,396</b>
Acquisitions and capital increases	-	5,685
Bonus shares received	-	27,262
Dividends	-	-
Sales and liquidations	-	-
Revaluation increase, inflation correction difference and currency difference on foreign subsidiaries	36,826	69,449
Impairment losses (+)	-	-
<b>Balance at the end of the period</b>	<b>404,069</b>	<b>367,243</b>
<b>Capital commitments</b>	<b>-</b>	<b>-</b>
<b>Share percentage (%)</b>	<b>-</b>	<b>-</b>

***Valuation methods of the consolidated subsidiaries***

	<b>Current Period</b>	<b>Prior Period</b>
At Cost	40,335	105,709
At Fair Value	363,734	261,534
By Equity Method	-	-
<b>Total</b>	<b>404,069</b>	<b>367,243</b>

***Sectoral distribution of the consolidated subsidiaries***

	<b>Current Period</b>	<b>Prior Period</b>
Banks	100,158	41,073
Insurance Companies	218,256	172,456
Factoring Companies	24,301	24,301
Leasing Companies	21,019	89,078
Financing Companies	-	-
Other Financial Institutions	40,335	40,335
<b>Total</b>	<b>404,069</b>	<b>367,243</b>

***Quoted consolidated subsidiaries***

	<b>Current Period</b>	<b>Prior Period</b>
Quoted at Domestic Stock Exchanges	166,052	188,311
Quoted at International Stock Exchanges	-	-
<b>Total</b>	<b>166,052</b>	<b>188,311</b>

***Consolidated subsidiaries disposed during the period***

None.

***Consolidated subsidiaries acquired during the period***

In year 2007, as per the resolution of the Board of Directors related to the restructuring of investment in associates and subsidiaries, the Bank acquired the 99.99% shares of Vakıf Portfoy Yönetim AŞ, which has a nominal paid in capital of YTL 1,500, previously owned by Vakıf Yatırım Ortaklığı AŞ. The sale price amounting to USD 4,300,000 was determined by an independent appraiser.

In year 2007, Güneş Sigorta AŞ, a subsidiary of the Bank, increased its paid-in capital from internal sources by YTL 75,000 from YTL 75,000 to YTL 150,000. The share of the Bank amounting to YTL 27,262 is presented bonus shares received in the movement table of the consolidated subsidiaries.

**9. Investments in joint-ventures**

None.

**10. Information on finance lease receivables**

***Finance lease receivables according to remaining maturities***

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 Year	19,721	18,897	13,570	13,338
Between 1-4 Years	229,753	200,990	251,748	217,957
Longer than 4 Years	36,643	28,854	68,423	52,539
<b>Total</b>	<b>286,117</b>	<b>248,741</b>	<b>333,741</b>	<b>283,834</b>



***Net finance lease receivables***

	<b>Current Period</b>	<b>Prior Period</b>
Gross finance lease receivables	286,117	333,741
Unearned income on finance lease receivables (-)	37,376	49,907
Terminated lease contracts (-)	-	-
<b>Net finance lease receivables</b>	<b>248,741</b>	<b>283,834</b>

***Finance lease agreements***

Sum of the minimum lease payments including interest and principal amounts are stated under the “finance lease receivables” as gross. The difference between the total of rent payments and the cost of the related fixed assets is reflected to the “unearned income” account. If the lease payments are made, the lease principal amount is deducted from the “finance lease receivables” as the interest component of the payment is reflected to interest income on the consolidated income statement.

**11. Information on hedging purpose derivatives**

***Positive differences on derivative financial instruments held for risk management purpose***

None.

**12. Information on investment properties**

As of 30 September 2008, The Group has an investment property amounting to YTL 52,827 in total which consists of the net book value amounting to YTL 35,640 for the subsidiaries operating in the field of real estate investment and the net book value amounting of YTL 17,187 for the subsidiaries operating in the insurance business. (31 December 2007: 56,786)

**13. Information on deferred tax assets**

As of 30 September 2008 and 31 December 2007, items generating deferred tax assets or liabilities are listed below:

