

*(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 Six-Month Period Ended

30 June 2008

With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ

28 August 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 June 2008 and the related consolidated income statement, statement of cash flows and statement of changes in shareholders' equity for the six-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 June 2008, which statements reflect total assets constituting 5.47 percent; and total operating income constituting 7.66 percent as of and for the six-month period ended 30 June 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 regulations related with the "Accounting and Recording Rules" and "Independent Auditing Standards" of 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 June 2008, and of the results of its operations and its cash flows for the six-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,
28 August 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 SIX-MONTH PERIOD ENDED 30 JUNE 2008**

Address : Atatürk Bulvarı No:207,
Kavaklıdere - Ankara

Telephone : 0312 455 75 75

Fax : 0312 455 76 92

Electronic web site : www.vakifbank.com.tr

Electronic mail address : posta@vakifbank.com.tr

The consolidated interim financial report as of and for the six-month period ended 30 June 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
- DISCLOSURES ON APPLIED ACCOUNTING POLICIES IN THE RELATED PERIOD
- INFORMATION ON THE FINANCIAL POSITION OF THE CONSOLIDATED 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:

SUBSIDIARIES

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

ASSOCIATES

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 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 DEMİRRAĞ
Board Member and
Audit Committee Member

Serdar TUNÇBİLEK
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
Phone no : 0 312 455 75 66
Fax no : 0 312 455 76 92

S. Buğra SÜRÜEL /Assistant Manager
0 312 455 75 70
0 312 455 76 92

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Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Interim Financial Report

As of and for the Six-Month Period Ended 30 June 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 year and information on The Group that the Bank belongs to

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:

Shareholders	Number of Shares	Nominal Value of the Shares – Thousands of YTL	Share Percentage (%)
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)	1.875.293	1,875	0.08
Publicly traded (Group D)	629.607.564	629,607	25.18
Total	2.500.000.000	2,500,000	100.00

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Interim Financial Report

As of and for the Six-Month Period Ended 30 June 2008

(Thousands of New Turkish Lira (YTL))

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

<u>Name and Surname</u>	<u>Responsibility</u>	<u>Date of Appointment</u>	<u>Education</u>	<u>Experience in Banking</u>
<u>Board of Directors</u>				
Yusuf BEYAZIT	Chairman	30 April 2004	Master	10 years
Ragıp 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 ⁽¹⁾	Member	21 March 2008	University	22 years
Cem DEMİRAG	Member	4 April 2005	University	17 years
<u>Audit Committee</u>				
Serdar TUNÇBİLEK	Member	24 July 2007	University	23 years
Cem DEMİRAG	Member	4 April 2005	University	17 years
<u>Auditors</u>				
Ahmet Tanyolaç	Auditor	21 March 2003	University	5 years
Faruk Eroğlu	Auditor	21 March 2003	University	7 years
<u>Executive Vice Presidents</u>				
Tanju Yüksel	International Investors Relations	1 May 2000	University	24 years
Ahmet Atıf Meydan ⁽²⁾	Treasury and Foreign Operations, Banking Operations and Credit Cards, Private Banking	29 January 2003	University	20 years
Aydın Deliktaşlı	Human Resources, and Support Services	9 August 2004	University	28 years
Şahin Uğur	Investment Banking and Subsidiaries	9 August 2004	University	22 years
Feyzi Özcan	Retail Banking, Pension Fund, Directorates of the Regions, Distribution Channels	20 September 2005	University	19 years
Dr. Metin Recep Zafer	Planning and Performance, Accounting and Financial Affairs	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, System Support, Hardware Support and Private Banking	30 November 2007	PHD	8 years
İhsan Çakır	Commercial Banking, Corporate Banking, Communication and Relations with Media, Cash Management, 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 Six-Month Period Ended 30 June 2008

(Thousands of New Turkish Lira (YTL))

⁽¹⁾ 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 according to the resolution of Annual General Assembly held at the same date. Sebahattin Birdal has taken up his duty on 26 March 2008.

⁽²⁾ Assistant General Manager Ahmet Atıf Meydan has been appointed as Assistant General Manager of one of the Bank's subsidiaries, Vakıf Yatırım Menkul Değerler AŞ according to the Board of Directors meeting resolution dated 3 April 2008.

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. The Information on people and entities who have qualified share in the Parent Bank

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 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 June 2008, the Bank has 495 domestic, 2 foreign, in total 497 branches (31 December 2007: 466 domestic, 2 foreign branches, in total 468 branches). As of 30 June 2008, the Bank has 9,495 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 June 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 June 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	1,323,920	1,130,204	2,454,124	1,626,725	866,575	2,493,300
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	90,000	305,092	395,092	120,081	336,806	456,887
2.1	Financial assets held for trading		75,061	294,692	369,753	97,817	319,957	417,774
2.1.1	Government securities		74,008	294,692	368,700	95,953	319,957	415,910
2.1.2	Equity securities		802	-	802	500	-	500
2.1.3	Other securities		251	-	251	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	Trading derivatives		14,939	10,400	25,339	22,264	16,849	39,113
III.	BANKS	V-I-3	1,034,831	2,898,153	3,932,984	859,321	2,007,360	2,866,681
IV.	RECEIVABLES FROM INTERBANK MONEY MARKETS		-	-	-	715,835	-	715,835
4.1	Interbank money market placements		-	-	-	-	-	-
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	7,271,902	2,423,567	9,695,469	6,738,179	2,770,936	9,509,115
5.1	Equity securities		20,218	7,708	27,926	20,187	1,650	21,837
5.2	Government securities		7,251,684	2,347,651	9,599,335	6,717,929	2,689,220	9,407,149
5.3	Other securities		-	68,208	68,208	63	80,066	80,129
VI.	LOANS	V-I-5	19,556,648	9,087,016	28,643,664	17,088,234	6,714,898	23,803,132
6.1	Performing loans		19,433,213	9,086,485	28,519,698	17,088,234	6,714,429	23,802,663
6.1.1	Loans of Bank's risk group	V-V-1	92	5,152	5,244	126	3,993	4,119
6.1.2	Others		19,433,121	9,081,333	28,514,454	17,088,108	6,710,436	23,798,544
6.2	Loans under follow-up		1,291,453	51,868	1,343,321	1,156,517	87,614	1,244,131
6.3	Specific provisions (-)		1,168,018	51,337	1,219,355	1,156,517	87,145	1,243,662
VII.	FACTORING RECEIVABLES		95,496	1,802	97,298	52,389	5,146	57,535
VIII.	HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	2,171,740	334,964	2,506,704	1,457,965	206,386	1,664,351
8.1	Government securities		2,171,740	288,234	2,459,974	1,457,965	162,491	1,620,456
8.2	Other securities		-	46,730	46,730	-	43,895	43,895
IX.	INVESTMENTS IN ASSOCIATES (Net)	V-I-7	87,009	3	87,009	88,029	3	88,032
9.1	Equity Method Associates		69,562	-	69,562	70,465	-	70,465
9.2	Unconsolidated Associates		17,444	3	17,447	17,564	3	17,567
9.2.1	Financial Associates		1,519	-	1,519	1,647	-	1,647
9.2.2	Non-Financial Associates		15,925	3	15,928	15,917	3	15,920
X.	INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	127,243	-	127,243	128,660	-	128,660
10.1	Unconsolidated financial investments in subsidiaries		1,806	-	1,806	3,223	-	3,223
10.2	Unconsolidated non-financial investments in subsidiaries		125,437	-	125,437	125,437	-	125,437
XI.	INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1	Consolidated financial investments in joint-ventures		-	-	-	-	-	-
11.2	Unconsolidated investments in joint-ventures		-	-	-	-	-	-
11.2.1	Financial associates investments in joint-ventures		-	-	-	-	-	-
11.2.2	Non-Financial associates investments in joint-ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	V-I-10	27,597	238,547	266,144	33,911	249,923	283,834
12.1	Financial lease receivables		33,794	274,028	307,822	42,127	291,614	333,741
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		6,197	35,481	41,678	8,216	41,691	49,907
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	V-I-11	-	-	-	-	-	-
13.1	Fair value hedges		-	-	-	-	-	-
13.2	Cash flow hedges		-	-	-	-	-	-
13.3	Net foreign investment hedges		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)		1,045,076	1,812	1,046,888	1,001,475	1,731	1,003,206
XV.	INTANGIBLE ASSETS (Net)		23,643	67	23,710	14,822	78	14,900
15.1	Goodwill		-	-	-	-	-	-
15.2	Other intangibles		23,643	67	23,710	14,822	78	14,900
XVI.	INVESTMENT PROPERTIES	V-I-12	56,197	-	56,197	56,786	-	56,786
XVII.	TAX ASSETS		85,907	1,123	87,030	49,724	1,179	50,903
17.1	Current tax assets		1,169	270	1,439	-	1,054	1,054
17.2	Deferred tax assets	V-I-13	84,738	853	85,591	49,724	125	49,849
XVIII.	ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS	V-I-14	1,684	-	1,684	1,702	-	1,702
18.1	Assets held for sale		1,684	-	1,684	1,702	-	1,702
18.2	Assets related to the discontinued activities		-	-	-	-	-	-
XIX.	OTHER ASSETS	V-I-15	881,502	255,525	1,137,027	765,762	252,299	1,018,061
TOTAL ASSETS			33,880,392	16,677,875	50,558,267	30,799,600	13,413,320	44,212,920

