

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

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

Consolidated Financial Report
As at and For the Year Ended
31 December 2008

*(Convenience Translation of Financial Statements and Related
Disclosures and Footnotes Originally Issued in Turkish)*

With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ
19 March 2009

*This report contains "Independent Auditors' Report"
comprising 2 pages and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 85 pages.*

**Convenience Translation of the Auditors' 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 audited the consolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its financial subsidiaries as at 31 December 2008 and the related consolidated income statement, statement of cash flows, statement of changes in shareholders' equity, statement of income and expenses recognized in shareholders' equity, and a summary of significant accounting policies and notes to the consolidated financial statements. We did not audit the financial statements of certain consolidated companies as at 31 December 2008, which statements reflect total assets constituting 5.86 percent; and total operating income constituting 7.62 percent as at and for the year ended 31 December 2008 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our audit report, insofar as it relates to the amounts included for those companies is based solely on the reports of the other auditors.

Disclosure for the responsibility of the Bank's Board of Directors:

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no.26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the statements and guidance published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no.26333 dated 1 November 2006 and International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditors' Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and its financial subsidiaries as at 31 December 2008 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Articles 37 and 38 of (Turkish) Banking Law no.5411 and the statements and guidances published by the BRSA on accounting and financial reporting principles.

Istanbul,
19 March 2009

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 FINANCIAL REPORT
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2008

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The consolidated financial report as at and for the year ended 31 December 2008, prepared in accordance with “Communique 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 BANK
- CONSOLIDATED FINANCIAL STATEMENTS
- DISCLOSURES ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON THE FINANCIAL POSITION OF THE GROUP
- DISCLOSURES AND FOOTNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS’ 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 Faktoring AŞ
Vakıf Portföy Yönetimi AŞ
World Vakıf Off Shore Banking Ltd.
Vakıf Yatırım Menkul Değerler AŞ

ASSOCIATES

Vakıf Gayrimenkul Yatırım Ortaklığı AŞ
Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ
Kıbrıs Vakıflar Bankası Ltd.
Türkiye Sınai Kalkınma Bankası AŞ

The consolidated financial statements and related disclosures and footnotes that were subject to independent audit, 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 otherwise stated, the accompanying consolidated financial statements are presented in thousands of New Turkish Lira (YTL).

Yusuf BEYAZIT
Board of Directors
Chairman

Cem DEMİRAĞ
Board Member
Audit Committee Member

Sabahattin BİRDAL
Board Member
Audit Committee Member

Bilal KARAMAN
General Manager

Dr. Metin Recep ZAFER
Executive Vice President

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
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S. Buğra SÜRÜEL /Assistant Manager
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Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report

As at and For the Year Ended 31 December 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 the disclosure V of 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. Shareholder structure of the Bank, direct or indirect shareholders having managing and monitoring power on the Bank as individually or as a group, change in shareholder structure during the year and information on Bank’s risk group

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

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

The Bank’s shareholder structure is stated below:

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)	1.863.455	1,863	0.08
Publicly traded (Group D)	629.619.402	629,619	25.18
Total	2.500.000.000	2,500,000	100.00

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Consolidated Financial Report

As at and For the Year Ended 31 December 2008

(Currency: Thousands of YTL – New Turkish Lira)

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
Hasan ÖZER	Member	7 February 2003	University	22 years
Cem DEMİRRAĞ	Member	4 April 2005	University	17 years
Erkan TOPAL	Member	4 April 2006	PHD	13 years
Mehmet ÇEKİNMEZ	Member	24 July 2007	University	32 years
Serdar TUNÇBİLEK	Member	24 July 2007	University	23 years
Sabahattin BİRDAL ⁽¹⁾	Member	21 March 2008	University	22 years
<u>Audit Committee</u>				
Cem DEMİRRAĞ	Member	4 April 2005	University	17 years
Sabahattin BİRDAL	Member	21 August 2008	University	22 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 and Investor Relations	1 May 2000	University	24 years
Şahin UĞUR ⁽⁴⁾	Support Services	9 August 2004	University	22 years
Feyzi ÖZCAN	Retail Banking, Pension Fund, Directorates of the Regions, Distribution Channels, Consumer Loans	20 September 2005	University	19 years
Doğan PENÇE	Corporate Loans and Directorates of Information	7 June 2006	University	16 years
Dr. Metin Recep ZAFER ⁽⁵⁾	Accounting and Financial Affairs, Planning and Performance, Human Resources, Investment Banking and Subsidiaries	13 June 2006	PHD	13 years
Birgül DENLİ	Treasury	3 July 2006	Master	14 years
Dr. M. Kürşad DEMİRKOL	Software Development, Treasury and Foreign Operations, Banking Operations, Ebis Operations, Ebis Support and Work Analysis, Alternative Distribution Channels Operations	3 December 2007	PHD	8 years
İhsan ÇAKIR	Commercial Banking, Corporate Banking, Corporate Communication, Corporate Salary Payments and Commercial Centers	11 December 2007	University	13 years
Mehmet CANTEKİN	Loans Follow-up	28 December 2007	Master	16 years
Ömer ELMAS ⁽⁶⁾	Legal Services	5 January 2009	Master	7 years
Ahmet Atıf MEYDAN ⁽²⁾				
Aydın DELİKTAŞLI ⁽³⁾				

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Its Financial Subsidiaries

Consolidated Financial Report

As at and For the Year Ended 31 December 2008

(Currency: Thousands of YTL – New Turkish Lira)

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

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

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

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

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

⁽⁶⁾ As per the 20 November 2008 dated resolution of the Board of Directors Ömer Elmas has been appointed as Executive Vice President in charge of Legal Services.

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

IV. Information on the Bank's qualified shareholders

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

V. Information about the services and nature of 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 at 31 December 2008, the Bank has 523 domestic 2 foreign, in total 525 branches (31 December 2007: 466 domestic, 2 foreign branches, in total 468 branches). As at 31 December 2008, the Bank has 9,567 employees (31 December 2007: 8,700 employees).

SECTION TWO – CONSOLIDATED FINANCIAL STATEMENTS

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Financial Subsidiaries

Convenience Translation of Financial Statements

Consolidated Balance Sheet

and Related Disclosures and Footnotes

As at and For the Year Ended 31 December 2008

Originally Issued in Turkish, See Section 3 Note I

(Thousands of New Turkish Lira (YTL))

ASSETS	Notes	Audited Current Year 31 December 2008			"Restated" Audited Prior Year 31 December 2007		
		YTL	FC	Total	YTL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	V-I-1	826,580	1,282,522	2,109,102	1,626,725	866,575	2,493,300
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	V-I-2	70,307	75,359	145,666	120,081	336,806	456,887
2.1 Financial assets held for trading purpose		63,406	21,217	84,623	97,817	319,957	417,774
2.1.1 Government securities		62,178	21,217	83,395	95,953	319,957	415,910
2.1.2 Equity securities		487	-	487	500	-	500
2.1.3 Other securities		741	-	741	1,364	-	1,364
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Government securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.3 Derivative financial assets held for trading purpose		6,901	54,142	61,043	22,264	16,849	39,113
III. BANKS	V-I-3	124,071	2,711,543	2,835,614	859,321	2,007,360	2,866,681
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		3,201,833	-	3,201,833	715,835	-	715,835
4.1 Interbank money market placements		3,201,333	-	3,201,333	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		500	-	500	715,835	-	715,835
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	V-I-4	6,702,787	1,676,383	8,379,170	6,738,179	2,770,936	9,509,115
5.1 Equity securities		16,014	11,659	27,673	20,187	1,650	21,837
5.2 Government securities		6,686,773	1,597,774	8,284,547	6,717,929	2,689,220	9,407,149
5.3 Other securities		-	66,950	66,950	63	80,066	80,129
VI. LOANS	V-I-5	19,448,031	11,459,622	30,907,653	17,088,234	6,714,898	23,803,132
6.1 Performing loans		19,354,976	11,455,563	30,810,539	17,088,234	6,714,429	23,802,663
6.1.1 Loans provided to Bank's risk group	V-VII-1	434	8,003	8,437	126	3,993	4,119
6.1.2 Others		19,354,542	11,447,560	30,802,102	17,088,108	6,710,436	23,798,544
6.2 Loans under follow-up		1,525,735	68,754	1,594,489	1,156,517	87,614	1,244,131
6.3 Specific provisions (-)		1,432,680	64,695	1,497,375	1,156,517	87,145	1,243,662
VII. FACTORING RECEIVABLES		151,407	3,033	154,440	52,389	5,146	57,535
VIII. HELD-TO-MATURITY INVESTMENT SECURITIES (Net)	V-I-6	2,049,320	1,634,600	3,683,920	1,457,965	206,386	1,664,351
8.1 Government securities		2,049,320	1,588,697	3,638,017	1,457,965	162,491	1,620,456
8.2 Other securities		-	45,903	45,903	-	43,895	43,895
IX. INVESTMENTS IN ASSOCIATES (Net)	V-I-7	94,827	3	94,830	88,029	3	88,032
9.1 Associates, consolidated per equity method		76,203	-	76,203	70,465	-	70,465
9.2 Unconsolidated associates		18,624	3	18,627	17,564	3	17,567
9.2.1 Financial associates		4,605	-	4,605	1,647	-	1,647
9.2.2 Non-Financial associates		14,019	3	14,022	15,917	3	15,920
X. INVESTMENTS IN SUBSIDIARIES (Net)	V-I-8	148,612	-	148,612	128,660	-	128,660
10.1 Unconsolidated financial subsidiaries		1,281	-	1,281	3,223	-	3,223
10.2 Unconsolidated non-financial subsidiaries		147,331	-	147,331	125,437	-	125,437
XI. INVESTMENTS IN JOINT-VENTURES (Net)	V-I-9	-	-	-	-	-	-
11.1 Joint-ventures, consolidated per equity method		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial joint-ventures		-	-	-	-	-	-
11.2.2 Non-Financial joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	V-I-10	23,266	275,372	298,638	33,911	249,923	283,834
12.1 Finance lease receivables		28,719	310,300	339,019	42,127	291,614	333,741
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		5,453	34,928	40,381	8,216	41,691	49,907
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE	V-I-11	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	V-I-12	1,080,769	2,176	1,082,945	1,001,475	1,731	1,003,206
XV. INTANGIBLE ASSETS (Net)	V-I-13	33,333	76	33,409	14,822	78	14,900
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		33,333	76	33,409	14,822	78	14,900
XVI. INVESTMENT PROPERTIES	V-I-14	54,119	-	54,119	56,786	-	56,786
XVII. TAX ASSETS		86,087	1,932	88,019	49,724	1,179	50,903
17.1 Current tax assets		1,253	-	1,253	-	1,054	1,054
17.2 Deferred tax assets	V-I-15	84,834	1,932	86,766	49,724	125	49,849
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS	V-I-16	1,558	-	1,558	1,702	-	1,702
18.1 Assets held for sale		1,558	-	1,558	1,702	-	1,702
18.2 Assets related to the discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	V-I-17	980,397	341,682	1,322,079	765,762	252,299	1,018,061
TOTAL ASSETS		35,077,304	19,464,303	54,541,607	30,799,600	13,413,320	44,212,920