	<b>Current Period</b>	<b>Prior Period</b>
TAS - Tax Code depreciation differences on tangible and intangible assets	33,663	26,704
Provision for employee termination benefits and unused vacations	26,500	28,023
Valuation differences for financial assets and liabilities	16,988	2,367
Other provisions	11,236	5,362
Valuation difference for associates and subsidiaries	5,635	21,140
Others	7,843	2,533
<b>Deferred tax assets</b>	<b>101,865</b>	<b>86,129</b>
Net-off of the deferred tax assets and liabilities from the same entity	(21,496)	(36,280)
<b>Deferred tax assets (net)</b>	<b>80,369</b>	<b>49,849</b>
	<b>Current Period</b>	<b>Prior Period</b>
Valuation differences for financial assets and liabilities	16,882	33,941
Valuation difference for associates and subsidiaries	-	3,963
Others	9,982	4,008
<b>Deferred tax liabilities</b>	<b>26,864</b>	<b>41,912</b>
Net-off of the deferred tax assets and liabilities from the same entity	(21,496)	(36,280)
<b>Deferred tax liabilities (net)</b>	<b>5,368</b>	<b>5,632</b>

**14. Assets held for sale and assets related to the discounted operations**

As of 30 September 2008, net book value of asset held for sale is YTL 1,704 (31 December 2007:YTL 1,702).

**15. Information on other assets**

As of 30 September 2008 and 31 December 2007, the details of other assets are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Receivables from insurance operations	588,331	486,177
Prepaid expenses	294,024	213,237
Receivables from term sale of assets	141,025	138,749
Receivables from derivative financial instruments	66,691	69,344
Deferred acquisition costs	47,898	28,191
Others	136,481	82,363
<b>Total</b>	<b>1,274,450</b>	<b>1,018,061</b>

## II. Information and disclosures related to consolidated liabilities

### 1. Information on maturity profile of deposits

<i>Current Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 months	1 Year and Over	Accumulating Deposit Accounts	Total
<b>Saving Deposits</b>	<b>977,533</b>	-	<b>443,289</b>	<b>6,258,498</b>	<b>180,133</b>	<b>12,287</b>	<b>28,309</b>	-	<b>7,900,049</b>
<b>Foreign Currency Deposits</b>	<b>935,465</b>	-	<b>1,409,877</b>	<b>3,928,688</b>	<b>1,528,494</b>	<b>487,603</b>	<b>743,764</b>	-	<b>9,033,891</b>
Residents in Turkey	903,380	-	1,383,102	3,838,191	1,429,873	356,436	601,606	-	8,512,588
Residents in Abroad	32,085	-	26,775	90,497	98,621	131,167	142,158	-	521,303
<b>Public Sector Deposits</b>	<b>926,847</b>	-	<b>931,384</b>	<b>2,535,200</b>	<b>269,389</b>	<b>52</b>	<b>546</b>	-	<b>4,663,418</b>
<b>Commercial Deposits</b>	<b>793,149</b>	-	<b>1,153,626</b>	<b>4,829,696</b>	<b>153,315</b>	<b>40,679</b>	<b>1,829</b>	-	<b>6,972,294</b>
<b>Other</b>	<b>1,697,541</b>	-	<b>591,521</b>	<b>4,007,409</b>	<b>123,808</b>	<b>28,175</b>	<b>53,152</b>	-	<b>6,501,606</b>
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank Deposits</b>	<b>1,043</b>	-	<b>575,647</b>	<b>624,891</b>	<b>95,019</b>	-	-	-	<b>1,296,600</b>
Central Bank	53	-	-	-	-	-	-	-	53
Domestic Banks	371	-	574,436	618,737	95,019	-	-	-	1,288,563
Foreign Banks	370	-	1,211	6,154	-	-	-	-	7,735
Participation Banks	249	-	-	-	-	-	-	-	249
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,331,578</b>	-	<b>5,105,344</b>	<b>22,184,382</b>	<b>2,350,158</b>	<b>568,796</b>	<b>827,600</b>	-	<b>36,367,858</b>