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

	LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Reviewed Current Period 30 June 2008			Restated Audited Prior Year 31 December 2007		
			YTL	FC	Total	YTL	FC	Total
I. DEPOSITS		V-II-1	25,230,360	9,993,885	35,224,245	22,372,917	6,776,508	29,149,425
1.1	Deposits of Bank's risk group	V-V-1	1,219,688	68,514	1,288,202	1,192,715	81,688	1,274,403
1.2	Others		24,010,672	9,925,371	33,936,043	21,180,202	6,694,820	27,875,022
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING		V-II-2	8,408	6,820	15,228	20,003	2,287	22,290
III. FUNDS BORROWED		V-II-3	79,991	5,265,293	5,345,284	52,619	4,985,261	5,037,880
IV. INTERBANK MONEY MARKET			927,521	955,297	1,882,818	793,915	1,359,520	2,153,435
4.1	Interbank money market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Obligations under repurchase agreements		927,521	955,297	1,882,818	793,915	1,359,520	2,153,435
V. SECURITIES ISSUED (Net)			-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI. FUNDS			112,794	-	112,794	121,964	-	121,964
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		112,794	-	112,794	121,964	-	121,964
VII. MISCELLANEOUS PAYABLES			741,978	101,668	843,646	687,213	121,038	808,251
VIII. OTHER EXTERNAL RESOURCES PAYABLE		V-II-4	199,930	150,970	350,900	143,899	140,449	284,348
IX. FACTORING PAYABLES			-	-	-	8,961	2,519	11,480
X. LEASE PAYABLES (Net)		V-II-5	-	-	-	-	-	-
10.1	Financial lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred financial leasing expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT		V-II-6	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Net foreign investment hedges		-	-	-	-	-	-
XII. PROVISIONS		V-II-7	1,142,088	40,074	1,182,162	1,062,831	30,747	1,093,578
12.1	General provisions		224,332	4,160	228,492	169,789	3,956	173,745
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		217,381	455	217,836	221,475	403	221,878
12.4	Insurance technical provisions (Net)		573,138	11,078	584,216	563,300	11,069	574,369
12.5	Other provisions		127,237	24,381	151,618	108,267	15,319	123,586
XIII. TAX LIABILITIES			149,624	2,051	151,675	182,338	1,756	184,094
13.1	Current tax liabilities	V-II-8	144,268	2,051	146,319	176,706	1,756	178,462
13.2	Deferred tax liabilities	V-I-13	5,356	-	5,356	5,632	-	5,632
XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED ACTIVITIES			-	-	-	-	-	-
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued activities		-	-	-	-	-	-
XV. SUBORDINATED LOANS			-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY			5,433,457	16,058	5,449,515	5,229,659	116,516	5,346,175
16.1 Paid-in capital		V-II-9	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2 Capital reserves			649,267	(74,472)	574,795	790,164	41,627	831,791
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	(91,501)	(74,472)	(165,973)	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		-	-	-	-	-	-
16.3 Profit reserves			1,609,723	47,838	1,657,561	708,393	38,058	746,451
16.3.1	Legal reserves		303,437	-	303,437	200,418	-	200,418
16.3.2	Status reserves		1,863	-	1,863	1,245	-	1,245
16.3.3	Extraordinary reserves		1,103,647	4,693	1,108,340	341,876	4,693	346,569
16.3.4	Other profit reserves		200,776	43,145	243,921	164,854	33,365	198,219
16.4 Profit or loss			459,091	34,953	494,044	1,019,366	36,831	1,056,197
16.4.1	Prior years' profit/loss		(17,763)	29,475	11,712	(10,827)	33,757	22,930
16.4.2	Current period's profit/loss		476,854	5,478	482,332	1,030,193	3,074	1,033,267
16.4.3 Minority Shares			215,376	7,739	223,115	211,736	-	211,736
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			34,026,151	16,532,116	50,558,267	30,676,319	13,536,601	44,212,920

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

	Notes	Reviewed Current Period 30 June 2008			Audited Prior Year 31 December 2007		
		YTL	FC	TOTAL	YTL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		9,975,167	5,270,090	15,245,257	9,254,896	4,356,330	13,611,226
I. GUARANTEES AND SURETIES	V-III-1.4	3,046,407	3,997,249	7,043,656	2,778,295	3,162,830	5,941,125
1.1. Letters of guarantee		3,046,262	1,958,222	5,004,484	2,778,167	1,584,570	4,362,737
1.1.1. Guarantees subject to State Tender Law		486,626	553,781	1,040,407	378,638	359,572	738,210
1.1.2. Guarantees given for foreign trade operations		188,556	180	188,736	83,353	229	83,582
1.1.3. Other letters of guarantee		2,371,080	1,404,261	3,775,341	2,316,176	1,224,769	3,540,945
1.2. Bank acceptances		-	496,703	496,703	-	456,865	456,865
1.2.1. Import letter of acceptance		-	169,370	169,370	-	164,948	164,948
1.2.2. Other bank acceptances		-	327,333	327,333	-	291,917	291,917
1.3. Letters of credit		145	1,530,560	1,530,705	128	1,117,927	1,118,055
1.3.1. Documentary letters of credit		145	1,530,560	1,530,705	128	1,117,927	1,118,055
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Guaranteed pre-financings		-	10,892	10,892	-	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		-	-	-	-	-	-
1.8. Other guarantees		-	872	872	-	829	829
1.9. Other sureties		-	-	-	-	-	-
II. COMMITMENTS		6,374,549	5,900	6,380,449	6,017,269	12,973	6,030,242
2.1. Irrevocable commitments		6,366,572	5,727	6,372,299	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		1,584,698	-	1,584,698	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		1,464,417	-	1,464,417	1,330,395	-	1,330,395
2.1.8. Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card limits		3,077,477	-	3,077,477	3,067,930	-	3,067,930
2.1.10. Commitments for credit card and banking operations promotions		239,500	-	239,500	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		480	5,727	6,207	1,177	12,809	13,986
2.2. Revocable commitments		7,977	173	8,150	8,556	164	8,720
2.2.1. Revocable loan granting commitments		7,977	173	8,150	8,556	164	8,720
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		554,211	1,266,941	1,821,152	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		554,211	1,266,941	1,821,152	459,332	1,180,527	1,639,859
3.2.1. Forward foreign currency purchases/sales		92,674	88,720	181,394	248,357	236,369	484,726
3.2.1.1. Forward foreign currency purchases		46,358	44,355	90,713	124,261	118,185	242,446
3.2.1.2. Forward foreign currency sales		46,316	44,365	90,681	124,096	118,184	242,280
3.2.2. Currency and interest rate swaps		461,537	1,067,969	1,529,506	210,975	944,156	1,155,131
3.2.2.1. Currency swaps-purchases		300,000	143,929	443,929	40,000	307,912	347,912
3.2.2.2. Currency swaps-sales		-	442,523	442,523	-	338,585	338,585
3.2.2.3. Interest rate swaps-purchases		77,609	248,420	326,029	83,160	155,199	238,359
3.2.2.4. Interest rate swaps-sales		83,928	233,097	317,025	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		-	110,250	110,250	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		48,749,157	7,571,302	56,320,459	42,305,902	6,831,864	49,137,766
IV. ITEMS HELD IN CUSTODY		15,784,472	470,332	16,254,804	14,290,347	418,492	14,708,839
4.1. Customers' securities held		1,393,097	11,915	1,405,012	1,332,906	11,334	1,344,240
4.2. Investment securities held in custody		12,828,718	2,903	12,831,621	12,028,244	2,761	12,031,005
4.3. Checks received for collection		697,914	93,649	791,563	389,717	79,319	469,036
4.4. Commercial notes received for collection		217,973	119,023	336,996	163,732	103,424	267,156
4.5. Other assets received for collection		207,513	611	208,124	49,474	873	50,347
4.6. Assets received through public offering		-	373	373	-	333	333
4.7. Other items under custody		232,696	22,225	254,921	230,584	9,345	239,929
4.8. Custodians		206,561	219,633	426,194	95,690	211,103	306,793
V. PLEDGED ITEMS		32,964,685	7,100,970	40,065,655	28,015,555	6,413,372	34,428,927
5.1. Securities		1,260,491	59,691	1,320,182	1,244,538	60,020	1,304,558
5.2. Guarantee notes		749,420	252,113	1,001,533	526,589	247,779	774,368
5.3. Commodities		5,772,944	-	5,772,944	6,193,978	-	6,193,978
5.4. Warranties		-	-	-	-	6,420	6,420
5.5. Real estates		24,291,873	6,151,866	30,443,739	19,495,407	5,516,873	25,012,280
5.6. Other pledged items		674,362	605,052	1,279,414	368,347	559,863	928,210
5.7. Pledged items-depository		215,595	32,248	247,843	186,696	22,417	209,113
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		58,724,324	12,841,392	71,565,716	51,560,798	11,188,194	62,748,992

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

			Restated	Restated	Restated
		Reviewed	Reviewed	Reviewed	Reviewed
		Current Period	Prior Period	Current Period	Prior Period
		1 January 2008 – 30 June 2008	1 January 2007 – 30 June 2007	1 April 2008 – 30 June 2008	1 April 2007 – 30 June 2007
	Notes	Total	Total	Total	Total
I.	INTEREST INCOME	3,054,956	2,645,261	1,538,581	1,303,758
1.1	Interest income from loans	1,977,664	1,531,423	1,014,213	779,481
1.2	Interest income from reserve deposits	84,049	78,631	42,416	40,050
1.3	Interest income from banks	69,259	105,977	34,468	52,029
1.4	Interest income from money market transactions	37,690	113,446	10,110	52,364
1.5	Interest income from securities portfolio	850,579	792,276	425,185	388,003
1.5.1	Trading financial assets	18,004	30,824	986	11,717
1.5.2	Financial assets at fair value through profit or loss	-	-	-	-
1.5.3	Available-for-sale financial assets	679,923	742,786	342,949	362,648
1.5.4	Held-to-maturity investment securities	152,652	18,666	81,250	13,638
1.6	Financial lease income	15,415	13,958	7,702	6,905
1.7	Other interest income	20,300	9,550	4,487	(15,074)
II.	INTEREST EXPENSE	2,055,828	1,811,746	1,041,222	911,004
2.1	Interest expense on deposits	1,792,436	1,598,387	922,028	796,514
2.2	Interest expense on funds borrowed	127,746	132,670	55,310	67,736
2.3	Interest expense on money market transactions	108,088	69,829	52,738	45,706
2.4	Interest expense on securities issued	-	-	-	-
2.5	Other interest expenses	27,558	10,860	11,146	1,048
III.	NET INTEREST INCOME [I - II]	999,128	833,515	497,359	392,754
IV.	NET FEES AND COMMISSIONS INCOME	234,888	160,573	124,470	93,321
4.1	Fees and commissions received	311,901	234,254	163,338	133,126
4.1.1	Non-cash loans	26,852	23,220	13,831	11,478
4.1.2	Others	285,049	211,034	149,507	121,648
4.2	Fees and commissions paid	77,013	73,681	38,868	39,805
4.2.1	Non-cash loans	360	513	177	240
4.2.2	Others	76,653	73,168	38,691	39,565
V.	DIVIDEND INCOME	6,578	33,232	3,367	6,126
VI.	NET TRADING INCOME/LOSSES (Net)	39,195	140,655	34,503	92,970
6.1	Trading account income/losses (Net)	18,176	66,144	5,359	49,709
6.2	Foreign exchange gains/losses (Net)	21,019	74,511	29,144	43,261
VII.	OTHER OPERATING INCOME	395,732	347,957	197,394	164,475
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)	1,675,521	1,515,932	857,093	749,646
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	223,727	276,206	69,465	131,177
X.	OTHER OPERATING EXPENSES (-)	834,336	672,581	442,517	304,863
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)	617,458	567,145	345,111	313,606
XII.	INCOME RESULTED FROM MERGERS	-	-	-	-
XIII.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING	6,107	5,766	3,332	2,934
XIV.	GAIN/LOSS ON NET MONETARY POSITION	-	-	-	-
XV.	INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)	623,565	572,911	348,443	316,540
XVI.	CONTINUING OPERATIONS PROVISION FOR TAXES	(124,744)	(113,122)	(66,250)	(58,120)
16.1	Current tax charge	(132,593)	(129,356)	(71,022)	(68,519)
16.2	Deferred tax charge/(credit)	7,849	16,234	4,772	10,399
XVII.	NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV±XVI)	498,821	459,789	282,193	258,420
XVIII.	INCOME FROM DISCONTINUED OPERATIONS	-	-	-	-
18.1	Income from investment properties	-	-	-	-
18.2	Income from sales of subsidiaries, affiliates and joint-ventures	-	-	-	-
18.3	Other income from discontinued activities	-	-	-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS	-	-	-	-
19.1	Investment property expenses	-	-	-	-
19.2	Losses from sales of subsidiaries, affiliates and joint ventures	-	-	-	-
19.3	Other expenses from discontinued activities	-	-	-	-
XX.	INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES	-	-	-	-
XXI.	DISCONTINUED OPERATIONS PROVISION FOR TAXES	-	-	-	-
21.1	Current tax charge	-	-	-	-
21.2	Deferred tax charge	-	-	-	-
XXII.	NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS	-	-	-	-
XXIII.	NET PROFIT/LOSS	498,821	459,789	282,193	258,420
23.1	Group's share	482,332	461,942	271,353	251,756
23.2	Minority share	16,489	(2,153)	10,840	6,664
EARNINGS PER SHARE (full YTL)		0.1995	0.1839	0.1129	0.1034