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

		Audited Current Year 31 December 2008			"Restated" Audited Prior Year 31 December 2007			
LIABILITIES AND SHAREHOLDERS' EQUITY		Notes	YTL	FC	Total	YTL	FC	Total
I.	DEPOSITS	V-II-1	25,381,331	12,332,440	37,713,771	22,372,917	6,776,508	29,149,425
1.1	Deposits of the Bank's risk group	V-VII-1	1,286,230	76,066	1,362,296	1,192,715	81,688	1,274,403
1.2	Others		24,095,101	12,256,374	36,351,475	21,180,202	6,694,820	27,875,022
	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING							
II.	PURPOSE	V-II-2	5,551	21,576	27,127	20,003	2,287	22,290
III.	FUNDS BORROWED	V-II-3	106,650	5,996,611	6,103,261	52,619	4,985,261	5,037,880
IV.	INTERBANK MONEY MARKET		1,039,798	693,360	1,733,158	793,915	1,359,520	2,153,435
4.1	Interbank money market takings		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings		16,103	-	16,103	-	-	-
4.3	Obligations under repurchase agreements		1,023,695	693,360	1,717,055	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		99,056	-	99,056	121,964	-	121,964
6.1	Funds against borrower's note		-	-	-	-	-	-
6.2	Others		99,056	-	99,056	121,964	-	121,964
VII.	MISCELLANEOUS PAYABLES		931,581	138,836	1,070,417	687,213	121,038	808,251
VIII.	OTHER EXTERNAL RESOURCES PAYABLE	V-II-4	118,283	239,903	358,186	143,899	140,449	284,348
IX.	FACTORING PAYABLES		-	-	-	8,961	2,519	11,480
X.	LEASE PAYABLES (Net)	V-II-5	-	-	-	-	-	-
10.1	Finance lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK							
	MANAGEMENT PURPOSE	V-II-6	-	-	-	-	-	-
11.1	Fair value hedges		-	-	-	-	-	-
11.2	Cash flow hedges		-	-	-	-	-	-
11.3	Hedges of net investment in foreign operations		-	-	-	-	-	-
XII.	PROVISIONS	V-II-7	1,249,513	54,214	1,303,727	1,062,831	30,747	1,093,578
12.1	General provisions		253,982	4,925	258,907	169,789	3,956	173,745
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		270,801	534	271,335	221,475	403	221,878
12.4	Insurance technical provisions (Net)		597,984	11,981	609,965	563,300	11,069	574,369
12.5	Other provisions		126,746	36,774	163,520	108,267	15,319	123,586
XIII.	TAX LIABILITIES		198,035	2,641	200,676	182,338	1,756	184,094
13.1	Current tax liabilities	V-II-8	191,729	2,641	194,370	176,706	1,756	178,462
13.2	Deferred tax liabilities	V-I-15	6,306	-	6,306	5,632	-	5,632
XIV.	PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS							
	RELATED TO DISCONTINUED OPERATIONS	V-II-9	-	-	-	-	-	-
14.1	Payables related to the assets held for sale		-	-	-	-	-	-
14.2	Payables related to the discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	V-II-10	-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY		5,915,071	17,157	5,932,228	5,223,160	123,015	5,346,175
16.1	Paid-in capital	V-II-11	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves		807,483	(76,723)	730,760	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-11	66,715	(76,723)	(10,008)	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		1,610,529	54,232	1,664,761	708,393	38,058	746,451
16.3.1	Legal reserves		303,514	-	303,514	200,418	-	200,418
16.3.2	Status reserves		1,863	-	1,863	1,245	-	1,245
16.3.3	Extraordinary reserves		1,104,860	4,693	1,109,553	341,876	4,693	346,569
16.3.4	Other profit reserves		200,292	49,539	249,831	164,854	33,365	198,219
16.4	Profit or loss		769,481	32,251	801,732	1,019,366	36,831	1,056,197
16.4.1	Prior years' profit/loss		(19,053)	29,475	10,422	(10,827)	33,757	22,930
16.4.2	Current year's profit/loss		788,534	2,776	791,310	1,030,193	3,074	1,033,267
16.5	Minority shares		227,578	7,397	234,975	205,237	6,499	211,736
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			35,044,869	19,496,738	54,541,607	30,669,820	13,543,100	44,212,920