<i>Prior Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 months	1 Year and Over	Accumulating Deposit Accounts	Total
<b>Saving Deposits</b>	<b>682,210</b>	-	<b>253,597</b>	<b>5,608,530</b>	<b>261,908</b>	<b>28,971</b>	<b>29,534</b>	-	<b>6,864,750</b>
<b>Foreign Currency Deposits</b>	<b>811,557</b>	-	<b>1,304,982</b>	<b>3,050,215</b>	<b>378,797</b>	<b>331,220</b>	<b>717,618</b>	-	<b>6,594,389</b>
Residents in Turkey	769,830	-	1,206,007	2,997,675	342,338	227,946	559,918	-	6,103,714
Residents in Abroad	41,727	-	98,975	52,540	36,459	103,274	157,700	-	490,675
<b>Public Sector Deposits</b>	<b>970,442</b>	-	<b>659,567</b>	<b>1,030,009</b>	<b>207,687</b>	<b>116,796</b>	<b>185</b>	-	<b>2,984,686</b>
<b>Commercial Deposits</b>	<b>665,040</b>	-	<b>1,333,137</b>	<b>2,704,773</b>	<b>230,574</b>	<b>445</b>	<b>14,529</b>	-	<b>4,948,498</b>
<b>Other</b>	<b>409,803</b>	-	<b>508,604</b>	<b>5,258,438</b>	<b>762,278</b>	<b>7,762</b>	<b>58,651</b>	-	<b>7,005,536</b>
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank Deposits</b>	<b>1,224</b>	-	<b>147,222</b>	<b>522,891</b>	<b>80,229</b>	-	-	-	<b>751,566</b>
Central Bank	12	-	-	-	-	-	-	-	12
Domestic Banks	303	-	147,222	498,687	50,358	-	-	-	696,570
Foreign Banks	775	-	-	24,204	29,871	-	-	-	54,850
Participation Banks	134	-	-	-	-	-	-	-	134
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,540,276</b>	-	<b>4,207,109</b>	<b>18,174,856</b>	<b>1,921,473</b>	<b>485,194</b>	<b>820,517</b>	-	<b>29,149,425</b>

**Information on saving deposits insured by Saving Deposit Insurance Fund and the total amounts of the deposits exceeding the insurance coverage limit**

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	4,316,795	3,654,728	3,583,254	3,208,160
Foreign Currency Saving Deposits	1,354,448	1,286,065	2,305,862	1,893,244
Other Saving Deposits	-	-	-	-
Foreign branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>5,671,243</b>	<b>4,940,793</b>	<b>5,889,116</b>	<b>5,101,404</b>

**Saving deposits out of insurance coverage limits**

	Current Period	Prior Period
Deposits and other accounts at foreign branches	492	474
Deposits and other accounts, which belong to controlling shareholders, their parents, wives/husbands, and children	-	-
Deposits and other accounts, which belong to Board of Director members, chairman, general manager, his/her assistants, their parents, wives/husbands, and children	1,568	600
Deposits and other accounts under scope of TCC law 5237 article no 282, dated 26.09.2004	-	-
Deposits in Deposit Banks of Turkey, which are solely established for off-shore banking	11,299	14,582

**2. Information on derivative financial instruments held for trading purpose**

**Negative value of trading purpose derivatives**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forwards	2,690	1	4,959	1
Swaps	7,102	18,040	15,044	2,286
Futures	-	-	-	-
Options	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>9,792</b>	<b>18,041</b>	<b>20,003</b>	<b>2,287</b>

**3. Information on banks and other financial institutions**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and institutions	76,831	341,637	52,619	274,947
Foreign banks, institutions and funds	-	4,952,176	-	4,710,314
<b>Total</b>	<b>76,831</b>	<b>5,293,813</b>	<b>52,619</b>	<b>4,985,261</b>

***Maturity information of funds borrowed***

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-term	76,831	1,716,902	52,619	1,430,792
Medium and Long term	-	3,576,911	-	3,554,469
<b>Total</b>	<b>76,831</b>	<b>5,293,813</b>	<b>52,619</b>	<b>4,985,261</b>

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 11.53% (31 December 2007: 12.96%) of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

On 20 December 2006, the Bank has obtained syndication loan of US Dollar 700 million comprised of three tranches having 1, 2 and 3 years of maturity and interest rate Libor+0.525%, Libor+0.625% and Libor+0.825%, respectively, with the participation of 26 international banks through club deal. On 3 December 2007, the Bank has renewed syndication loan of US Dollar 375 million with one year of maturity and interest rate Libor+0.25% (total cost Libor+%0.575) with the participation of 23 international banks.

On 22 May 2007, the Bank has obtained securitization loan of US Dollar 500 million based on overseas remittance flows of the Bank's clients. US Dollar 150 million of which has a maturity of 8 years and the remaining US Dollar 350 million of which has a maturity of 10 years.

On 12 July 2007, the Bank has obtained syndication loan of US Dollar 700 million having one year maturity and Libor+0.475% interest rate, with the participation of 29 international banks through club deal. On 23 July 2008, the Bank has renewed the syndication loan by the amount of US Dollar 750 million with US Libor+0.77 and EUR Libor+0.77, with the participation of 25 banks.