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

	Reviewed Current Period 1 January 2008 – 30 June 2008	Reviewed Prior Period 1 January 2007 – 30 June 2007	Reviewed Current Period 1 April 2008 – 30 June 2008	Reviewed Prior Period 1 April 2007 – 30 June 2007
INCOME AND EXPENSES RECOGNIZED IN SHAREHOLDERS' EQUITY	Total	Total	Total	Total
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN SECURITIES VALUATION DIFFERENCES	(295,815)	79,596	(176,424)	46,138
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	7,674	-	7,321
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-	-	-
IV. CURRENCY TRANSLATION DIFFERENCES	9,784	(4,399)	(5,288)	(3,433)
V. INCOME/(LOSS) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)	-	-	-	-
VI. INCOME/(LOSS) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)	-	-	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS	-	-	-	-
VIII. OTHER INCOME AND EXPENSES BOOKED UNDER SHAREHOLDERS' EQUITY IN ACCORDANCE WITH TAS	(2,416)	(30,472)	(373)	20,901
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	57,443	(13,737)	34,450	(9,485)
X. NET INCOME/EXPENSE BOOKED DIRECTLY UNDER SHAREHOLDERS' EQUITY	(231,004)	38,662	(147,635)	61,442
XI. CURRENT YEAR'S PROFIT/(LOSS)	498,821	459,789	282,193	258,420
11.1 Change in fair value of securities (Transfers to the profit/loss)	16,558	14,811	9,165	298
11.2 Cash flow hedge that is reclassified and disclosed on consolidated income statement	-	-	-	-
11.3 Net foreign investment hedge that is reclassified and disclosed on consolidated income statement	-	-	-	-
11.4 Others	482,263	444,978	273,028	258,122
XXIII. TOTAL PROFIT OR LOSS RECOGNIZED DURING THE PERIOD	267,817	498,451	134,558	319,862

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 Six-Month Period Ended 30 June 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, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries and Joint Ventures	Hedging Reserves	Revaluation Surp. On Assets Held for Sale and Assets of Op.s	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
CHANGES IN SHAREHOLDERS' EQUITY																		
PRIOR PERIOD – 30 June 2007																		
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
Changes during the period																		
IV. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Associates, subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	42,531	-	-	-	-	42,531	-	42,531
VI. Hedges for risk management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Net foreign investment hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	1,700	-	-	-	1,700	5,974	7,674
VIII. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	(25,726)	-	-	(25,726)	-	(25,726)
X. Translation differences	-	-	-	-	-	-	-	(4,399)	-	-	-	-	-	-	-	(4,399)	-	(4,399)
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	-	-	-	-	-	-	-	-	5,766	-	7,958	-	(4,187)	-	-	9,537	(237)	9,300
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	-	-	-	-	-	-	-	-	456,176	-	-	-	-	-	-	456,176	(2,153)	454,023
XX. Profit distribution	-	-	-	-	66,033	443	322,438	(3,555)	(794,152)	(27,072)	-	-	-	-	-	(435,865)	7,513	(428,352)
20.1 Dividends	-	-	-	-	66,033	443	322,438	(3,555)	(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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period	2,500,000	-	726,691	-	200,418	1,245	346,483	200,039	461,942	23,016	49,183	14,456	1,540	-	-	4,525,013	209,990	4,735,003
CURRENT PERIOD – 30 June 2008																		
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
Changes during the period																		
IV. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Associates, subsidiaries and "Available-for-sale" securities	-	-	-	-	-	-	-	-	-	-	(250,573)	-	-	-	-	(250,573)	(350)	(250,923)
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	-	-	-	-	-	-	-	8,825	-	-	-	-	-	-	-	8,825	959	9,784
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	-	-	-	-	-	-	-	-	6,107	-	(6,253)	-	(170)	-	-	(316)	(449)	(765)
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	-	-	-	-	-	-	-	-	476,225	-	-	-	-	-	-	476,225	16,489	492,714
XX. Profit distribution	-	-	-	-	103,019	618	761,771	36,877	(1,033,267)	(11,218)	-	-	-	-	-	(142,200)	(5,270)	(147,470)
20.1 Dividends	-	-	-	-	103,019	618	761,771	36,877	(142,200)	-	-	-	-	-	-	(142,200)	(5,270)	(147,470)
20.2 Transferred to reserves	-	-	-	-	103,019	618	761,771	36,877	(891,067)	(11,218)	-	-	-	-	-	-	-	-
20.3 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period	2,500,000	-	726,691	-	303,437	1,863	1,108,340	243,921	482,332	11,712	(165,973)	12,526	1,551	-	-	5,226,400	223,115	5,449,515

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

	Reviewed Current Period 30 June 2008	Reviewed Prior Period 30 June 2007
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	145,190	184,250
1.1.1 Interests received	3,008,204	2,471,198
1.1.2 Interests paid	(2,114,472)	(2,130,863)
1.1.3 Dividend received	6,578	37,420
1.1.4 Fees and commissions received	234,888	234,254
1.1.5 Other income	273,467	769,240
1.1.6 Collections from previously written-off loans and other receivables	46,696	101,860
1.1.7 Payments to personnel and service suppliers	(818,350)	(230,398)
1.1.8 Taxes paid	(129,943)	(59,396)
1.1.10 Others	(361,878)	(1,009,065)
1.2 Changes in operating assets and liabilities	1,051,786	1,467,723
1.2.1 Net (increase) decrease in financial assets held for trading	26,891	29,031
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss	-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions	(261,855)	(39,420)
1.2.4 Net (increase) decrease in loans	(4,845,876)	(868,767)
1.2.5 Net (increase) decrease in other assets	(111,523)	(105,457)
1.2.6 Net increase (decrease) in bank deposits	(144,264)	(236,744)
1.2.7 Net increase (decrease) in other deposits	6,176,536	1,416,053
1.2.8 Net increase (decrease) in funds borrowed	326,677	234,995
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	(114,800)	1,038,032
I. Net cash flow from banking operations	1,196,976	1,651,973
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	(1,000,464)	(645,788)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	294	-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures	-	7,315
2.3 Purchases of tangible assets	(126,132)	(125,641)
2.4 Sales of tangible assets	27,575	22,476
2.5 Cash paid for purchase of financial assets available-for-sale	(2,380,887)	-
2.6 Cash obtained from sale of financial assets available-for-sale	2,257,405	132,042
2.7 Cash paid for purchase of investments held-to-maturity	(881,892)	(681,980)
2.8 Cash obtained from sale of investments held-to-maturity	103,173	-
2.9 Others	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	(147,470)	(436,132)
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 financial leases	-	-
3.6 Others	-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	-	-
V. Net increase/(decrease) in cash and cash equivalents	49,042	570,053
VI. Cash and cash equivalents at the beginning of the period	5,382,011	5,991,037
VII. Cash and cash equivalents at the end of the period	5,431,053	6,561,090

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 securities at fair value through profit or loss, securities available for sale, 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.

Information on 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 with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the consolidated income statement except.

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 on companies subject to consolidation

In the consolidated financial statements of T. Vakıflar Bankası TAO and its financial subsidiaries ("the Group") as at 30 June 2008, 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.

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 1993 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 Faktoring 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 Sınai 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 June 2008, 31 March 2008, 31 December 2007, 30 June 2007, 31 March 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 transactions

The derivative transactions 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. The subsequent fair value changes are recorded under the consolidated income statement for trading derivatives.

V. Information on Interest income and expense

Banking Operations

Interest income and expense are recognized according to the effective interest rate 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. Information on 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.

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.

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 at fair value through profit or loss

Such assets are valued at their fair values and gain/loss arising is 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 Parent Bank have been subject to consolidation in the accompanying consolidated financial statements.

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.2633 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:

Tangible assets	Estimated useful lives (years)	Depreciation Rates (%)
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 Property

Investment property is 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 property is 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 financial leasing are recognized in tangible assets and the obligations under financial leases arising from the lease contracts are presented under "Financial 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 financial lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through financial 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”.