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

	Notes	Audited Current Year 31 December 2008			"Restated" Audited Prior Year 31 December 2007		
		YTL	FC	TOTAL	YTL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		9,676,978	7,646,890	17,323,868	9,331,927	4,486,434	13,818,361
I. GUARANTEES AND SURETIES	V-III-2-4	3,455,387	4,645,223	8,100,610	2,778,295	3,162,830	5,941,125
1.1. Letters of guarantee		3,454,338	2,227,927	5,682,265	2,778,167	1,584,570	4,362,737
1.1.1. Guarantees subject to State Tender Law		562,823	767,022	1,329,845	378,638	359,572	738,210
1.1.2. Guarantees given for foreign trade operations		183,909	159	184,068	83,353	229	83,582
1.1.3. Other letters of guarantee		2,707,606	1,460,746	4,168,352	2,316,176	1,224,769	3,540,945
1.2. Bank acceptances		-	428,448	428,448	-	456,865	456,865
1.2.1. Import letter of acceptance		-	192,409	192,409	-	164,948	164,948
1.2.2. Other bank acceptances		-	236,039	236,039	-	291,917	291,917
1.3. Letters of credit		-	1,971,383	1,971,383	128	1,117,927	1,118,055
1.3.1. Documentary letters of credit		-	1,971,042	1,971,042	128	1,117,927	1,118,055
1.3.2. Other letters of credit		-	341	341	-	-	-
1.4. Guaranteed pre-financings		-	13,240	13,240	-	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		1,049	3,143	4,192	-	-	-
1.8. Other guarantees		-	1,082	1,082	-	829	829
1.9. Other sureties		-	-	-	-	-	-
II. COMMITMENTS		6,060,850	219,160	6,280,010	6,094,300	143,077	6,237,377
2.1. Irrevocable commitments		6,053,114	218,945	6,272,059	6,085,744	142,913	6,228,657
2.1.1. Asset purchase commitments	V-III-1	75,063	218,702	293,765	77,031	130,104	207,135
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments	V-III-1	1,273,207	-	1,273,207	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		-	-	-	-	-	-
2.1.8. Tax and fund obligations on export commitments	V-III-1	1,456,567	-	1,456,567	1,330,395	-	1,330,395
2.1.9. Commitments for credit card limits	V-III-1	3,050,410	-	3,050,410	3,067,930	-	3,067,930
2.1.10. Commitments for credit card and banking operations promotions		197,148	-	197,148	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		719	243	962	1,177	12,809	13,986
2.2. Revocable commitments		7,736	215	7,951	8,556	164	8,720
2.2.1. Revocable loan granting commitments		7,736	215	7,951	8,556	164	8,720
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	V-III-5	160,741	2,782,507	2,943,248	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		160,741	2,782,507	2,943,248	459,332	1,180,527	1,639,859
3.2.1. Forward foreign currency purchases/sales		12,529	12,016	24,545	248,357	236,369	484,726
3.2.1.1. Forward foreign currency purchases		6,266	6,008	12,274	124,261	118,185	242,446
3.2.2.2. Forward foreign currency sales		6,263	6,008	12,271	124,096	118,184	242,280
3.2.2. Currency and interest rate swaps		148,212	2,709,689	2,857,901	210,975	944,156	1,155,131
3.2.2.1. Currency swaps-purchases		-	1,085,805	1,085,805	40,000	307,912	347,912
3.2.2.2. Currency swaps-sales		-	1,069,121	1,069,121	-	338,585	338,585
3.2.2.3. Interest rate swaps-purchases		72,059	285,643	357,702	83,160	155,199	238,359
3.2.2.4. Interest rate swaps-sales		76,153	269,120	345,273	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		-	60,800	60,800	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		60,908,976	19,853,251	80,762,227	42,305,902	6,831,864	49,137,766
IV. ITEMS HELD IN CUSTODY		15,955,458	373,351	16,328,809	14,290,347	418,492	14,708,839
4.1. Customers' securities held		441,826	14,785	456,611	1,332,906	11,334	1,344,240
4.2. Investment securities held in custody		14,325,828	3,602	14,329,430	12,028,244	2,761	12,031,005
4.3. Checks received for collection		544,557	102,807	647,364	389,717	79,319	469,036
4.4. Commercial notes received for collection		220,265	108,308	328,573	163,732	103,424	267,156
4.5. Other assets received for collection		60,914	860	61,774	49,474	873	50,347
4.6. Assets received through public offering		-	4,798	4,798	-	333	333
4.7. Other items under custody		221,898	30,316	252,214	230,584	9,345	239,929
4.8. Custodians		140,170	107,875	248,045	95,690	211,103	306,793
V. PLEDGED ITEMS		44,953,518	19,479,900	64,433,418	28,015,555	6,413,372	34,428,927
5.1. Securities		1,635,347	68,697	1,704,044	1,244,538	60,020	1,304,558
5.2. Guarantee notes		756,285	307,161	1,063,446	526,589	247,779	774,368
5.3. Commodities		7,885,064	30,400	7,915,464	6,193,978	-	6,193,978
5.4. Warranties		-	-	-	-	6,420	6,420
5.5. Real estates		31,696,546	17,194,560	48,891,106	19,495,407	5,516,873	25,012,280
5.6. Other pledged items		2,626,751	1,815,280	4,442,031	368,347	559,863	928,210
5.7. Pledged items-depository		353,525	63,802	417,327	186,696	22,417	209,113
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		70,585,954	27,500,141	98,086,095	51,637,829	11,318,298	62,956,127

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

		Notes	Audited Current Year 31 December 2008	"Restated" Audited Prior Year 31 December 2007
I.	INTEREST INCOME		6,558,670	5,475,577
1.1	Interest income from loans	V-IV-1	4,358,034	3,274,510
1.2	Interest income from reserve deposits		183,970	161,632
1.3	Interest income from banks	V-IV-1	107,831	191,072
1.4	Interest income from money market transactions		82,232	187,197
1.5	Interest income from securities portfolio	V-IV-1	1,750,836	1,616,090
1.5.1	Trading financial assets	V-IV-1	25,336	49,732
1.5.2	Financial assets at fair value through profit or loss		-	-
1.5.3	Financial assets available-for-sale	V-IV-1	1,343,478	1,432,808
1.5.4	Investments held-to-maturity	V-IV-1	382,022	133,550
1.6	Finance lease income		29,884	28,329
1.7	Other interest income		45,883	16,747
II.	INTEREST EXPENSE		4,478,524	3,710,325
2.1	Interest expense on deposits	V-IV-2	3,923,223	3,251,444
2.2	Interest expense on funds borrowed	V-IV-2	254,422	273,928
2.3	Interest expense on money market transactions		230,054	169,378
2.4	Interest expense on securities issued		-	-
2.5	Other interest expenses		70,825	15,575
III.	NET INTEREST INCOME (I – II)		2,080,146	1,765,252
IV.	NET FEES AND COMMISSIONS INCOME		468,475	360,414
4.1	Fees and commissions received		630,280	515,405
4.1.1	Non-cash loans		63,026	50,479
4.1.2	Others		567,254	464,926
4.2	Fees and commissions paid		161,805	154,991
4.2.1	Non-cash loans		818	963
4.2.2	Others		160,987	154,028
V.	DIVIDEND INCOME	V-IV-3	6,508	33,306
VI.	NET TRADING INCOME/LOSSES (Net)	V-IV-4	149,507	242,144
6.1	Trading account income/losses (Net)		97,732	96,915
6.2	Foreign exchange gains/losses (Net)		51,775	145,229
VII.	OTHER OPERATING INCOME	V-IV-5	722,248	733,301
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		3,426,884	3,134,417
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	V-IV-6	640,922	456,360
X.	OTHER OPERATING EXPENSES (-)	V-IV-7	1,802,992	1,415,255
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		982,970	1,262,802
XII.	INCOME RESULTED FROM MERGERS		-	-
XIII.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		11,564	8,843
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XV.	INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		994,534	1,271,645
XVI.	PROVISION FOR TAXES FOR CONTINUING OPERATIONS	V-IV-11	(184,930)	(235,062)
16.1	Current tax (charge)		(206,364)	(265,632)
16.2	Deferred tax (charge)/credit		21,434	30,570
XVII.	NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	V-IV-12	809,604	1,036,583
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.	PROVISION FOR TAXES FOR DISCONTINUED OPERATIONS		-	-
21.1	Current tax charges		-	-
21.2	Deferred tax charges		-	-
XXII.	NET INCOME/LOSS AFRET TAXES FROM DISCONTINUED OPERATIONS		-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	V-IV-12	809,604	1,036,583
22.1	Group's share		791,310	1,033,267
22.2	Minority share	V-IV-13	18,294	3,316
	EARNINGS PER SHARE (full YTL)	III-XXIV	0.3238	0.4146

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 Income and Expenses

Recognized in Shareholders' Equity

For the Year Ended 31 December 2008

(Thousands of New Turkish Lira (YTL))

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

INCOME AND EXPENSES RECOGNIZED IN SHAREHOLDERS' EQUITY		Notes	Audited Current Year 31 December 2008	"Restated" Audited Prior Year 31 December 2007
I.	VALUATION DIFFERENCES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS RECOGNIZED IN SECURITIES VALUATION DIFFERENCES		(115,474)	113,723
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS		-	2,105
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS		-	-
IV.	CURRENCY TRANSLATION DIFFERENCES		16,194	(6,410)
V.	GAINS/(LOSSES) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)		-	-
VI.	GAINS/(LOSSES) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)		-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS		-	-
VIII.	OTHER GAINS AND LOSSES RECOGNIZED IN EQUITY IN ACCORDANCE WITH TASS		6,402	(29,292)
IX.	DEFERRED TAXES DUE TO VALUATION DIFFERENCES	V-V-6	16,783	(22,134)
X.	NET GAINS/LOSSES RECOGNIZED DIRECTLY IN EQUITY		(76,095)	57,992
XI.	CURRENT YEAR'S PROFIT/(LOSS)		809,604	1,036,583
11.1	Change in fair value of available-for-sale financial assets (transfers to the income statement)	V-V-6	44,905	21,666
11.2	Gains/Losses recognized in the income statement due to reclassification of cash flow hedges		-	-
11.3	Gains/Losses recognized in the income statement due to reclassification of net foreign investment hedges		-	-
11.4	Others		764,699	1,014,917
XXIII.	TOTAL GAINS AND LOSSES RECOGNIZED DURING THE YEAR		733,509	1,094,575