**4. Components of other liabilities, those that exceed 10% of total liabilities or those that exceed 20% of the individual liability items in the consolidated balance sheet**

Other liabilities do not exceed 10% of total liabilities excluding the off-balance sheet items.

**5. Criteria used in the determination of lease installments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts**

***Obligations under finance leases***

None.

**6. Information on liabilities arising from hedging purpose derivatives**

***Negative value of hedging purpose derivatives***

None.

**7. Information on provisions**

***Information on general provisions***

	Current Period	Prior period
Provisions for Loans and receivables in Group I	203,511	151,077
Provisions for loans and receivables in Group II	27,040	7,099
Provisions for non-cash loans	19,424	15,390
Others	197	179
<b>Total</b>	<b>250,172</b>	<b>173,745</b>

***Provision for currency exchange gain/loss on foreign currency indexed loans***

None

**Information on other provisions**

	<b>Current Period</b>	<b>Prior Period</b>
General reserves for possible loan losses	-	-

**Information on other provisions exceeding 10% of total provisions**

	<b>Current Period</b>	<b>Prior Period</b>
Specific provisions for non-cash loans	84,239	82,392
Provisions for law suits initiated against the Group	32,165	27,545
Provisions for credit card promotions	8,788	7,890
Others	34,075	5,759
<b>Total</b>	<b>159,267</b>	<b>123,586</b>

**8. Taxation**

**Current taxes**

*Tax provision*

As of 30 September 2008, current tax liabilities of the Group are amounting to YTL 61,877, after deducting prepaid taxes.

*Information on taxes payable*

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxes payable	61,877	83,464
Taxation on securities	67,526	52,709
Capital gains tax on property	686	477
Banking Insurance Transaction Tax (BITT)	23,330	22,364
Taxes on foreign exchange transactions	-	1,311
Value added tax payable	1,380	1,134
Others	17,108	15,166
<b>Total</b>	<b>171,907</b>	<b>176,625</b>

*Information on premiums payable*

	<b>Current Period</b>	<b>Prior Period</b>
Social security premiums- employee share	707	452
Social security premiums- employer share	868	541
Bank pension fund premium- employee share	-	-
Bank pension fund premium- employer share	-	-
Pension fund membership fees and provisions- employee share	-	-
Pension fund membership fees and provisions- employer share	-	-
Unemployment insurance- employee share	299	302
Unemployment insurance- employer share	597	542
Others	9	-
<b>Total</b>	<b>2,480</b>	<b>1,837</b>

**Information on deferred tax liability**

Disclosed in Note 13 of information and disclosures for assets of the consolidated balance sheet.

## 9. Information on shareholders' equity

### *Paid-in capital*

	Current Period	Prior Period
Common Stock	2,500,000	2,500,000
Preferred Stock	-	-

Paid-in capital of the Parent Bank amounted to YTL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.6 % Group (B), 16.2% Group (C) and 25.2% Group (D).

Board of Directors' members; one member appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members representing Group (A), one member representing Group (B), and two members representing Group (C); among the nominees shown by the majority of each group, and one member among the nominees offered by the shareholders at the General Assembly are selected. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

*Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital*

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered capital system	2,500,000	5,000,000

The registered capital ceiling of the Parent Bank was increased from YTL 1,300,000 to YTL 5,000,000 as per the resolution no.74202 dated 16 February 2006 by the Board of Directors.

*Information on share capital increases and their sources; other information on any increase in capital shares during the current period*

There is no share capital increase in the current period or previous period.

*Information on share capital increases from revaluation funds*

None.

*Capital commitments for current financial year and following period*

None.

*Prior period indicators of the Parent Bank's income, profitability and liquidity; and possible effects of the predictions on equity, considering the ambiguity of the indicators*

None.

*Information on the privileges given to stocks representing the capital*

None.

*Securities value increase fund*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Associates, Subsidiaries and JV's	1,314	-	3,584	-
Fair value differences	3,940	(34,892)	45,642	41,627
Foreign currency exchange differences	-	-	-	-
<b>Total</b>	<b>5,254</b>	<b>(34,892)</b>	<b>49,226</b>	<b>41,627</b>

### III. Information and disclosures related to off-balance sheet items

#### 1. Disclosures related to other contingent liabilities

##### *Type and amount of irrevocable commitments*

	Current Period	Prior period
Commitments for credit card limits	3,100,249	3,067,930
Commitments for cheque payments	1,474,850	1,330,395
Loan granting commitments	1,371,894	1,452,873
<b>Total</b>	<b>5,946,993</b>	<b>5,851,198</b>

##### *Type and amount of possible losses from off-balance sheet items including those referred to below*

*Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral*

The Bank provided specific provision for unliquidated non-cash loans amounted to YTL 84,239 (31 December 2007: 82,392) recorded under off-balance sheet items.