The major statistical assumptions used in the calculation of the total liability are as follows:

	Current Period	Previous Period
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,

- a) The technical interest rate to be used for the actuarial calculation is 9.80%
- b) 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.38 of the Insurance Law 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 448,419 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 June 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
31 December 2006										
<i>Reported Balances</i>	726,687	132,696	3	20,419	207,713	27,651	37,472	37,586	196,583	4,693,718
Consolidation of TSKB by using equity method	4	1,689	799	3,626	280	22,437	(38,778)	(6,133)	2,310	(13,766)
Adjusted Balances	726,691	134,385	802	24,045	207,993	50,088	(1,306)	31,453	198,893	4,679,952

	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
31 March 2007											
<i>Reported Balances</i>	726,687	197,457	-	326,165	203,226	207,911	18,954	5,666	37,586	188,147	4,424,908
Consolidation of TSKB by using equity method	4	2,469	1,245	8,136	245	2,275	16,736	(44,559)	(6,131)	2,114	(17,466)
Adjusted Balances	726,691	199,926	1,245	334,301	203,471	210,186	35,690	(38,893)	31,455	190,261	4,407,442

	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
30 June 2007											
<i>Reported Balances</i>	726,687	197,941	-	338,246	199,794	461,451	6,389	80,003	11,860	207,917	4,744,744
Consolidation of TSKB by using equity method	4	2,477	1,245	8,237	245	491	16,627	(30,854)	(10,320)	2,073	(9,775)
Adjusted Balances	726,691	200,418	1,245	346,483	200,039	461,942	23,016	49,149	1,540	209,990	4,734,969

	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
31 December 2007												
<i>Reported Balances</i>	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 by using equity method	4	2,477	1,245	8,323	245	2,746	16,541	(28,036)	2,377	(10,330)	2,270	(2,138)
Adjusted Balances	726,691	200,418	1,245	346,569	198,219	1,033,267	22,930	90,853	12,526	1,721	211,736	5,346,175

	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
31 March 2008												
<i>Reported Balances</i>	726,687	298,041	-	1,098,876	247,560	208,393	(1,990)	(7,911)	10,149	12,051	214,431	5,306,287
Consolidation of TSKB by using equity method	4	3,720	1,863	9,185	245	2,586	16,563	(6,866)	2,377	(10,330)	1,691	21,038
Adjusted Balances	726,691	301,761	1,863	1,108,061	247,805	210,979	14,573	(14,777)	12,526	1,721	216,122	5,327,325

Changes in accounting policies and valuation basis in the current period

While the Parent Bank has recorded specific provision with a percentage of 100 which is over the minimum ratio of 20% defined in the regulation below, 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 its specific provision policy, the Parent Bank recognized gain amounting to YTL 94,796, net off taxes in the consolidated income statement.

For the interim period 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 2,224, net off taxes in the consolidated income statement.

Earnings per shares

As of and for the six month period ended 30 June 2008, earnings per share is YTL 0.1995 (30 June 2007: YTL 0.1839).

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 represents 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 net premiums written from all in-force policies for non-life insurance branches and accrued premiums for annual life insurance policies and insurance policies over one year with saving premiums, net off saving portions, if any, computed on daily pro-rata basis. Reserve for unearned premiums is presented under “insurance technical provisions” in the accompanying consolidated financial statements.

Provision for outstanding claims: Provision is allocated for the outstanding claims incurred and reported but not yet settled as of the reporting date. Such provisions should be 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 allocated 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 13.16% (Parent Bank: 13.66%).

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 June 2008							Consolidated – Group's Risk Weights – 30 June 2008						
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
Balance Sheet Items (Net)	4,967,977	-	3,502,605	6,982,114	23,080,804	11,848	14	5,158,799	-	3,781,476	6,982,114	24,076,169	11,848	14
Cash on Hand	379,065	-	479	-	-	-	-	381,544	-	479	-	-	-	-
Securities in Redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	1,251,673	-	-	-	-	-	-	1,251,673	-	-	-	-	-	-
Domestic and Foreign Banks, Foreign Head Offices and Branches	-	-	3,430,637	-	261,361	-	-	-	-	3,669,563	-	262,457	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve Deposits	777,369	-	-	-	-	-	-	777,369	-	-	-	-	-	-
Loans	149,215	-	170	6,881,115	20,745,660	11,848	14	149,215	-	20,242	6,881,115	21,043,136	11,848	14
Loans under Follow-Up (Net)	-	-	-	-	118,495	-	-	-	-	-	-	123,966	-	-
Lease Receivables	-	-	-	-	-	-	-	-	-	-	-	264,772	-	-
Financial Assets Available-for-Sale	-	-	18,775	-	-	-	-	-	-	26,780	-	1,146	-	-
Investments Held-to-Maturity	2,143,098	-	36,750	-	-	-	-	2,305,746	-	46,431	-	-	-	-
Receivables from Term Sale of Assets	-	-	-	-	145,972	-	-	-	-	-	-	145,972	-	-
Miscellaneous Receivables	-	-	-	-	117,436	-	-	-	-	-	-	117,436	-	-
Accrued Interest and Income	177,602	-	15,794	100,999	304,559	-	-	199,477	-	17,981	100,999	308,676	-	-
Investments in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	-	560,307	-	-	-	-	-	-	141,366	-	-
Tangible Assets (Net)	-	-	-	-	776,187	-	-	-	-	-	-	930,769	-	-
Other Assets	89,955	-	-	-	50,827	-	-	93,775	-	-	-	736,473	-	-
Off-Balance Sheet Items	-	-	126,451	-	4,477,238	-	-	-	-	129,137	-	4,530,185	-	-
Non-Cash Loans and Commitments	-	-	110,212	-	4,477,238	-	-	-	-	110,212	-	4,530,185	-	-
Derivative Financial Instruments	-	-	16,239	-	-	-	-	-	-	18,925	-	-	-	-
Total Risk-Weighted Assets	4,967,977	-	3,629,056	6,982,114	27,558,042	11,848	14	5,158,799	-	3,910,613	6,982,114	28,606,354	11,848	14

Summary information related to capital adequacy ratio

	Parent Bank		Consolidated	
	Current Year	Prior Year	Current Year	Prior Year
Value at Credit Risk	31,792,710	26,975,538	32,897,334	28,066,520
Value at Market Risk (**)	1,261,813	650,125	1,306,788	675,163
Value at Operational Risk (*)	4,130,525	3,642,163	5,045,400	5,001,488
Shareholders' Equity	5,080,215	4,799,690	5,165,910	4,925,341
Shareholders' Equity/ (VaCR+VaMR+VaOR)*100	13.66	15.35	13.16	14.60

(*) 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.

(**) 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
CORE CAPITAL		
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	303,437	200,418
I. Legal Reserve (Turkish Commercial Code 466/1)	163,490	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	1,352,261	544,788
Reserve allocated as per the Decision held by the General Assembly	1,108,340	346,569
Retained Earnings	243,921	198,219
Accumulated Losses	-	-
Exchange Rate Differences on Foreign Currency Capital	-	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-	-
Profit	494,044	1,056,197
Current Period Profit	482,332	1,033,267
Prior Periods Profit	11,712	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	217,216	205,351
Loss excess of Reserves (-)	-	-
Current Period Loss	-	-
Prior Periods Loss	-	-
Leasehold Improvements (-)	-	49,346
Prepaid Expenses (-)	231,187	213,237
Intangible Assets (-)	23,710	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) (-)	-	-
Total Core Capital	5,595,537	5,234,715
SUPPLEMENTARY CAPITAL		
General Provisions	228,492	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	(165,973)	40,884
Associates and Subsidiaries	1,337	1,613
Investment Securities Available for Sale	(167,310)	39,271
Other Profit Reserves	-	-
Minority shares	2,450	2,865
Total Supplementary Capital	72,157	224,852
TIER III CAPITAL		
CAPITAL	5,667,694	5,459,567
DEDUCTIONS FROM CAPITAL	501,784	534,226
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership	3,325	4,870
Investments consolidated according to the equity method whose assets and liabilities are not consolidated	69,562	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	174,000	181,408
Others	-	-
TOTAL SHAREHOLDERS' EQUITY	5,165,910	4,925,341

(*) 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	93,729
(II) Capital Obligation against Specific Risks - Standard Method	1,017
(III) Capital Obligation against Currency Risk - Standard Method	9,797
(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)	104,543
(IX) Value-At-Market Risk (12,5 x VIII) or (12,5 x VII)	1,306,788

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 June 2008 and 30 June 2007 due to a reasonably possible change in equity indices, with all other variable held constant, is as follows:

	Change in index	30 June 2008	
		Equity	Equity
ISE – 100 (IMKB- 100)	10%	128	105

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 June 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 June 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	1.2250	1.9323
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	1.1700	1.8404
Day 2	1.1600	1.8184
Day 3	1.1700	1.8218
Day 4	1.1800	1.8318
Day 5	1.1700	1.8238
	US \$	EUR
Last 30-days arithmetical average rate	1.1877	1.8518

Information on consolidated currency risk

Current Period	Euro	US \$	Yen	Other FCs	Total
Assets					
Cash and Central Banks	267,548	859,998	27	2,631	1,130,204
Banks and Other Financial Institutions	1,070,476	1,786,816	3,110	37,751	2,898,153
Financial Assets at Fair Value through Profit/Loss ^(*)	89,417	213,962	7	-	303,386
Interbank Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale	677,403	1,746,164	-	-	2,423,567
Loans ^(**)	3,255,054	6,050,868	7,156	65,454	9,378,532
Associates, subsidiaries and joint-ventures	3	-	-	-	3
Investments Held-to-Maturity	115,716	219,248	-	-	334,964
Derivative Financial Assets Held for Risk Management	-	-	-	-	-
Tangible Assets	1,305	507	-	-	1,812
Intangible Assets	67	-	-	-	67
Other Assets ^(***)	181,329	287,051	84	2,770	471,234
Total Assets	5,658,318	11,164,614	10,384	108,606	16,941,922
Liabilities					
Bank Deposits	6,867	153,871	-	15	160,753
Foreign Currency Deposits	3,793,626	5,993,294	4,039	42,173	9,833,132
Interbank Money Market Takings	503,223	452,074	-	-	955,297
Other Funding	1,251,510	3,960,659	-	53,124	5,265,293
Securities Issued	-	-	-	-	-
Miscellaneous Payables	35,557	65,939	1	171	101,668
Derivative Financial Liabilities Held for Risk Management	-	-	-	-	-
Other Liabilities ^(*)	82,627	113,379	346	3,543	199,895
Total Liabilities	5,673,410	10,739,216	4,386	99,026	16,516,038
Net 'On Balance Sheet' Position	(15,092)	425,398	5,998	9,580	425,884
Net 'Off-Balance Sheet' Position	135,938	(409,307)	(6,112)	(3,798)	(283,279)
Derivative Assets	180,709	254,060	-	1,937	436,706
Derivative Liabilities	44,771	663,367	6,112	5,735	719,985
Non-Cash Loans	1,533,947	2,350,061	22,781	90,460	3,997,249
Prior Period					
Total Assets	4,620,930	9,006,943	10,401	129,359	13,767,633
Total Liabilities	4,837,177	8,465,854	4,055	112,936	13,420,022
Net 'On Balance Sheet' Position	(216,247)	541,089	6,346	16,423	347,611
Net 'Off-Balance Sheet' Position	305,256	(319,248)	(3,882)	(57)	(17,931)
Derivative Assets	382,818	198,366	-	114	581,298
Derivative Liabilities	77,562	517,614	3,882	171	599,229
Non-Cash Loans	1,072,304	1,975,254	15,585	99,687	3,162,830

^(*) Foreign exchange accruals presented in trading derivative assets and liabilities are not included.