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

	Notes	Audited Current Year 31 December 2008	Audited Prior Year 31 December 2007
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities	V-VI-1	331,826	852,697
1.1.1 Interests received		6,451,470	5,098,016
1.1.2 Interests paid		(4,485,556)	(3,631,089)
1.1.3 Dividends received		6,508	37,495
1.1.4 Fee and commissions received		468,475	515,405
1.1.5 Other income		539,510	977,354
1.1.6 Collections from previously written-off loans and other receivables		111,438	73,317
1.1.7 Payments to personnel and service suppliers		(1,685,717)	(512,413)
1.1.8 Taxes paid		(242,822)	(185,036)
1.1.9 Others		(831,480)	(1,520,352)
1.2 Changes in operating assets and liabilities	V-VI-1	1,451,109	(563,215)
1.2.1 Net (increase) decrease in financial assets held for trading purpose		(60,068)	126,707
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		(335,298)	(40,599)
1.2.4 Net (increase) decrease in loans		(7,418,443)	(5,301,020)
1.2.5 Net (increase) decrease in other assets		(301,278)	(110,556)
1.2.6 Net increase (decrease) in bank deposits		721,718	199,299
1.2.7 Net increase (decrease) in other deposits		7,829,024	3,792,616
1.2.8 Net increase (decrease) in funds borrowed		1,072,381	(354,214)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(56,927)	1,124,552
I. Net cash flow from banking operations	V-VI-1	1,782,935	289,482
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash used in investing activities	V-VI-1	90,105	(462,643)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	V-VI-2	1,500	-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	949
2.3 Purchases of tangible assets		(230,482)	(164,017)
2.4 Sales of tangible assets		37,661	72,038
2.5 Cash paid for purchase of financial assets available-for-sale		(4,551,832)	-
2.6 Cash obtained from sale of financial assets available-for-sale		4,395,168	912,675
2.7 Cash paid for purchase of held-to-maturity investment securities		(622,316)	(1,284,288)
2.8 Cash obtained from sale of held-to-maturity investment securities		1,060,406	-
2.9 Others		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash used in financing activities		(147,470)	(435,865)
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)	(435,865)
3.5 Payments for finance leases		-	-
3.6 Others		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents		-	-
V. Net increase/(decrease) in cash and cash equivalents		1,725,570	(609,026)
VI. Cash and cash equivalents at the beginning of the year	V-VI-4	5,382,011	5,991,037
VII. Cash and cash equivalents at the end of the year	V-VI-4	7,107,581	5,382,011

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

	Notes	Current Year 31 December 2008	Prior Year 31 December 2007
I. DISTRIBUTION OF CURRENT YEAR PROFIT			
1.1		994,534	1,271,645
1.2		(184,930)	(235,062)
1.2.1		(206,364)	(265,632)
1.2.2		-	-
1.2.3		21,434	30,570
A.		809,604	1,036,583
1.3		(21,434)	(30,570)
B.		788,170	1,006,013
1.4		-	14,462
1.5		-	(51,548)
1.6		-	(51,548)
C.		-	917,379
1.7	V-V-5	-	(147,470)
1.7.1		-	(147,470)
1.7.2		-	-
1.7.3		-	-
1.7.4		-	-
1.7.5		-	-
1.8		-	-
1.9		-	-
1.10		-	-
1.10.1		-	-
1.10.2		-	-
1.10.3		-	-
1.10.4		-	-
1.10.5		-	-
1.11		-	-
1.12		-	(618)
1.13		-	(762,984)
1.14		-	(6,307)
1.15		-	-
II. DISTRIBUTION FROM RESERVES			
2.1		-	-
2.2		-	-
2.3		-	-
2.3.1		-	-
2.3.2		-	-
2.3.3		-	-
2.3.4		-	-
2.3.5		-	-
2.4		-	-
2.5		-	-
III. EARNINGS PER SHARE			
3.1	III-XXIV	0.3238	0.4146
3.2		32.4	41.5
3.3		-	-
3.4		-	-
IV. DIVIDEND PER SHARE			
4.1		-	0.0590
4.2		-	5.9
4.3		-	-
4.4		-	-

⁽⁶⁹⁾ As at and for the year ended 31 December 2008, dividends to the personnel amounting to YTL 68,600 (31 December 2007: YTL 57,800) has been accounted for in the income statement through recording in the current year's profits/losses in accordance with TAS 19 – *Employee Benefits*.

SECTION THREE

Accounting Policies

I. Basis of presentation

As per the Articles 37 and 38 titled as “Accounting and Recording Rules” and “Consolidated Financial Reports”, respectively 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 (“the Bank”) and its Financial Subsidiaries (collectively “the Group”) keeps its accounting records and prepare its consolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published by the Banking Regulation and Supervision Agency (“BRSA”) and in effect since 1 November 2006, Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the related statements and guidance (collectively “Reporting Standards”).

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

Additional paragraph for convenience translation to English

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

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

Strategy for the use of financial instruments

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

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

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

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

In order to avoid interest rate risk, assets and liabilities having fixed and floating interest rates 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 at the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the consolidated income statement.

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

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

III. Information on companies subject to consolidation

As at and for the year ended 31 December 2008, the financial statements of T. Vakıflar Bankası TAO, Vakıf International AG, World Vakıf Off Shore Banking Ltd., Vakıf Finansal Kiralama AŞ, Vakıf Deniz Finansal Kiralama AŞ, Güneş Sigorta AŞ, Vakıf Emeklilik AŞ, Vakıf Finans Factoring Hizmetleri AŞ, Vakıf Gayrimenkul Yatırım Ortaklığı AŞ, Vakıf Yatırım Menkul Değerler AŞ, Vakıf Portföy Yönetimi AŞ, Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ, Kıbrıs Vakıflar Bankası Ltd. Şti., and Türkiye Sınai Kalkınma Bankası AŞ have been included in the consolidated financial statements of the Group.

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

World Vakıf Off Shore Banking Ltd., has been established in Turkish Republic of Northern Cyprus in 1993 for offshore banking operations. Its head office is in Lefkosa. The title of the Bank has been changed as World Vakıf UBB. Ltd. on 4 February 2009.

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

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

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

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

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

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

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

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

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

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

Türkiye 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 Bank, the differences have been adjusted to the accounting policies of the Bank, taking the materiality principle into account. The financial statements of local Financial Subsidiaries, and foreign Financial Subsidiaries preparing their financial statements according to the principles of the countries which they are located in, have been adjusted in accordance with Reporting Standards as at 31 December 2008, 31 December 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 these consolidated financial statements.

IV. Information on forwards, options and other derivative transactions

The derivative transactions of the Group mainly consist of foreign currency and interest rate swaps and foreign currency forward contracts.

The Group has classified its derivative transactions, mentioned above as "trading derivatives" in accordance with the TAS 39 – *Financial Instruments: Recognition and Measurement*. Derivatives are initially recorded at their purchase costs including the transaction costs. In addition, the notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts as stated on the related contracts. Subsequently, the derivative transactions are measured at fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets held for trading purpose" or "derivative financial liabilities held for trading purpose". The subsequent fair value changes of the derivative instruments are recorded in the consolidated income statement.

V. Information on interest income and expenses

Banking Operations

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

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

Finance lease operations

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

VI. Information on Fees and Commission

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.

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

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

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.

Held-to-maturity investment securities, available-for-sale financial assets and loans and receivables

Held-to-maturity investment securities 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.

Held to maturity investment securities are measured at amortized cost using effective interest method after deducting impairments, if any. Interest earned on held-to-maturity investment securities is recognized as interest income.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity financial assets and loans and receivables.

Available-for-sale financial assets 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. Unrecognised gains or losses derived from the difference between their fair value and the discounted values are recorded in “valuation differences of the marketable securities” under 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.

Loan and receivables are the financial assets raised by the Group 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 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 – *Financial Instruments: Recognition and Measurement* in the unconsolidated financial statements. Subsidiaries, which are traded in an active market or whose fair value can be reliably measured, recorded at fair value. Subsidiaries which are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any. The financial subsidiaries of the Group are consolidated in the accompanying consolidated financial statements and non-financial subsidiaries are accounted in accordance with TAS 39.

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

VIII. Information on 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 Group 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 Group provides specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables published on the Official Gazette no.26333 dated 1 November 2006. The allowances are recorded in the income statement of the related period.

IX. Information on 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. Information on 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. Information on assets and liabilities arising from 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 Group’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. Information on goodwill and other intangible assets

The Group’s intangible assets consist of software.

Goodwill and other intangible assets are recorded at cost in compliance with the 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 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. Information on 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 and 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 used in depreciation of tangible assets are:

Tangible assets	Estimated useful lives (years)	Depreciation Rates (%)
Buildings	50	2
Office equipment, furniture and fixture, and motor vehicles	5-10	10-20

If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the 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. Information on investment properties

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

Investment properties are measured initially at cost including transaction costs.

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

XV. Information on leasing activities

Leasing activities as the lessee

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

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

Operational leases

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

XVI. Information on 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 at 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. Information on obligations of the Group concerning employee rights

Employee severance indemnities

In accordance with existing Turkish Labour Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2008 is YTL 2.173.