##### *Final guarantees, provisional guarantees, sureties and similar transactions*

	Current Period	Prior Period
Provisional letters of guarantee	101,005	107,807
Final letters of guarantee	3,692,227	3,432,155
Letters of guarantee for advances	821,034	545,641
Letters of guarantee given to custom offices	184,923	82,595
Other letters of guarantee	167,828	194,539
<b>Total</b>	<b>4,967,017</b>	<b>4,362,737</b>

#### 2. Non-cash loans

	Current Period	Prior Period
Non-cash loans given for cash loan risks	385,397	427,846
With original maturity of 1 year or less	119,156	169,739
With original maturity of more than 1 year	266,241	258,107
Other non-cash loans	7,249,225	5,513,279
<b>Total</b>	<b>7,634,622</b>	<b>5,941,125</b>



### 3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	YTL	%	FC	%	YTL	%	FC	%
<b>Agricultural</b>	<b>29,857</b>	<b>0.95</b>	<b>76,418</b>	<b>1.71</b>	<b>24,187</b>	<b>0.87</b>	<b>25,727</b>	<b>0.80</b>
Farming and cattle	23,037	0.73	62,885	1.41	18,843	0.68	14,693	0.45
Forestry	4,401	0.14	89	0.00	3,803	0.14	90	0.00
Fishing	2,419	0.08	13,444	0.30	1,541	0.05	10,944	0.35
<b>Manufacturing</b>	<b>1,156,069</b>	<b>36.39</b>	<b>1,836,465</b>	<b>41.21</b>	<b>1,083,730</b>	<b>39.01</b>	<b>1,533,508</b>	<b>48.49</b>
Mining	40,039	1.26	91,322	2.05	23,992	0.86	89,892	2.84
Production	818,744	25.77	1,571,526	35.26	830,040	29.88	1,293,486	40.90
Electric, gas and water	297,286	9.36	173,617	3.90	229,698	8.27	150,130	4.75
<b>Construction</b>	<b>539,113</b>	<b>16.97</b>	<b>851,342</b>	<b>19.10</b>	<b>369,941</b>	<b>13.32</b>	<b>566,647</b>	<b>17.92</b>
<b>Services</b>	<b>1,177,791</b>	<b>37.06</b>	<b>761,187</b>	<b>17.07</b>	<b>1,028,492</b>	<b>37.01</b>	<b>517,559</b>	<b>16.37</b>
Wholesale and retail trade	502,466	15.81	223,188	5.01	526,053	18.93	172,466	5.45
Hotel, food and beverage services	35,106	1.10	10,901	0.24	31,633	1.14	9,569	0.30
Transportation and telecommunication	187,991	5.92	310,197	6.96	144,200	5.19	60,954	1.93
Financial institutions	419,322	13.19	196,303	4.40	299,017	10.76	258,246	8.17
Real estate and renting services	4,649	0.15	53	0.00	1,787	0.06	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	4,814	0.15	3,813	0.09	5,423	0.20	5,945	0.19
Health and social services	23,443	0.74	16,732	0.38	20,379	0.73	10,379	0.33
<b>Other</b>	<b>274,404</b>	<b>8.63</b>	<b>931,976</b>	<b>20.91</b>	<b>271,945</b>	<b>9.79</b>	<b>519,389</b>	<b>16.42</b>
<b>Total</b>	<b>3,177,234</b>	<b>100.00</b>	<b>4,457,388</b>	<b>100.00</b>	<b>2,778,295</b>	<b>100.00</b>	<b>3,162,830</b>	<b>100.00</b>

### 4. Information on the first and second group of non-cash loans

	I. Group		II. Group	
	YTL	FC	YTL	FC
Letters of guarantee	3,002,448	1,688,285	137,286	53,710
Bank acceptances	-	462,759	-	7,810
Letters of credit	-	2,125,344	-	54,342
Endorsements	-	-	-	-
Purchase guarantees for securities issued	-	-	-	-
Factoring guarantees	540	1,984	-	-
Other guarantees and sureties	-	11,826	-	-
<b>Total</b>	<b>3,002,988</b>	<b>4,290,198</b>	<b>137,286</b>	<b>115,862</b>

### 5. Contingent assets and liabilities

None.