^(**) Foreign currency indexed loans amounting to YTL 291,516 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 291,516 results position for the Bank when foreign exchange rates increase.

^(***) Prepaid expenses amounting to YTL 25,762 YTL are not included.

Exposure to currency risk

A 10 percent devaluation of the YTL against the following currencies as at 30 June 2008 and 30 June 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 June 2008		30 June 2007	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	7,352	3,276	9,280	13,007
EUR	4,961	5,388	(6,929)	(4,022)
Other currencies	798	835	2,083	2,083
Total, net	13,111	9,499	4,434	11,068

(*) 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^(*)	Total
<i>Assets:</i>							
Cash and Central Banks	2,072,101	-	-	-	-	382,023	2,454,124
Banks	3,671,592	58,113	6,506	-	-	196,773	3,932,984
Financial Assets at Fair Value Through Profit/Loss	13,812	6,510	84,300	134,466	155,202	802	395,092
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	1,473,191	2,564,532	2,820,074	1,642,817	1,166,929	27,926	9,695,469
Loans	7,945,018	9,555,181	4,567,036	4,392,196	2,060,267	123,966	28,643,664
Held-to-Maturity Investment Securities	493,595	1,080,640	325,551	434,310	172,608	-	2,506,704
Other Assets ^(*)	35,771	119,117	75,716	259,266	86,497	2,353,863	2,930,230
Total Assets	15,705,080	13,384,093	7,879,183	6,863,055	3,641,503	3,085,353	50,558,267
<i>Liabilities:</i>							
Bank Deposits	498,814	44,863	-	-	-	760	544,437
Other Deposits	18,770,235	7,172,706	2,319,611	828,536	433	5,588,287	34,679,808
Interbank Money Market Takings	459,347	291,559	349,214	782,698	-	-	1,882,818
Miscellaneous Payables	-	15,029	42,986	-	-	785,631	843,646
Securities Issued	-	-	-	-	-	-	-
Other Funding	1,894,254	1,985,807	1,355,774	103,999	634	4,816	5,345,284
Other Liabilities ^(**)	3,719	5,868	22,723	64,530	31,042	7,134,392	7,262,274
Total Liabilities	21,626,369	9,515,832	4,090,308	1,779,763	32,109	13,513,886	50,558,267
On Balance Sheet Long Position	-	3,868,261	3,788,875	5,083,292	3,609,394	-	16,349,822
On Balance Sheet Short Position	(5,921,289)	-	-	-	-	(10,428,533)	(16,349,822)
Off-Balance Sheet Long Position	111,910	85,851	61,250	67,018	-	-	326,029
Off-Balance Sheet Short Position	(72,030)	(15,029)	(77,286)	(152,680)	-	-	(317,025)
Total Position	(5,881,409)	3,939,083	3,772,839	4,997,630	3,609,394	(10,428,533)	9,004

^(*) Subsidiaries, associates and tangible and intangible assets are included in non-interest bearing column.

^(**) Shareholders' equity is included in non-interest bearing column of other liabilities.

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

^(*) Subsidiaries, associates and tangible and intangible assets are included in “non-interest bearing” column.

^(**) Shareholders’ equity is included in non-interest bearing column of other liabilities.

Average interest rates applied to monetary financial instruments:

	Euro	US \$	Yen	YTL
Current Period	%	%	%	%
Assets:				
Cash and Central Bank	1.80	1.00	-	12.18
Banks	4.15	3.45	-	19.75
Financial Assets at Fair Value Through Profit/Loss	9.00	11.79	-	17.60
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	5.85	6.58	-	18.95
Loans	6.83	5.73	-	19.46
Held-to-Maturity Investment Securities	6.32	5.95	-	19.85
Liabilities:				
Bank Deposits	5.13	3.17	-	19.29
Other Deposits	3.39	3.92	-	14.65
Interbank Money Market Takings	5.01	3.35	-	18.09
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Funding	5.05	3.37	-	15.49
Prior Period				
	Euro	US \$	Yen	YTL
	%	%	%	%
Assets:				
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
Liabilities:				
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 six-month period ended 30 June 2008, based on the floating rate non-trading financial assets and financial liabilities held at 30 June 2008.

Interest rate sensitivity of equity is calculated by revaluing available for sale financial assets at 30 June 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 June 2007.

30 June 2008	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets at fair value through profit or loss	(13,560)	14,442	(13,560)	14,442
Available-for-sale financial assets	-	-	(93,257)	96,878
Floating rate financial assets	97,103	(97,103)	97,103	(97,103)
Floating rate financial liabilities	(29,838)	29,838	(29,838)	29,838
Total, net	53,705	(52,823)	(39,552)	44,055

30 June 2007	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets at fair value through profit or loss	(19,724)	22,463	(19,724)	22,463
Available-for-sale financial assets	-	-	(174,512)	190,821
Floating rate financial assets	65,336	(65,336)	65,336	(65,336)
Floating rate financial liabilities	(25,481)	25,481	(25,481)	25,481
Total, net	20,131	(17,392)	(154,381)	173,429

(*) 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
Assets:								
Cash and Central Bank	2,454,124	-	-	-	-	-	-	2,454,124
Banks	196,773	3,671,592	58,113	6,506	-	-	-	3,932,984
Financial Assets at Fair Value through Profit/Loss	251	13,561	6,510	84,300	134,466	155,202	802	395,092
Interbank Money	-	-	-	-	-	-	-	-
Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	918,891	380,924	1,953,018	4,374,497	2,040,213	27,926	9,695,469
Loans	-	3,411,381	1,985,008	7,681,883	11,924,117	3,517,309	123,966	28,643,664
Held-to-Maturity Investment Securities	-	381,837	413,001	325,551	1,148,307	238,008	-	2,506,704
Other Assets	-	126,100	176,548	115,565	346,509	88,187	2,077,321	2,930,230
Total Assets	2,651,148	8,523,362	3,020,104	10,166,823	17,927,896	6,038,919	2,230,015	50,558,267
Liabilities:								
Bank Deposits	760	498,814	44,863	-	-	-	-	544,437
Other Deposits	5,588,287	18,770,235	7,172,706	2,319,611	828,536	433	-	34,679,808
Other Funding	4,816	997,668	181,316	1,057,134	614,859	2,489,491	-	5,345,284
Interbank Money	-	-	-	-	-	-	-	-
Market Takings	-	154,490	-	617,027	1,111,301	-	-	1,882,818
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	296,559	54,314	70,497	575	-	421,701	843,646
Other Liabilities	-	169,720	152,129	22,723	69,929	31,074	6,816,699	7,262,274
Total Liabilities	5,593,863	20,887,486	7,605,328	4,086,992	2,625,200	2,520,998	7,238,400	50,558,267
Liquidity Gap	(2,942,715)	(12,364,124)	(4,585,224)	6,079,831	15,302,696	3,517,921	(5,008,385)	-
Prior period								
Prior period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Total Assets	2,778,796	6,979,678	2,160,058	9,565,733	15,862,947	5,007,565	1,858,143	44,212,920
Total Liabilities	3,592,973	16,013,052	8,296,725	4,272,381	2,449,672	2,610,873	6,977,244	44,212,920
Net Liquidity Gap	(814,177)	(9,033,374)	(6,136,667)	5,293,352	13,413,275	2,396,692	(5,119,101)	-

(*) 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:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Operating profit	104,242	204,716	869,361	431,447	1,609,766
Undistributed expenses	-	-	-	(998,886)	(998,886)
Operating profit	104,242	204,716	869,361	(567,439)	610,880
Income from associates	-	-	-	-	12,685
Income before taxes	-	-	-	-	623,565
Provision for taxes	-	-	-	-	(124,744)
Net profit	-	-	-	-	498,821
Segment assets	7,816,513	22,890,128	16,072,400	1,045,004	47,824,045
Investments in associates and subsidiaries	-	-	-	214,252	214,252
Undistributed assets	-	-	-	2,519,970	2,519,970
Total assets	7,816,513	22,890,128	16,072,400	3,779,226	50,558,267
Segment liabilities	12,055,564	23,304,353	6,955,111	323,356	42,638,384
Shareholders' equity	-	-	-	5,449,515	5,449,515
Undistributed liabilities	-	-	-	2,470,368	2,470,368
Total Liabilities and Shareholders' Equity	12,055,564	23,304,353	6,955,111	8,243,239	50,558,267

SECTION FIVE

Disclosure and Footnotes on Consolidated Financial Statements

I. Information and disclosures related to consolidated assets

1. Cash and balances with Central Bank

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Cash	322,262	58,752	364,297	57,813
Central Bank of Turkey ^(*)	1,001,587	1,070,514	1,262,351	807,894
Others	71	938	77	868
Total	1,323,920	1,130,204	1,626,725	866,575

^(*) YTL 780,487 (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 39,941 (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 12.18 % for YTL, 1% for US Dollar and 1.8% for Euro as of 30 June 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	961,646	290,027	1,224,243	220,008
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Total	961,646	290,027	1,224,243	220,008