The Group reserved for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the TAS 19 – *Employee Benefits*.

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

	Current Year	Previous Year
Discount rate	6.26%	5.71%
Expected rate of salary/limit increase	5.40%	5.00%
Estimated employee turnover rate	0.84%	0.51%

Other benefits to employees

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

Pension fund

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 the Social Security Law no.5754 (“the Law”) has been approved on 17 April 2008. The Law is enacted by the approval of the President of Turkey and 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 at the transfer date, including the contributors left the fund, should be calculated by the assumptions below,

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

Law requires the transfer to be completed in three years beginning from 1 January 2008.

At 19 June 2008, Cumhuriyet Halk Partisi, opposition party, appealed to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. As at the report date, there is no arbitrement of the Constitutional Court published.

The employer of pension fund participants (the Banks) will continue to pay the non-transferable social rights, which are already 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 the “Actuaries Regulation” which is issued as per the Article no.21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2009 which is 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. 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 tax 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 on annual taxable income. 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 TAS 12 – *Income Taxes*; deferred tax assets and liabilities are calculated using the temporary differences between the amounts of assets and liabilities in financial statements and the amounts taken into account in legal tax base, which create income taxes to be paid in forthcoming periods or to be taken back in future. The differences which occur at the acquisition date of assets or liabilities and which do not have any effect on financial or tax base profit are excluded from deferred tax asset/liability calculation.

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 method.

As at 31 December 2008, there are no convertible bonds or any other securities issued by the Bank.

XX. Shares and share issuances

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

XXI. Confirmed bills of exchange and acceptances

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

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

XXII. Government incentives

As at 31 December 2008, the Group does not have any government incentives.

XXIII. Segment reporting

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

XXIV. Other disclosures

Corrections to the prior periods' consolidated financial statements

The Bank has classified 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										
Reported Balances	726,687	132,696	3	20,419	207,713	27,651	37,472	37,586	196,583	4,693,718
Consolidation of TSKB per equity method	4	1,689	799	3,626	280	22,437	(38,778)	(6,133)	2,310	(13,766)
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	Revaluation Surplus on Tangible, Intangible Assets and Investment Property	Bonus Shares of Associates, Subsidiaries, and Joint-Ventures	Minority Shares	Total Shareholders' Equity
<i>31 December 2007</i>												
<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 per equity method	4	2,477	1,245	8,323	245	2,746	16,541	(28,036)	2,377	(10,330)	2,270	(2,138)
<i>Adjusted Balances</i>	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

After above corrections, consolidated capital adequacy ratio as at 31 December 2007 has been recalculated as 14.60%, which was previously reported as 14.74%.

Changes in accounting policies and valuation basis in the current period

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

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

Earnings per shares

As at and for the year ended 31 December 2008, earnings per share are YTL 0.3238 (31 December 2007: YTL 0.4146).

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 TAS 24 – *Related Party Disclosures*. Transactions made with related parties are disclosed in Section 5 Note VII.

Cash and cash equivalents

Cash and cash equivalents which is a base for preparation of statement of cash flows 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 of the Group

Written Premiums: Written premiums represent premiums on policies written during the period net of taxes and premiums of the cancelled policies which were produced in prior periods. Written premiums, net off ceded are recorded under other operating income in the accompanying consolidated income statement.

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

Reserve for outstanding claims: Reserve for the claims are provided in the year in which they incur, based on reported amounts or on the basis of estimates when the amounts could not be determined in certainty. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the balance sheet date as well as the corresponding handling costs. Incurred but not reported claims (“IBNR”) are also provided for under provisions for outstanding claims. Reserve for outstanding claims is presented under “insurance technical provisions” in the accompanying consolidated financial statements.

Mathematical provisions: Mathematical provisions are the provisions recorded against the liabilities of the Group to the beneficiaries of long-term life, health and individual accident policies based on actuarial assumptions. Mathematical provisions consist of actuarial mathematical provisions and profit sharing reserves.

Actuarial mathematical provisions are calculated as the difference between the net present values of premiums written in return of the risk covered by the Group and the liabilities to policyholders for long-term insurance contracts based on the basis of actuarial mortality assumptions as approved by the Turkish Treasury, which are applicable for Turkish Insurance Companies. In policies where the saving premium is written additionally, mathematical provision is the sum of the remainder of collected premiums and saving life insurance provision.

Profit sharing reserves are the reserves provided against income obtained from asset backing saving life insurance contracts. These contracts entitle the beneficiaries of those contracts to a minimum guaranteed crediting rate per annum or, when higher, a bonus rate declared by the Company from the eligible surplus available to date.

Mathematical provisions are presented under “insurance technical provisions” in the accompanying consolidated financial statements.

Deferred acquisition cost and deferred commission income: Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing insurance contracts are capitalized as deferred acquisition cost. Deferred acquisition costs are amortized on a straight-line basis over the life of the contracts. Deferred acquisition costs are presented under “other assets” in the accompanying consolidated financial statements. Commission income obtained against premiums ceded to reinsurance firms are also deferred and amortized on a straight-line basis over the life of the contracts. Deferred commission income is presented under “other external resources payable” in the accompanying consolidated financial statements.

SECTION FOUR

Information Related to Financial Position of the Group

I. Consolidated capital adequacy ratio

The Bank's consolidated capital adequacy ratio is 14.05% (Bank - unconsolidated: 14.30%).

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 - Bank's Risk Weights – 31 December 2008							Consolidated – Group's Risk Weights – 31 December 2008						
	0%	10%	20%	50%	100%	150%	200%	0%	10%	20%	50%	100%	150%	200%
Balance Sheet Items (Net)	10,578,295	-	1,058,832	9,025,856	23,026,698	32,253	158	10,828,942	-	1,493,945	9,025,856	24,149,876	32,253	158
Cash on Hand	439,633	-	14	-	-	-	-	443,949	-	14	-	-	-	-
Securities in Redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with the Central Bank of Turkey	801,315	-	-	-	-	-	-	801,315	-	-	-	-	-	-
Domestic and Foreign Banks, Foreign Head Offices and Branches	1,482,677	-	812,475	-	261,924	-	-	1,482,677	-	1,089,398	-	262,034	-	-
Interbank Money Market Placements	3,200,000	-	-	-	-	-	-	3,200,000	-	-	-	-	-	-
Receivables from Reverse Repurchase Agreements	-	-	-	-	-	-	-	500	-	-	-	-	-	-
Reserve Deposits	812,434	-	-	-	-	-	-	812,434	-	-	-	-	-	-
Loans	257,930	-	170,118	8,867,117	20,555,253	32,253	158	295,834	-	279,043	8,867,117	20,798,425	32,253	158
Loans under Follow-Up (Net)	-	-	-	-	85,088	-	-	-	-	-	-	97,114	-	-
Lease Receivables	-	-	-	-	-	-	-	3,884	-	-	-	292,848	-	-
Financial Assets Available-for-Sale	-	-	19,931	-	-	-	-	-	-	26,764	-	909	-	-
Investments Held-to-Maturity	3,275,520	-	34,960	-	-	-	-	3,465,201	-	45,103	-	-	-	-
Receivables from Term Sale of Assets	-	-	-	-	158,266	-	-	-	-	-	-	158,266	-	-
Miscellaneous Receivables	-	-	-	-	172,784	-	-	-	-	-	-	172,784	-	-
Accrued Interest and Income	218,203	-	21,334	158,739	368,003	-	-	230,602	-	53,623	158,739	375,614	-	-
Investments in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	-	538,088	-	-	-	-	-	-	165,947	-	-
Tangible Assets (Net)	-	-	-	-	821,046	-	-	-	-	-	-	974,525	-	-
Other Assets	90,583	-	-	-	66,246	-	-	92,546	-	-	-	851,410	-	-
Off-Balance Sheet Items	229,557	-	227,182	335,257	4,782,896	-	-	229,557	-	231,796	335,257	4,884,164	-	-
Non-Cash Loans and Commitments	229,557	-	193,895	335,257	4,782,777	-	-	229,557	-	193,895	335,257	4,884,045	-	-
Derivative Financial Instruments	-	-	33,287	-	119	-	-	-	-	37,901	-	119	-	-
Total Risk-Weighted Assets	10,807,852	-	1,286,014	9,361,113	27,809,594	32,253	158	11,058,499	-	1,725,741	9,361,113	29,034,040	32,253	158