### 6. Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

The Bank's custody services and banking transactions on behalf of individuals and corporate customers are not material to the size of the Bank.

#### IV Information on disclosures related to consolidated income statement

##### 1. Interest income

###### *Information on interest income from loans*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-term loans	1,230,725	127,613	1,231,836	112,027
Medium and long-term loans	1,406,711	273,943	787,025	176,779
Loans under follow-up	47,435	-	37,369	32
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>2,684,871</b>	<b>401,556</b>	<b>2,056,230</b>	<b>288,838</b>

###### *Information on interest income from banks*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	2,500	-	3,645
Domestic banks	18,129	3,024	21,251	526
Foreign banks	28,682	43,315	62,311	78,389
Foreign head office and branches	-	-	-	-
<b>Total</b>	<b>46,811</b>	<b>48,839</b>	<b>83,562</b>	<b>82,560</b>

###### *Information on interest income received from associates and subsidiaries*

	Current Period	Prior Period
Interest received from the associates and the subsidiaries	281	440

##### 2. Interest Expense

###### *Interest expenses on funds borrowed*

	Current Period		Prior Period	
	YTL	FC	YTL	FC
<b>Banks</b>	<b>5,613</b>	<b>176,813</b>	<b>10,371</b>	<b>190,787</b>
Central Bank of Turkey	-	-	-	-
Domestic banks	5,613	5,893	7,597	2,694
Foreign banks	-	165,729	2,774	188,093
Foreign head offices and branches	-	5,191	-	-
<b>Other institutions</b>	<b>35</b>	<b>34</b>	<b>-</b>	<b>5,337</b>
<b>Total</b>	<b>5,648</b>	<b>176,847</b>	<b>10,371</b>	<b>196,124</b>

###### *Interest expenses paid to associates and subsidiaries*

	Current Period	Prior Period
Interest paid to the associates and the subsidiaries	15,665	9,692

### 3. Trading income/losses (Net)

	Current Period	Prior Period
<b>Income</b>	<b>1,010,991</b>	<b>555,875</b>
Trading income	91,601	103,685
<i>Derivative financial instruments</i>	48,335	37,202
<i>Others</i>	43,266	66,483
Foreign currency exchange gains	919,390	452,190
<b>Losses (-)</b>	<b>939,640</b>	<b>360,769</b>
Trading losses	53,027	25,884
<i>Derivative financial instruments</i>	46,915	22,856
<i>Others</i>	6,112	3,028
Foreign currency exchange losses	886,613	334,885
<b>Trading income / (expense), net</b>	<b>71,351</b>	<b>195,106</b>

### 4. Other operating income

As of 30 September 2008, other operating income consists of; written insurance premium amounting to YTL 325,075 (net), reversal of the impairment losses provided in previous years amounting to YTL 142,970, income arising from change in unearned premium reserve amounting to YTL (33,064), communication income amounting to YTL 50,913, income arising from reversal of life mathematical provisions amounting to YTL 14,140, pension business income amounting to YTL 8,268 income from sale of Bank's assets amounting to YTL 6,239 and other income amounting to YTL 56,376.

### 5. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific provisions for loans and other receivables	206,869	188,319
<i>Loans and receivables in Group III</i>	34,881	188,319
<i>Loans and receivables in Group IV</i>	26,576	-
<i>Loans and receivables in Group V</i>	145,412	-
Non-performing commissions and other receivables	-	-
General provision expenses	76,138	23,469
Provision for possible loan losses	-	-
Impairment losses on securities:	25,576	22,001
<i>Trading securities</i>	1,101	912
<i>Investment securities available-for-sale</i>	24,475	21,089
Other impairment losses:	797	11,526
<i>Associates</i>	-	11,010
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Investment securities held-to-maturity</i>	797	516
Others	98,752	118,355
<b>Total</b>	<b>408,132</b>	<b>363,670</b>