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	45	-	169	-
Other	-	-	-	-
Total	535	-	659	-

Trading securities subject to repurchase agreements

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Government Bonds	-	-	-	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	99,770	-	191,407
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	-	99,770	-	191,407

Positive value of trading purpose derivatives

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Transactions	1,942	11	5,115	3
Swap Transactions	12,997	10,389	17,149	16,846
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	14,939	10,400	22,264	16,849

3. Banks and other financial institutions

Banks and other financial institutions

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	1,034,831	2,898,153	859,321	2,007,360
Domestic Banks	87,571	59,597	795,256	176,139
Foreign Banks	947,260	2,838,556	64,065	1,831,221
Foreign Head Offices and Branches	-	-	-	-
Total	1,034,831	2,898,153	859,321	2,007,360

4. Information on investment securities available-for-sale

Investment securities available-for-sale given as collateral or blocked

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Marketable Securities	965,410	11,660	1,224,760	10,945
Others	-	-	-	-
Total	965,410	11,660	1,224,760	10,945

Investment securities available-for-sale subject to repurchase agreements

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Government Bonds	1,074,298	290,525	931,117	906,987
Treasury Bills	-	-	-	-
Other Debt Securities	-	550,924	-	397,186
Bonds Issued or Guaranteed by Banks	-	52,139	-	54,927
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	1,074,298	893,588	931,117	1,359,100

Information related with available for sale assets

	Current Period	Prior Period
Debt instruments	9,831,600	9,511,551
Quoted	9,831,600	9,511,551
Unquoted	-	-
Equity instruments	85,677	79,446
Quoted	1,306	1,638
Unquoted	84,371	77,808
Impairment provision (-)	221,808	81,882
Total	9,695,469	9,509,115

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
Direct Loans Granted to Shareholders	-	912	-	669
Corporate Shareholders	-	912	-	669
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	92	544	126	893
Loans Granted to Employees	35,647	35	31,977	17
Total	35,739	1,491	32,103	1,579

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
Cash Loans				
Loans	26,857,563	4,487	1,331,387	224,522
Discounted Bills	190,157	-	-	16
Export Loans	1,718,437	-	49,517	170,657
Import Loans	-	-	-	19
Loans to Financial Sector	1,085,200	-	-	-
Foreign Loans	80,685	-	-	-
Consumer Loans	7,063,595	-	202,528	374
Credit Cards	567,460	-	9,623	849
Precious Metal Loans	-	-	-	-
Other	16,152,029	4,487	1,069,719	52,607
Specialization Loans	97,067	-	-	-
Other Receivables	4,672	-	-	-
Total	26,959,302	4,487	1,331,387	224,522

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans – YTL	1,230,426	5,454,291	6,684,717
Housing Loans	82,092	2,909,590	2,991,682
Automobile Loans	16,048	103,146	119,194
General Purpose Loans	995,831	2,441,550	3,437,381
Other	136,455	5	136,460
Consumer Loans – FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	3,957	-	3,957
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	3,957	-	3,957
Other	-	-	-
Retail Credit Cards – YTL	537,526	-	537,526
With Installment	75,913	-	75,913
Without Installment	461,613	-	461,613
Retail Credit Cards – FC	1,434	-	1,434
With Installment	-	-	-
Without Installment	1,434	-	1,434
Personnel Loans – YTL	933	23,396	24,329
Housing Loan	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	933	23,396	24,329
Other	-	-	-
Personnel Loans - FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	262	-	262
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	262	-	262
Other	-	-	-
Personnel Credit Cards – YTL	11,010	-	11,010
With Installment	1,398	-	1,398
Without Installment	9,612	-	9,612
Personnel Credit Cards – FC	46	-	46
With Installment	-	-	-
Without Installment	46	-	46
Deposit Accounts– YTL (Real Persons)	553,232	-	553,232
Deposit Accounts– FC (Real Persons)	-	-	-
Total	2,338,826	5,477,687	7,816,513

Installment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – YTL	1,532,190	3,426,568	4,958,758
Real Estate Loans	7,162	115,415	122,577
Automobile Loans	144,990	566,147	711,137
General Purpose Loans	1,380,038	2,745,006	4,125,044
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Installment-based Commercial Loans – FC	256,342	-	256,342
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	207,442	-	207,442
Other	48,900	-	48,900
Corporate Credit Cards – YTL	27,661	-	27,661
With Installment	1,705	-	1,705
Without Installment	25,956	-	25,956
Corporate Credit Cards – FC	255	-	255
With Installment	-	-	-
Without Installment	255	-	255
Overdraft Accounts– YTL (corporate)	32,094	-	32,094
Overdraft Accounts– FC (corporate)	-	-	-
Total	1,848,542	3,426,568	5,275,110

Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	28,098,274	23,443,879
Foreign Loans	421,424	358,784
Total	28,519,698	23,802,663

Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Investments	-	-
Indirect Loans Granted to Subsidiaries and Investments	-	-
Total	-	-

Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	29,624	68,815
Loans and Receivables with Doubtful Collectibility	163,387	151,330
Uncollectible Loans and Receivables	1,026,344	1,023,517
Total	1,219,355	1,243,662

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

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

	III. Group:	IV. Group:	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current period	-	4,261	127,201
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	-	4,261	127,201
Prior period	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

	III. Group:	IV. Group:	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Prior period end balance	68,815	151,330	1,023,986
Additions (+)	215,204	389	14,553
Transfers from other categories of loans under follow-up (+)	31,694	92,275	95,466
Transfers to other categories of loans under follow-up (-)	127,018	48,377	45,967
Collections (-)	40,576	32,230	59,276
Write-offs (-)	-	-	96
Differences from inflation adjustments(-)	-	-	3,149
Current period end balance	148,119	163,387	1,031,815
Specific provision (-)	29,624	163,387	1,026,344
Net Balance on balance sheet	118,495	-	5,471

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

	III. Group:	IV. Group:	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Period			
Net Balance at the end of Period	2,257	10,066	279,824
Specific provision (-)	451	10,066	276,696
Net Balance on balance sheet	1,806	-	3,128
Prior Period			
Net Balance at the end of Period	6,133	10,232	283,063
Specific provision (-)	6,133	10,232	282,594
Net Balance on balance sheet	-	-	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
Current Year (Net)	118,495	-	5,471
Consumer and Commercial Loans (Gross)	147,620	155,252	947,080
Special Provision (-)	29,524	155,252	946,550
Consumer and Commercial Loans (Net)	118,096	-	530
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	499	8,135	83,184
Special Provision (-)	100	8,135	78,243
Other Loans and Receivables (Net)	399	-	4,941
Prior Year (Net)	-	-	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

Debt securities held-to-maturity

	Current Period		Prior Period	
	TP	YP	TP	YP
Government Bonds	2,171,740	35,599	1,457,965	-
Treasury Bills	-	-	-	-
Other Government Securities	-	252,635	-	162,491
Total	2,171,740	288,234	1,457,965	162,491

Information on held to maturity investment securities

	Current Period	Prior Period
Debt Securities	2,507,334	1,664,935
Quoted at Stock Exchange	2,470,448	1,629,765
Unquoted at Stock Exchange	36,886	35,170
Impairment Losses (-)	630	584
Total	2,506,704	1,664,351

The movement of held to maturity investment securities

	Current Period	Prior Period
Balances at Beginning of Period	1,664,351	280,451
Foreign Currency Differences On Monetary Assets	9,194	(14,007)
Purchases during the Period	881,892	1,750,862
Disposals through Sales/Redemptions	(103,172)	(435,582)
Impairment Losses (-)	(504)	(105)
Change in Redeemed Costs ^(*)	54,943	82,732
Balances at End of Period	2,506,704	1,664,351

^(*) Accrual differences on marketable securities for redeemed costs 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 710,000,000 (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 663,894,500 (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 664,580 (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 about held-to-maturity investment securities

Current Period	Cost Amount		Revalued Amount	
	YTL	FC	YTL	FC
Collateralized/Blocked Investments	1,405,274	36,750	1,489,647	36,886
Investments subject to Repurchase Agreements	58,494	90,287	61,586	92,187
Held for structural position	-	-	-	-
Receivable from Security Borrowing Market	-	-	-	-
Collateral For Security Borrowing Market	-	-	-	-
Other ^(*)	560,317	201,685	620,507	205,891
Total	2,024,085	328,722	2,171,740	334,964

Prior Period	Cost Amount		Revalued Amount	
	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	-	-	-	-
Other ^(*)	39,049	139,067	43,865	145,161
Total	1,365,279	199,522	1,457,965	206,386

^(*) In the "Other" columns, 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 investments in associates

Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
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

	Total Assets	Shareholders' Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/Loss	Company's Fair Value (if available)
1-	-	-	-	-	-	-	-	-
2-	8,619	6,804	699	516	177	2,714	2,496	-
3-	302,108	160,217	147,644	988	6	23,706	(3,270)	-

As per the resolution no.77232 of the Board of Directors of the Parent 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.

In the same Board of Directors' meeting, it has been decided to review Capital Markets Board regulations to purchase majority of the shares of Vakıf Gayrimenkul Değerleme AŞ is in conformity with the regulations.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments:

Associates in the consolidated financial statements are recognized with equity pick up method if the group has the ability to determine of their financial and operational politics otherwise accounted according to TAS 39.

Consolidated investments in associates

Associates	Address (City/ Country)	Parent Bank's Share – If	
		Different, Voting Rights (%)	Bank Risk Group's Share (%)
1-Kıbrıs Vakıflar Bankası Ltd.	Lefkosa/NCTR	15.00	15.00
2-Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.	Istanbul/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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/(Loss)	Prior Period	Company's Fair Value (if available)
							Profit/Loss and Extraordinary Reserves	
1-	583,990	40,489	4,735	45,509	547	6,209	5,774	-
2-	13,568	13,047	71	205	160	(3,019)	1,405	1,180
3-	65,965	65,618	38,809	340	1,730	2,917	2,671	7,670
4-	5,295,668	723,934	214,350	106,529	118,856	66,165	57,710	37,028

As per the resolution of the Board of Directors 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 of consolidated investments in associates

	Current Period	Prior Period
Balance at the beginning of the period	81,888	81,539
Movements during the period	(32,893)	349
Acquisitions and capital increases	294	-
Bonus shares received	8,377	9,292
Dividends from current year profit	-	-
Sales and liquidations	-	-
Revaluation increase, inflation correction difference and currency difference on foreign subsidiaries	(41,564)	(8,943)
Impairment losses (+)	-	-
Balance at the end of period	48,995	81,888
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

Sectoral distribution of consolidated investments and associates

	Current Period	Prior Period
Banks	40,147	68,263
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	8,848	13,625
Total	48,995	81,888

Quoted consolidated investments in associates

	Current Period	Prior Period
Quoted to domestic stock exchanges	45,877	78,769
Quoted to international stock exchanges	-	-
Total	45,877	78,769

Consolidated investments in subsidiaries sold during the current period

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

The Parent 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 investments in associates acquired during the current 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 of investments in associates table.