Summary information related to capital adequacy ratio

	Unconsolidated		Consolidated	
	Current Year	Prior Year	Current Year	Prior Year
Value at Credit Risk	32,796,049	27,027,653	34,108,440	28,066,520
Value at Market Risk ^(**)	755,100	650,125	834,638	675,163
Value at Operational Risk ^(*)	4,130,525	3,642,163	5,045,400	5,001,488
Shareholders' Equity	5,389,879	4,799,690	5,619,673	4,925,341
Shareholders' Equity/ (VaCR+VaMR+VaOR)*100	14.30	15.32	14.05	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 Year	"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	303,514	200,418
I. Legal Reserve (Turkish Commercial Code 466/1)	163,567	110,602
II. Legal Reserve (Turkish Commercial Code 466/2)	-	-
Reserves allocated as per Special Legislations	139,947	89,816
Status Reserves	1,863	1,245
Extraordinary Reserves	1,359,384	544,788
Reserve allocated as per the Decision held by the General Assembly	1,109,553	346,569
Retained Earnings	249,831	198,219
Accumulated Losses	-	-
Exchange Rate Differences on Foreign Currency Capital	-	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-	-
Profit	801,732	1,056,197
Current Year's Profit	791,310	1,033,267
Prior Years' Profit	10,422	22,930
Free 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	219,329	205,351
Loss excess of Reserves (-)	-	-
Current Year's Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements (-)	-	49,346
Prepaid Expenses (-)	286,135	213,237
Intangible Assets (-)	33,409	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 (-)	-	-
Goodwill (net) (-)	-	-
Total Core Capital	5,912,538	5,234,715
SUPPLEMENTARY CAPITAL		
General Provisions	258,907	173,745
45% of Revaluation Surplus on Movables	5,625	5,637
45% of Revaluation Surplus on Immovables	-	-
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 of Securities Value Increase Fund (*)	(10,008)	40,884
Associates and Subsidiaries	9,715	1,613
Available-for-Sale Financial Assets	(19,723)	39,271
Inflation adjustment differences of Capital Reserves, Profit Reservers and Prior Years' Profit/(Loss)	-	-
Minority Shares	12,196	2,865
Total Supplementary Capital	268,271	224,852
TIER III CAPITAL	-	-
CAPITAL	6,180,809	5,459,567
DEDUCTIONS FROM CAPITAL	561,136	534,226
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership	1,292	4,870
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10% exceeding 10% or more of the Total Core and Supplementary Capitals	76,203	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	164,097	181,408
Others	-	-
TOTAL SHAREHOLDERS' EQUITY	5,619,673	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 credit risk

Credit risk is defined as the counterparty's possibility of failing to fulfill its obligations on the terms set by the agreement. Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely as the terms set. It covers the possible risks arising from futures and option agreements and other agreements alike and the credit risks arising from credit transactions that have been defined by the Banking Law.

In compliance with the articles 51 and 54 set forth in Banking Law and ancillary regulation, credit limits are set by the Bank for the financial position and credit requirements of customers within the authorization limits assigned for branches, regional directorates, lending departments, assistant general manager responsible of lending, general manager, credit committee and board of directors and credits are given regarding these limits in order to limit credit risk in lending facilities.

Credit limits are determined separately for the individual customer, company, group of companies, risk groups on the product basis. In accordance with the related Lending Policy, several criteria are used in the course of determining these credit limits. Customers should have a long-standing and a successful business past, a high commercial morality, possess a good financial position and a high morality, the nature of their business should be appropriate to use the credit, possess their commercial operations in an affirmative and a balanced manner, have experience and specialization in their profession, be able to adopt themselves to the economic conditions, to be accredited in the market, have sufficient equity capital, possess the ability to create funds with their operations and finance their placement costs. Additionally, the sector and the geographical position of customers, where they operate and other factors that may effect their operations are considered in the evaluation process of loans. Apart from ordinary intelligence operations, the financial position of the customer is mainly analyzed based on the balance sheets and the income statements for the six-months periods (June and December) provided by the loan customer, the documents received in accordance with the related regulation for their state of accounts and other related documents. Credit limits are subject to revision regarding the overall economic developments and the changes in the financial information and operations of the customers.

Collaterals for the credit limits are determined on a customer basis in order to ensure bank placements and their liquidity. The amount and type of the collateral are determined regarding the creditworthiness of the credit users. The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

The Bank has risk control limits for derivative transaction (futures, options, etc.) positions, which effects credit risk and market risk. The Bank enters into derivative transactions in order to hedge credit risk resulting from fluctuations in foreign currency exchange rates and interest rates.

For credit risk management purposes Risk Management Department performs

- the determination of credit risk policies in coordination with the Bank's other units,
- the determination and monitoring of the distribution of concentration limits with respect to sector, geography and credit type.
- the contribution to the formation of rating and scoring systems.
- the submission to the Board of Directors and the senior management of not only credit risk management reports about credit portfolio's distribution (borrower, sector, geographical region), credit quality (impaired loans, credit risk ratings) and credit concentration but also scenario analysis reports, stress tests and other analyses
- the studies regarding the formation of advanced credit risk measurement approaches.

Credit risk is defined and managed for all cash and non-cash agreements and transactions, which carry counterparty risk. Loans with renegotiated terms are followed in accordance with Bank's credit risk management and follow-up principles. The financial position and trading operations of related customers are continuously analyzed and principal and interest payments, scheduled in renegotiation agreement, are strictly controlled by related departments. In the framework of Bank's risk management concept, long term commitments are accepted more risky than short term commitments. Consequently risk limits defined for long term commitments and collaterals that should be taken against long term commitments are handled in a wider range compared to short term commitments.

Banking operations and lending activities carried in foreign countries are not exposed to material credit risks, due to related countries' financial conditions, customers and their operations.

The Bank's largest 200 cash loan customers compose 42.58% of the total cash loan portfolio.

The Bank's largest 200 non-cash loan customers compose 75.87% of the total non-cash loan portfolio.

The Bank's largest 200 cash loan customers compose 24.12% of total assets of the Bank and the Bank's largest 200 non-cash loan customers compose 35.48% of total off-balance sheet items.

The general provision for credit risk amounts to YTL 258,907 (31 December 2007: YTL 173,745).

Sectoral and geographical concentration of the credit risk

	Personal and commercial loans		Banks and other financial institutions		Marketable securities ^(*)		Other loans and receivables ^(**)	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Sectoral Concentration								
Private sector	19,137,518	13,805,028	1,196,010	652,685	10,748	-	3,677,678	5,469,353
Public sector	2,139,838	2,927,115	-	10,058	12,005,959	11,443,515	126,824	785,844
Banks	-	-	7,956,716	5,845,868	102,846	125,388	256,855	538,662
Individual customers	8,633,235	6,556,508	-	-	-	-	32,666	-
Equity securities	-	-	-	-	28,160	22,337	243,442	216,692
Total	29,910,591	23,288,651	9,152,726	6,508,611	12,147,713	11,591,240	4,337,465	7,010,551

Geographical Concentration

Domestic	29,657,105	23,009,490	6,240,075	4,393,523	12,014,714	11,449,547	3,105,438	4,292,934
EU countries	116,852	246,429	1,328,727	1,771,525	87,164	106,523	653,221	1,097,707
OECD countries ^(***)	-	-	21,608	23,919	-	-	46,241	306,974
Off-Shore banking regions	-	-	1,514	13,544	-	-	-	1,147
USA, Canada	21,538	12,986	1,557,435	206,685	45,835	35,170	80,285	387,358
Other countries	115,096	19,746	3,367	99,415	-	-	452,280	924,431
Total	29,910,591	23,288,651	9,152,726	6,508,611	12,147,713	11,591,240	4,337,465	7,010,551

^(*) Includes financial assets at fair value through profit or loss, available-for-sale financial assets, and held-to-maturity investment securities.

^(**) Includes transactions which are defined as loans according to article 48 of Banking Law act no 5411 and classified other than first three rows in Uniform Chart of Accounts.

^(***) Includes OECD countries other than EU countries, USA and Canada.