**6. Other operating expenses**

	Current Period	Prior Period
Personnel expenses	461,520	375,723
Reserve for employee termination benefits	27,386	17,507
Provision for deficit in pension funds	-	-
Impairment losses on tangible assets	-	-
Depreciation expenses - Tangible assets	64,155	53,804
Impairment losses on intangible assets	-	-
Amortization Expenses - Intangible Assets	2,955	1,984
Impairment losses on assets held for resale	-	-
Depreciation expenses on assets held for resale	6,108	5,662
Impairment losses on assets held for sale	-	-
Other operating expenses	392,648	252,587
<i>Operational lease related expenses</i>	48,018	34,275
<i>Repair and maintenance expenses</i>	13,482	10,815
<i>Advertisement expenses</i>	43,935	28,058
<i>Other expenses</i>	287,213	179,439
Loss on sale of assets	566	6,330
Others	385,883	316,162
<b>Total</b>	<b>1,341,221</b>	<b>1,029,759</b>

**7. Provision for taxes on income**

*Current period taxation benefit or charge and deferred tax benefit or charge*

In the current period, the Group recorded current tax charges amounting to YTL 169,216 (30 September 2007: YTL 189,168) from its continuing operations in accordance with the Corporate Tax Law and other laws and regulations.

*Deferred tax charge arising from temporary differences, tax losses and unused tax credits*

Sources of deferred tax benefit/charge	Current Period	Prior Period
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	5,309	11,381
Arising from Origination (+)/ Reversal (-) of Taxable Temporary Differences	7,184	12,002
Arising from Origination (+)/ Reversal (-) of Tax Losses	-	-
Arising from tax rate change	-	-
<b>Total</b>	<b>12,493</b>	<b>23,383</b>

**8. Net profit and loss**

*Any further explanation on operating results needed for a proper understanding of the Bank's performance*

None.

**9. Nature and amount of changes in accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods**

None.

**10. Income/loss related to minority shares**

	Current Period	Prior Period
Income/Loss related to Minority Shares	25,615	(6,263)

**11. Information related to the components of other items in the consolidated income statement exceeding 10% of the group total or 20% of the sub-accounts belonging to this group**

None.

**V. Information and disclosures related to the Bank's risk group**

**1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period**

Current Period	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	-	6,974	-	669	4,119	5,488
Balance at the end of the period	-	5,685	-	726	6,222	5,266
Interest and commission income received	281	7	-	-	488	7
Prior Period	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beginning of the period	-	3,089	-	568	4,652	32,373
Balance at the end of the period	-	6,974	-	669	4,119	5,488
Interest and commission income received	440	17	-	-	494	10

**Information on deposits held by the Bank's risk group**

Bank's Risk Group	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	212,360	112,095	918,176	77,592	143,867	2,650
Balance at the end of the period	145,420	212,360	851,239	918,176	185,432	143,867
Interest on deposits	15,665	9,692	-	-	672	1,806

**Information on forward and option agreements and similar agreements made with the Bank's risk group**

None.

**2. Disclosures of transactions with the Bank's risk group**

***Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties***

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

***In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other***

The pricing of transactions with the risk group companies is set in compliance with the market prices. The ratio of cash and non-cash loans extended to the risk group to the overall cash and non-cash loans is 0.02% (31 December 2007: %0.02) and 0.15% (31 December 2007: %0.22) respectively.

<b>Current Period</b>	<b>Amount</b>	<b>Compared With the Financial Statement Amount %</b>
Cash Loans	6,222	0.02
Non-Cash Loans	11,677	0.15
Deposits	1,182,091	3.25
Derivatives	-	-

<b>Prior Period</b>	<b>Amount</b>	<b>Compared With the Financial Statement Amount %</b>
Cash Loans	4,119	0.02
Non-Cash Loans	13,131	0.22
Deposits	1,274,403	4.37
Derivatives	-	-

*Sum of accounts that are in the same structure except for situation in which different explanation are required to be made in order to see effect of transaction made over financial statements.*

None.

*Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts*

None.

## SECTION SIX

### Other disclosures and footnotes

#### 1. Other disclosures on the Bank's activity

- The monetary losses amounting YTL 379,000 incurred in the 2001 financial year as a result of the inflation accounting applied in compliance with the Temporary article no.4 added to the Banks Law no.4389 through the Law no.4743, the tax returns of 2002, 2003 and 2004 were submitted with a condition stating that such losses should have been deducted and the Bank may appeal to the tax court for the tax return. The Bank appealed to the tax court for the corporate tax return on 22 February 2007. Ankara 5. Tax court decided in favour of the Bank and YTL 125,187 was transferred to the Bank's accounts on 5 September 2007. The related tax administration has filled an appeal that is still in process.