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 of investments in associates table.

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 of investments in associates table.

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 of investments in associated table.

Again 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 of investments in associated table.

8. Investments in subsidiaries

Unconsolidated investments in subsidiaries

Subsidiaries	Address(City / Country)	Bank's Share –If Different Voting Rights (%)	Bank's Risk Group Share (%)
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

	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-	260,893	240,907	244,758	288	-	(2,385)	1,132	21,722
2-	-	-	-	-	-	-	-	-
3-	210,853	212,685	85,341	4,798	99	8,925	(5,853)	-
4-	4,338	4,307	14	194	136	133	(34)	1,807
5-	13,936	8,757	425	562	147	2,112	1,509	-

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.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments:

As of 30 June 2008, Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ, one of the subsidiaries of the Parent Bank, has been accounted at its fair value in the consolidated financial statements since its total assets are less than the 1% of the Parent Banks.

Vakıf Enerji ve Madencilik AŞ, Ataköy Mağazacılık Ticaret AŞ, Taksim Otelcilik AŞ ve Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ have not been consolidated since they are not among the financial subsidiaries of the Parent Bank. Therefore, they have been accounted either according to their fair values, if confirmed trustworthy enough, or according to their costs.

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	Vienna/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-	586,314	193,293	134,511	1,260	7,944	12,150	9,032	177,202
2-	780,815	97,196	38,152	1,070	28,726	7,325	11,716	73,223
3-	106,013	48,530	211	7,114	-	4,725	(33,506)	24,301
4-	238,309	33,954	5,495	10,480	15	781	(545)	21,559
5-	115,397	2,265	63	5,697	-	1,411	(10,259)	-
6-	48,850	47,456	8,964	3,155	734	3,221	2,741	-
7-	791,207	92,811	1,376	17,438	5,194	3,221	2,942	-
8-	31,486	(10,222)	-	905	-	(836)	246	-
9-	3,625	3,542	43	10	166	353	406	-

(*) 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 Parent 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 of consolidated investments in subsidiaries

	Current Period	Prior Period
Balance at Beginning of Period	367,243	264,847
Movements during the period	10,453	102,396
Acquisitions and Capital Increases	-	5,685
Bonus Shares Received	-	27,262
Dividends from Current Year Profit	-	-
Sales and Liquidations	-	-
Revaluation increase, inflation correction difference and currency difference on Foreign Subsidiaries	10,453	69,449
Impairment Losses (+)	-	-
Balance at End of Period	377,696	367,243
Capital Commitments	-	-
Share percentage at the End of Period (%)	-	-

Valuation methods of consolidated investments in subsidiaries

	Current Period	Prior Period
Valued at Cost	105,709	105,709
Valued at Fair Value	271,987	261,534
Valued by Equity Method of Accounting	-	-
Total	377,696	367,243

Sectoral distribution of consolidated investments in subsidiaries

	Current Period	Prior Period
Banks	41,073	41,073
Insurance Companies	250,429	172,456
Factoring Companies	24,301	24,301
Leasing Companies	21,558	89,078
Financing Companies	-	-
Other Financial Institutions	40,335	40,335
Total	377,696	367,243

Quoted consolidated investments in subsidiaries

	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	198,764	188,311
Quoted at International Stock Exchanges	-	-
Total	198,764	188,311

Consolidated investments in subsidiaries disposed during the current period

None.

Consolidated investments in subsidiaries acquired during the current 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 of investments in subsidiaries table.

9. Investments in Joint-Ventures

None.

10. Information on finance lease receivables

Finance lease receivables according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	24,699	22,608	13,570	13,338
Between 1-4 Years	279,850	240,282	251,748	217,957
Longer than 4 Years	3,273	3,254	68,423	52,539
Total	307,822	266,144	333,741	283,834

Net finance lease receivables

	Current Period	Prior Period
Gross Finance Lease Receivables	307,822	333,741
Unearned Income on Finance Lease Receivables (-)	41,678	49,907
Terminated Lease Contracts (-)	-	-
Net Finance Lease Receivables	266,144	283,834

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

None.

12. Information on investment property

As of 30 June 2008, The Group has an investment property amounting to YTL 56,197 in total which consists of the net book value amounting to YTL 38,700 for the subsidiaries operating in the field of real estate investment and the net book value amounting of YTL 17,497 for the subsidiaries operating in the insurance business. (31 December 2007: 56,786)

13. Information on deferred tax asset

Items generating deferred tax asset or liabilities are listed below as of 30 June 2008 and 31 December 2007:

	Current Period	Prior Period
ETI and vacation pay provisions	30,921	28,023
BRSA - Tax Code depreciation differences	26,357	26,704
Valuation differences of financial assets and liabilities	22,565	2,367
Valuation difference for associates and subsidiaries	16,992	21,140
Other provisions	11,027	5,362
Others	1,881	2,533
Deferred tax assets	109,743	86,129
Net-off of the deferred tax assets and liabilities from the same entity	(24,152)	(36,280)
Deferred tax assets (net)	85,591	49,849
	Current Period	Prior Period
Valuation differences of financial assets and liabilities	20,042	33,941
Valuation difference for associates and subsidiaries	-	3,963
Others	9,466	4,008
Deferred tax liabilities	29,508	41,912
Net-off of the deferred tax assets and liabilities from the same entity	(24,152)	(36,280)
Deferred tax liabilities (net)	5,356	5,632

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

As of 30 June 2008, net book value of asset held for sale is YTL 1,684 (31 December 2007:YTL 1,702).

15. Information on other assets

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

	Current Period	Prior Period
Receivables from insurance operations	562,252	486,177
Prepaid expenses	231,187	213,237
Receivables from term sale of assets	145,972	138,749
Receivables from derivative instruments	68,617	69,344
Deferred commission expenses	43,020	28,191
Other	85,979	82,363
Total	1,137,027	1,018,061

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
Saving Deposits	843,343	-	498,502	6,190,893	149,199	19,292	30,872	-	7,732,101
Foreign Currency Deposits	1,113,621	-	2,057,047	3,753,696	1,601,008	473,460	834,300	-	9,833,132
Residents in Turkey	1,083,727	-	1,941,976	3,700,528	1,496,363	315,013	622,672	-	9,160,279
Residents in Abroad	29,894	-	115,071	53,168	104,645	158,447	211,628	-	672,853
Public Sector Deposits	1,135,308	-	589,653	2,059,702	187,595	55,701	483	-	4,028,442
Commercial Deposits	917,785	-	1,019,260	3,794,671	76,008	462	5,197	-	5,813,383
Other	1,578,230	-	1,580,861	3,770,260	252,367	29,290	61,742	-	7,272,750
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	760	-	107,391	416,969	19,317	-	-	-	544,437
Central Bank	53	-	-	-	-	-	-	-	53
Domestic Banks	331	-	74,126	416,969	2,069	-	-	-	493,495
Foreign Banks	228	-	33,265	-	17,248	-	-	-	50,741
Participation Banks	148	-	-	-	-	-	-	-	148
Other	-	-	-	-	-	-	-	-	-
Total	5,589,047	-	5,852,714	19,986,191	2,285,494	578,205	932,594	-	35,224,245

<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
Saving Deposits	682,210	-	253,597	5,608,530	261,908	28,971	29,534	-	6,864,750
Foreign Currency Deposits	811,557	-	1,304,982	3,050,215	378,797	331,220	717,618	-	6,594,389
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
Public Sector Deposits	970,442	-	659,567	1,030,009	207,687	116,796	185	-	2,984,686
Commercial Deposits	665,040	-	1,333,137	2,704,773	230,574	445	14,529	-	4,948,498
Other	409,803	-	508,604	5,258,438	762,278	7,762	58,651	-	7,005,536
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	1,224	-	147,222	522,891	80,229	-	-	-	751,566
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	-	-	-	-	-	-	-	-	-
Total	3,540,276	-	4,207,109	18,174,856	1,921,473	485,194	820,517	-	29,149,425

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	4,099,803	3,654,728	3,632,298	3,208,160
Foreign Currency Saving Deposits	1,353,707	1,286,065	2,447,338	1,893,244
Other Saving Deposits	-	-	-	-
Foreign branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	5,453,510	4,940,793	6,079,636	5,101,404

Saving deposits out of insurance coverage limits

	Current Period	Prior Period
Deposits and other accounts at foreign branches	1,434	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	893	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	12,768	14,582

2. Information on trading derivatives

Negative value of trading purpose derivatives

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forwards	1,901	20	4,959	1
Swaps	6,507	6,800	15,044	2,286
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	8,408	6,820	20,003	2,287

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic Bank and Institutions	79,991	331,095	52,619	274,947
Foreign Bank, Institutions and Funds	-	4,934,198	-	4,710,314
Total	79,991	5,265,293	52,619	4,985,261

Maturity information of funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-term	79,991	1,616,486	52,619	1,430,792
Medium and Long term	-	3,648,807	-	3,554,469
Total	79,991	5,265,293	52,619	4,985,261

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 11.5% (31 December 2007: 12.6%) 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 interest rates of US Libor+0.77 and EUR Libor+0.77, and 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	192,476	151,077
Provisions for Loans and Receivables in Group II	17,641	7,099
Provisions for Non Cash Loans	18,223	15,390
Other	152	179
Total	228,492	173,745

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

None

Information on other provisions

	Current Period	Prior Period
General Reserves for Possible Loan Losses	-	-

Information on other provisions exceeding 10% of total provisions

Other provisions consist of specific provision for non-cash loans amounting YTL 82,599 (31 December 2007: YTL 82,392), credit card promotion provision amounting YTL 7,755 (December 2007: YTL 7,890), provision for claims amounting 28,988 (December 2007: YTL 27,545) and other provisions amounting YTL 32,266 (December 2007: 5,759).