Geographical Concentration

31 December 2008	Assets	Liabilities	Non-cash loans	Capital expenditures	Current year's profit/(loss)
Domestic	51,018,498	46,235,551	6,273,971	230,269	806,830
EU countries	1,503,283	7,944,948	707,272	213	9,065
OECD countries (*)	21,608	56,635	131,878	-	-
Off-Shore countries	1,514	215,290	-	-	(6,291)
USA, Canada	1,625,780	18,657	61,062	-	-
Other countries	127,482	70,526	926,427	-	-
Subsidiaries, affiliates and joint-ventures	243,442	-	-	-	-
Unallocated assets/liabilities	-	-	-	-	-
Total	54,541,607	54,541,607	8,100,610	230,482	809,604

31 December 2007	Assets	Liabilities	Non-cash loans	Capital expenditures	Current year's profit/(loss)
Domestic	41,552,233	36,652,064	3,126,509	164,017	1,040,865
EU countries	2,023,446	7,089,560	1,203,601	-	9,632
OECD countries (*)	23,919	60,463	306,974	-	-
Off-Shore	14,577	161,796	303	-	(13,914)
USA, Canada	254,883	86,830	387,316	-	-
Other countries	127,170	162,207	916,422	-	-
Subsidiaries, affiliates and joint-ventures	216,692	-	-	-	-
Unallocated assets/liabilities	-	-	-	-	-
Total	44,212,920	44,212,920	5,941,125	164,017	1,036,583

(*) OECD countries other than EU countries, USA, and Canada

Sectoral distribution of cash loans

	Current Year				Prior Year			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	309,429	1.60	188,859	1.64	272,203	1.59	108,278	1.61
Farming and Stockbreeding	266,767	1.38	120,409	1.05	234,847	1.37	38,418	0.57
Forestry	31,062	0.16	1,541	0.01	29,134	0.17	21,314	0.32
Fishery	11,600	0.06	66,909	0.58	8,222	0.05	48,546	0.72
Manufacturing	2,364,755	12.20	4,729,035	41.28	2,279,296	13.34	2,861,418	42.62
Mining	224,354	1.16	145,489	1.27	488,795	2.86	77,725	1.16
Production	1,903,600	9.83	4,281,362	37.37	1,667,156	9.76	2,710,146	40.36
Electricity, Gas, Water	236,801	1.21	302,184	2.64	123,345	0.72	73,547	1.10
Construction	1,141,875	5.90	936,615	8.18	1,131,998	6.62	400,708	5.97
Services	3,744,986	19.37	4,403,744	38.45	3,646,347	21.34	2,537,370	37.79
Wholesale and Retail Trade	1,760,550	9.10	1,677,791	14.65	1,483,792	8.68	726,860	10.83
Hotel, Food and Beverage								
Services	129,019	0.67	728,805	6.36	146,479	0.86	232,725	3.47
Transportation and								
Telecommunication	1,271,162	6.57	820,316	7.16	1,578,251	9.24	879,154	13.09
Financial Institutions	365,853	1.89	1,084,287	9.47	275,935	1.61	579,915	8.64
Real Estate and Renting Services	57,249	0.30	32,081	0.28	17,039	0.10	9,517	0.14
"Self-Employment" Type								
Services	-	-	-	-	-	-	-	-
Educational Services	24,470	0.13	15,022	0.13	22,089	0.13	13,642	0.20
Health and Social Services	136,683	0.71	45,442	0.40	122,762	0.72	95,557	1.42
Others	11,793,931	60.93	1,197,310	10.45	9,758,390	57.11	806,655	12.01
Total	19,354,976	100.00	11,455,563	100.00	17,088,234	100.00	6,714,429	100.00

Gross and net amounts of individually impaired assets by risk grade

31 December 2008	Loans and receivables		Other assets	
	Gross	Net	Gross	Net
Grade 3 : Individually Impaired	106,360	85,088	-	-
Grade 4 : Individually Impaired	274,052	-	-	-
Grade 5 : Individually Impaired	1,144,164	4,059	69,913	7,967
Total	1,524,576	89,147	69,913	7,967

31 December 2007	Loans and receivables		Other assets	
	Gross	Net	Gross	Net
Grade 3 : Individually Impaired	67,684	-	1,131	-
Grade 4 : Individually Impaired	148,063	-	3,267	-
Grade 5 : Individually Impaired	975,956	469	48,030	-
Total	1,191,703	469	52,428	-

The Bank's rating system has grades between 1 to 5 according to the criteria set in the analyze report. Grades 1 to 2 are used to define performing loans while grades 3 to 5 are used to define non-performing loans. While grading customers, the Bank considers revenues, cash flows, operational performance of the companies, position of the companies in their sector, market intelligence, efficiency of the management, off balance sheet risks, balance sheet analysis, and general economic and market conditions.

Performing cash and non-cash loans by type of collateral

Cash loans ^(*)	31 December 2008	31 December 2007
Secured Loans:	22,681,987	17,705,269
Secured by cash collateral	71,468	6,118
Secured by mortgages	9,194,418	6,598,710
Secured by government institutions or government securities	228,250	161,984
Guarantees issued by financial institutions	109,411	99,006
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	13,078,440	10,839,451
Unsecured Loans	8,581,630	6,438,763
Total performing loans and other receivables	31,263,617	24,144,032

^(*) The related table includes loans, factoring receivables and finance lease receivables.

Non-cash loans	31 December 2008	31 December 2007
Secured Loans:	4,243,119	3,338,194
Secured by cash collateral	249,551	195,264
Secured by mortgages	1,442,811	1,003,575
Secured by government institutions or government securities	9,908	70
Guarantees issued by financial institutions	310,482	210,669
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	2,230,367	1,928,616
Unsecured Loans	3,857,491	2,602,931
Total non-cash loans	8,100,610	5,941,125

Fair value of collateral held against impaired loans

	31 December 2008	31 December 2007
Cash collateral ^(*)	-	-
Mortgage	635,457	441,898
Promissory note ^(*)	1,501	7,190
Others ^(**)	827,009	724,629
Total	1,463,967	1,173,717

^(*) As a Bank policy, it is aimed to utilize from cash collateral or liquidate promissory note for an impaired loan which is previously collateralized by cash collateral or promissory note to cover the credit risk. Hence, cash collateral is shown as zero in the table above.

^(**) Sureties obtained for impaired loans are presented in this raw at the amount of not exceeding total impaired loans.

Sectoral and geographical concentration of impaired loans

Sectoral	31 December 2008	31 December 2007
Durable consumption	129,878	95,637
Construction	123,512	110,724
Textile	116,458	91,359
Consumer loans	108,299	14,050
Food	86,710	93,591
Service sector	81,796	54,497
Agriculture and stockbreeding	37,835	11,108
Metal and metal products	35,818	54,294
Financial institutions	4,592	948
Others	869,591	717,923
Total non-performing loans and other receivables	1,594,489	1,244,131

Geographical	31 December 2008	31 December 2007
Turkey	1,586,074	1,241,823
Austria	8,415	2,308
Total non-performing loans and other receivables	1,594,489	1,244,131

Past due but not impaired loans and receivables

	31 December 2008 ^(*)	31 December 2007 ^(*)
Grade 1 : Low risk loans and receivables	333,793	485,896
Grade 2 : Loans and receivables under follow-up	88,993	87,851
Total	422,786	573,747

^(*) Loans, factoring receivables and finance lease receivables are included.

Aging of past due but not impaired loans and receivables

	31 December 2008 ^(*)	31 December 2007 ^(*)
0-30 days	210,931	10,694
30-60 days	163,868	270,329
60-90 days	47,987	292,724
Total	422,786	573,747

^(*) Loans, factoring receivables and finance lease receivables are included.

Undue and not impaired loans and receivables

	31 December 2008 ^(*)	31 December 2007 ^(*)
Grade 1 : Low risk loans and receivables	28,931,943	22,511,347
Grade 2 : Loans and receivables under follow-up	1,641,985	859,202
Total	30,573,928	23,370,549
Restructured loans	266,903	199,736
Total	30,840,831	23,570,285

^(*) Loans, factoring receivables and finance lease receivables are included.

III. 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 on balance sheet and off-balance sheet positions of the banks.

The capital need for general market risk and specific risks is calculated using the standard method defined by the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” and reported monthly.

In addition to the standard method, the Parent Bank also uses internal models like Historical and Monte Carlo Simulations in measuring market risk. The Parent 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 Parent 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	55,397
(II) Capital Obligation against Specific Risks - Standard Method	1,003
(III) Capital Obligation against Currency Risk - Standard Method	10,371
(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)	66,771
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	834,638

Monthly average values at market risk

	Current Year			Prior Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	90,289	113,111	55,397	22,459	30,047	12,200
Common share risk	1,067	1,124	1,003	737	2,084	135
Currency Risk	12,286	15,721	9,797	19,463	24,682	10,218
Stock risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option risk	-	-	-	-	-	-
Total value at risk	1,295,510	1,624,450	834,638	533,228	675,163	417,775

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 stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on equity as a result of change in the fair value of equity instruments held as available for sale financial assets at 31 December 2008 and 31 December 2007 due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in index	31 December 2008	31 December 2007
		Equity	Equity
ISE – 100 (IMKB- 100)	10%	76	108

IV. Operational risk

The Group calculated the value at operational risk in accordance with the fourth section which was effective starting from 1 June 2007, "Computation of Value of Operational Risk" of "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 26333 and dated 1 November 2006.

The amount calculated as YTL 403,632 from gross income for the years ended 31 December 2005, 2006 and 2007 and used for the calculation of capital adequacy ratio as at 31 December 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.