"The Law on the Collection of Some of the Public Receivables by Reconciliation" no.5736 has passed on 20 February 2008 in the Parliament and approved on 26 February 2008 by the President of the Turkish Republic. In accordance with this law's first sub clause of the third article, with the banks will not be sustained; if the banks take into consideration of 65 percent of these losses in the determination of revenues for the year 2001 as previous year losses, and admit to correct taxable income for the subsequent years and declare they have abnegated from all of the courts related to this matter in one month after this law come into effect.

As per the 27 March 2008 dated resolution of the Board of Directors 2008, The Bank management has taken no decisions for any reconcilements for the point in dispute as stated in the second paragraph specified in the first paragraph above.

- Based on the resolution of 54th Annual General Assembly held on 21 March 2008, net profit of the year 2007 has been distributed on 30 May 2008 as follows:

Profit Distribution Table of Year 2007	
<b>Current year's profit</b>	<b>1,030,700</b>
Deferred tax income not subject to dividend distribution	(28,084)
<b>Net profit of the year subject to distribution before legal reserves</b>	<b>1,002,616</b>
Legal reserves	100,262
<i>First Legal Reserves</i>	<i>50,131</i>
<i>Reserves allocated, according to banking law and articles of association.</i>	<i>50,131</i>
<b>Net profit of the year subject to distribution</b>	<b>902,354</b>
Extraordinary reserves	760,154
<b>Dividends to the shareholders</b>	<b>142,200</b>

- In conjunction with the "Regulation for an Adjustment on the Regulation on the Procedures and Principles on the Determination of the Nature of the Loans and Other Receivables and their Provisions" which has been published in the Official Gazette no. 26779 dated 6 February 2008, general provision for the restructured or rescheduled loans and other receivables has been increased from 1% to 2%, general provisions for the bills of exchange and sureties and other non-cash loans have been increased from 0.2% to 0.4%.
- It is decided to buy 6% of Turkish Derivative Exchange's shares, at nominal value of YTL 540 which is held by Vakıf Yatırım Menkul Değerler A.Ş that has a share capital of YTL 9,000.
- The Bank's management has decided to implement growth strategy in credit card business with brand sharing with an existing brand in the market and decided to collaborate with Yapı Kredi Bankası AŞ in World credit card program. The Bank has nominated Bank's general manager for signing and preparation of the agreement. The main agreement and the additional clauses have been signed on 30 June 2008 and 31 July 2008, respectively and the agreement came into effect on 5 August 2008.



**2. Information on the Bank's rating given by international institutions**

<b>November 2008 (*)</b>	<b>Standard Poors</b>
Foreign Currency Credit Rating	BB- / Negative / B
Local Currency Credit Rating	BB- / Negative / B
National	trA+ / -- / trA-1
Continuance Rating	BBB-/--/--
<b>April 2007 (*)</b>	<b>Moody's Investors' Service</b>
Financial Strength Rating	D+
Local Currency Deposit Rating	Baa1 / P-2
Foreign Currency Deposit Rating	B1 / NP
Outlook	Stable
<b>December 2007 (*)</b>	<b>Fitch Rating</b>
Long Term Foreign Currency	BB-
Short Term Foreign Currency	B
Foreign Currency Outlook	Stable
Long Term Local Currency	BB
Short Term Local Currency	B
Foreign Currency Outlook	Stable
National Long Term	AA (tur)
National Outlook	Stable
Individual	C/D
Support	4
Base Support Rating	B+
<b>May 2006 (*)</b>	<b>Capital Intelligence</b>
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB-
Support Rating	2
Outlook	Stable

(\*) Dates represent the last change dates of credit ratings and outlook.

**3. Significant events and matters subsequent to consolidated balance sheet date that are not resulted**

None.

**4. Significant foreign currency exchange rate fluctuations that are subsequent to balance sheet date**

As a result of significant fluctuations in money and capital markets subsequent to 30 September 2008; as at report date YTL has been devaluated against US Dollar, Euro and Japanese Yen by 28%, 14%, 42%, respectively, when compared with foreign currency rates prevailing at the balance sheet date.

## **SECTION SEVEN**

### **I. Independent auditors' review report**

#### **1. Information on the independent auditors' review report**

The Bank's consolidated financial statements and footnotes as of and for the nine-month period ended 30 September 2008, have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International). It was noted in their review report dated 27 November 2008 that nothing material has come to their attention that caused them to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the Group's financial position and results of its operations as of and for the nine-month period ended 30 September 2008.