8. Taxation

Current Taxes

Tax provision

As of 30 June 2008, the Group has tax liabilities of YTL 55,699, after deducting prepaid taxes.

Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	55,699	83,464
Taxation on securities	53,023	52,709
Capital gains tax on property	539	477
Banking Insurance Transaction Tax (BITT)	21,433	22,364
Taxes on foreign exchange transactions	-	1,311
Value added tax payable	1,182	1,134
Other	12,501	15,166
Total	144,377	176,625

Information on premiums payable

	Current Period	Prior Period
Social security premiums- employee share	490	452
Social security premiums- employer share	582	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	308	302
Unemployment insurance- employer share	546	542
Other	16	-
Total	1,942	1,837

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	1,337	-	3,584	-
FV difference	(92,838)	(74,472)	45,642	41,627
Foreign Exchange difference	-	-	-	-
Total	(91,501)	(74,472)	49,226	41,627

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
Letters of Guarantee in Foreign Currency	1,958,222	1,584,570
Letters of Guarantee in YTL	3,046,262	2,778,167
Letters of Credit	1,530,705	1,118,055
Bills of Exchange and Acceptances	496,703	456,865
Other Guarantees and Sureties	11,764	3,468
Total	7,043,656	5,941,125

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 100% specific provision for unliquidated non-cash loans amounted to YTL 82,599 (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	215,600	107,807
Final Letters of Guarantee	3,642,440	3,432,155
Letters of Guarantee for advances	772,377	545,641
Letters of Guarantee given to Customs Offices	187,865	82,595
Other Letters of Guarantee	186,202	194,539
Total	5,004,484	4,362,737

2. Non-cash Loans

	Current Period	Prior Period
Non-Cash Loans Given for Cash Loan Risks	401,988	427,846
With Original Maturity of 1 Year or Less	154,585	169,739
With Original Maturity of More Than 1 Year	247,403	258,107
Other Non-Cash Loans	6,641,668	5,513,279
Total	7,043,656	5,941,125

3. Sectoral risk concentrations of non-cash loans

	Current Period				Prior Period			
	YTL	%	FC	%	YTL	%	FC	%
Agricultural	30,904	1.02	100,217	2.51	24,187	0.87	25,727	0.80
Farming and Cattle	25,153	0.83	85,813	2.15	18,843	0.68	14,693	0.45
Forestry	3,634	0.12	-	-	3,803	0.14	90	0.00
Fishing	2,117	0.07	14,404	0.36	1,541	0.05	10,944	0.35
Manufacturing	1,161,262	38.13	1,745,265	43.66	1,083,730	39.01	1,533,508	48.49
Mining	52,492	1.72	116,519	2.92	23,992	0.86	89,892	2.84
Production	824,900	27.09	1,444,044	36.12	830,040	29.88	1,293,486	40.90
Electric, gas and water	283,870	9.32	184,702	4.62	229,698	8.27	150,130	4.75
Construction	500,650	16.43	845,360	21.15	369,941	13.32	566,647	17.92
Services	1,084,773	35.60	470,778	11.77	1,028,492	37.01	517,559	16.37
Wholesale and retail trade	500,926	16.44	166,381	4.16	526,053	18.93	172,466	5.45
Hotel, food and beverage services	32,306	1.06	10,780	0.27	31,633	1.14	9,569	0.30
Transportation and telecommunication	192,751	6.33	66,739	1.67	144,200	5.19	60,954	1.93
Financial institutions	328,238	10.77	209,800	5.24	299,017	10.76	258,246	8.17
Real estate and renting services	4,359	0.14	52	0.00	1,787	0.06	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	2,858	0.09	5,175	0.13	5,423	0.20	5,945	0.19
Health and social services	23,335	0.77	11,851	0.30	20,379	0.73	10,379	0.33
Other	268,818	8.82	835,629	20.91	271,945	9.79	519,389	16.42
Total	3,046,407	100.00	3,997,249	100.00	2,778,295	100.00	3,162,830	100.00

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

	I. Group		II. Group	
	YTL	FC	YTL	FC
Letters of Guarantee	2,920,350	1,867,303	88,682	43,744
Bank Acceptances	-	490,153	-	6,340
Letters of Credit	145	1,528,690	-	884
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	11,764	-	-
Total	2,920,495	3,897,910	88,682	50,968

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 received from loans

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short-term Loans	977,827	84,003	801,233	75,271
Medium and Long-term Loans	702,550	178,903	509,912	120,730
Loans under follow-up	34,381	-	24,247	30
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	1,714,758	262,906	1,335,392	196,031

Information on interest income received from banks

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	1,723	-	2,497
Domestic Banks	14,464	1,962	10,762	435
Foreign Banks	21,621	29,489	40,786	51,497
Foreign Head Office and Branches	-	-	-	-
Total	36,085	33,174	51,548	54,429

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	-	11

2. Interest Expense

Interest expenses on funds borrowed

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	3,270	124,467	7,161	121,955
Central Bank of Turkey	-	-	-	-
Domestic Banks	3,270	3,207	5,490	1,997
Foreign Banks	-	121,260	1,671	119,958
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	9	-	3,554
Total	3,270	124,476	7,161	125,509

Interest expenses paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	12,184	5,344

3. Trading income/losses (Net)

	Current Period	Prior Period
Income	726,743	366,510
Trading Account Income	59,651	81,734
<i>Derivative financial instruments</i>	33,645	29,131
<i>Others</i>	26,006	52,603
Foreign Exchange Gain	667,092	284,776
Losses (-)	687,548	225,855
Trading Account Losses	41,475	15,590
<i>Derivative financial instruments</i>	37,066	9,683
<i>Others</i>	4,409	5,907
Foreign Exchange Losses	646,073	210,265
Trading income / (expense), net	39,195	140,655

4. Other operating income

As of 30 June 2008, other operating income consists of; reversal of the impairment losses provided in previous years amounting to YTL 114,261, communication income amounting to YTL 35,024, written insurance premium amounting to YTL 193,584 (net), income arising from reversal of life mathematical provisions amounting to YTL 14,734, income from sale of Bank's assets amounting to YTL 5,382 and other income amounting to YTL 32,747.

5. Provision expenses for losses on loans and other receivables

	Current Period	Prior Period
Specific Provisions on Loans and Other Receivables	73,387	136,387
<i>Loans and Receivables in Group III</i>	22,008	136,387
<i>Loans and Receivables in Group IV</i>	23,955	-
<i>Loans and Receivables in Group V</i>	27,424	-
Non-performing commissions and other receivables	-	-
General Provision Expenses	54,543	18,852
Provision for Possible Losses	-	-
Impairment Losses on Securities:	18,770	10,105
<i>Trading securities</i>	932	788
<i>Investment Securities Available-for-Sale</i>	17,838	9,317
Other Impairment Losses:	504	55,826
<i>Associates</i>	-	8,878
<i>Subsidiaries</i>	-	46,430
<i>Joint Ventures</i>	-	-
<i>Investment Securities Held-to-Maturity</i>	504	518
Other	76,523	55,036
Total	223,727	276,206

6. Other operating expenses

	Current Period	Prior Period
Personnel Costs	298,445	230,398
Reserve for Employee Termination Benefits	13,667	9,142
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	1,240
Depreciation Expenses on Tangible Assets	42,239	35,207
Impairment Losses on Intangible Assets	-	-
Amortization Expenses on Intangible Assets	1,826	1,061
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses on Assets to be Disposed	4,058	3,831
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	216,897	160,691
<i>Operational lease related expenses</i>	31,006	22,270
<i>Repair and maintenance expenses</i>	6,993	7,142
<i>Advertisement expenses</i>	18,688	14,786
<i>Other expenses</i>	160,210	116,493
Loss on sale of assets	230	901
Other	256,974	230,110
Total	834,336	672,581

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 a tax provision of YTL 132,593 (30 June 2007: YTL 129,356) from the operating profit 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

	Current Period	Prior Period
Sources of deferred tax benefit/charge		
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	(4,022)	1,344
Arising from Origination (+)/ Reversal (-) of Taxable Temporary Differences	11,871	14,890
Arising from Origination (+)/ Reversal (-) of Tax Losses	-	-
Arising from tax rate change	-	-
Total	7,849	16,234

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	16,489	(2,153)

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	126	1,562	3,993	4,595
Balance at the End of the Period	-	5,666	92	1,456	5,152	4,382
Interest and Commission Income Received	-	5	-	-	362	6

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	126	1,562	3,993	4,595
Interest and Commission Income Received	11	14	-	-	330	6

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	968,500	77,592	93,543	2,650
Balance at the End of the Period	158,698	212,360	973,813	968,500	155,691	93,543
Interest on Deposits	12,184	5,344	-	-	487	1,326

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 0.16% (31 December 2007: %0.22) respectively.

Current Period	Amount	Compared With the Financial Statement Amount %
Cash Loans	5,244	0.02
Non-Cash Loans	11,504	0.16
Deposits	1,288,202	3.66
Forward and Option Agreements	-	-

Prior Period	Amount	Compared With the Financial Statement Amount %
Cash Loans	4,119	0.02
Non-Cash Loans	13,131	0.22
Deposits	1,274,403	4.37
Forward and Option Agreements	-	-

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.

According to the same article's second sub clause, if there is a refund arising from the disclaim in the judgment decision about this subject, since the time this law come into effect, the amount to be refunded as advance, should be deducted from the refund arising from judgment authority's decision. There will be no interest or due surcharge for the amounts to be rejected and refunded.

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

- 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.

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

April 2008 (*)	Standard Poors
Foreign Currency Credit Rating	BB- / Stable / B
Local Currency Credit Rating	BB- / Stable / B
National	trA+ / -- / trA-1
Continuance Rating	BBB-/--/--

April 2007 (*)	Moody's Investors' Service
Financial Strength Rating	D+
Local Currency Deposit Rating	Baa1 / P-2
Foreign Currency Deposit Rating	B1 / NP
Outlook	Stable

December 2007 (*)	Fitch Rating
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+

May 2006 (*)	Capital Intelligence
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

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.

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

None.

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 30 June 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 28 August 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 30 June 2008.