	31 December 2008	31 December 2007	31 December 2006	31 December 2005
(I) Net Interest Income	2,080,146	1,765,252	1,661,712	1,382,281
(II) Net Fees and Commission Income	468,475	360,414	289,553	296,532
(III) Dividends Income	6,508	33,306	16,765	12,240
(IV) Net Trading Income/(Loss)	149,507	242,144	73,399	212,335
(V) Other Operating Income	733,812	742,144	639,526	684,488
(VI) Income/(Loss) from sale of AFS and HTM				
Marketable Securities	98,412	93,445	70,918	147,148
(VII) Extraordinary Income	2,883	13,392	7,676	6,876
(VIII) Gross Income (I+II+III+IV+V-VI-VII)	3,337,153	3,036,423	2,602,361	2,433,852
(IX) Capital Requirement (Gross Income x %15)	500,573	455,463	390,354	365,078
(X) Average Operational Risk Capital Requirement	448,797	403,632	-	-
(XI) Value at Operational Risk (IX x 12.5)	5,609,963	5,045,400	-	-

V. Consolidated foreign currency exchange 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 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 at 31 December 2008, the Group does not have derivate financial instruments held for risk management purpose.

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 DOLLAR	EURO
The Bank's foreign currency purchase rate at the balance sheet date	1.5200	2.1230
Foreign currency rates for the days before balance sheet date:		
Day 1	1.4500	2.0303
Day 2	1.4500	2.0620
Day 3	1.4700	2.0654
Day 4	1.4500	2.0329
Day 5	1.4700	2.0534
	US DOLLAR	EURO
Last 30-days arithmetical average rate	1.5020	1.9931

Information on consolidated currency risk

Current Year	Euro	US Dollar	Yen	Other FCs	Total
Assets:					
Cash and Central Banks	200,661	1,077,674	65	4,122	1,282,522
Banks	1,030,183	1,636,515	676	44,169	2,711,543
Financial assets at fair value through profit or loss	36,302	39,057	-	-	75,359
Interbank Money Market Placements	-	-	-	-	-
Available-for-sale financial assets	593,476	1,082,907	-	-	1,676,383
Loans ^(*)	4,020,260	7,499,809	10,700	65,383	11,596,152
Subsidiaries, affiliates and joint-ventures	3	-	-	-	3
Held-to-maturity investment securities	382,770	1,251,830	-	-	1,634,600
Derivative financial assets held for risk management purpose	-	-	-	-	-
Tangible assets	1,460	716	-	-	2,176
Intangible assets	76	-	-	-	76
Other assets ^(**)	195,160	392,500	1	2,006	589,667
Total assets	6,460,351	12,981,008	11,442	115,680	19,568,481
Liabilities:					
Bank deposits	18,153	537,136	-	120	555,409
Foreign currency deposits	4,607,468	7,122,008	1,036	46,519	11,777,031
Interbank money market takings	261,375	431,985	-	-	693,360
Funds borrowed	2,367,986	3,572,478	-	56,147	5,996,611
Securities issued	-	-	-	-	-
Miscellaneous payables	46,175	92,221	-	440	138,836
Derivative financial liabilities held for risk management purpose	-	-	-	-	-
Other liabilities ^(***)	116,375	148,727	1,546	5,130	271,778
Total liabilities	7,417,532	11,904,555	2,582	108,356	19,433,025
Net 'On Balance Sheet' Position	(957,181)	1,076,453	8,860	7,324	135,456
Net 'Off-Balance Sheet' Position	1,081,896	(1,042,489)	(6,198)	-	33,209
Derivative assets	1,107,676	269,338	-	444	1,377,458
Derivative liabilities	25,780	1,311,827	6,198	444	1,344,249
Non-cash loans	1,840,874	2,636,954	38,146	129,249	4,645,223
Prior Year					
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 currency indexed loans amounting to YTL 136,530 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 136,530 results position for the Group when foreign exchange rates increase.

^(**) Prepaid expenses amounting to YTL 32,352 are not included.

^(***) Unearned income amounting to YTL 46,556 is not included.

Exposure to currency risk

A 10 percent devaluation of the YTL against the following currencies as at 31 December 2008 and 31 December 2007 would have effect on 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.

	31 December 2008		31 December 2007	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	9,277	5,586	19,363	23,734
EUR	3,139	3,259	707	2,984
Other currencies	895	895	1,812	1,846
Total, net	13,311	9,740	21,882	28,564

(*) Equity effect also includes profit or loss effect of 10% devaluation of YTL against related currencies.

VII. 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.

Bank's interest rate risk is measured by 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 repricing dates"

Current Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Non-Interest Bearing ^(*)	Total
Assets:							
Cash and Central Banks	1,665,139	-	-	-	-	443,963	2,109,102
Banks	2,512,108	82,349	51,345	-	-	189,812	2,835,614
Financial assets at fair value through profit or loss	40,518	26,027	32,636	24,781	21,217	487	145,666
Interbank money market placements	3,201,833	-	-	-	-	-	3,201,833
Available-for-sale financial assets	574,690	2,484,788	3,732,742	918,760	640,517	27,673	8,379,170
Loans	8,894,317	9,141,754	5,756,017	4,761,099	2,257,352	97,114	30,907,653
Held-to-maturity investment securities	110,734	1,063,486	704,184	547,204	1,258,312	-	3,683,920
Other assets ^(*)	70,991	184,620	120,615	320,454	-	2,581,969	3,278,649
Total assets	17,070,330	12,983,024	10,397,539	6,572,298	4,177,398	3,341,018	54,541,607
Liabilities:							
Bank deposits	1,454,791	16,668	-	-	-	1,825	1,473,284
Other deposits	16,817,071	11,570,841	1,609,370	913,901	3,059	5,326,245	36,240,487
Interbank money market takings	538,458	70,236	278,786	845,678	-	-	1,733,158
Miscellaneous payables	196	14,153	46,675	-	-	1,009,393	1,070,417
Securities issued	-	-	-	-	-	-	-
Funds borrowed	1,219,784	3,352,804	1,288,615	242,058	-	-	6,103,261
Other liabilities ^(**)	12,162	99,380	6,364	8,892	-	7,794,202	7,921,000
Total liabilities	20,042,462	15,124,082	3,229,810	2,010,529	3,059	14,131,665	54,541,607
On balance sheet long position	-	-	7,167,729	4,561,769	4,174,339	-	15,903,837
On balance sheet short position	(2,972,132)	(2,141,058)	-	-	-	(10,790,647)	(15,903,837)
Off-balance sheet long position	114,619	94,856	76,000	72,227	-	-	357,702
Off-balance sheet short position	(82,992)	(14,153)	(165,231)	(82,897)	-	-	(345,273)
Total position	(2,940,505)	(2,060,355)	7,078,498	4,551,099	4,174,339	(10,790,647)	12,429

^(*) 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 Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Non-Interest Bearing ^(*)	Total
Assets:							
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 or 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
Liabilities:							
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	-	-	-	-	-	-	-
Funds borrowed	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 stated 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

Current Year	Euro	US Dollar	Yen	YTL
	%	%	%	%
Assets:				
Cash and Central Bank	-	-	-	12.00
Banks	2.13	2.45	-	22.47
Financial sssets at fair value through profit or loss	5.50	11.88	-	18.88
Interbank money market placements	-	-	-	15.00
Available-for-sale financial assets	6.06	6.45	-	19.24
Loans	7.48	6.00	6.77	21.91
Held-to-maturity investment securities	6.89	7.43	-	19.37
Liabilities:				
Bank deposits	2.70	1.34	-	17.49
Other deposits	3.48	3.43	-	15.18
Interbank money market takings	5.27	3.66	-	17.71
Miscellaneous payables	-	-	-	-
Securities issued	-	-	-	-
Funds borrowed	4.65	3.29	-	17.43
Prior Year				
	Euro	US Dollar	Yen	YTL
	%	%	%	%
Assets:				
Cash and Central Bank	1.80	1.95	-	11.81
Banks	3.67	4.69	-	16.74
Financial sssets at fair value through profit or 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	-	-	-	-
Funds borrowed	4.81	5.90	-	14.77

Interest sensitivity

Interest rate sensitivity of the income statement is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2008.

Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 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 31 December 2007.

	Profit or loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2008				
Financial assets at fair value through profit or loss	(6,513)	8,194	(6,513)	8,194
Available-for-sale financial assets	-	-	(58,677)	60,925
Floating rate financial assets	224,716	(224,716)	224,716	(224,716)
Floating rate financial liabilities	(66,499)	66,499	(66,499)	66,499
Total, net	151,704	(150,023)	93,027	(89,098)

	Profit or loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2007				
Financial assets at fair value through profit or loss	(20,350)	23,273	(20,350)	23,273
Available-for-sale financial assets	-	-	(138,047)	143,084
Floating rate financial assets	163,597	(163,597)	163,597	(163,597)
Floating rate financial liabilities	(48,134)	48,134	(48,134)	48,134
Total, net	95,113	(92,190)	(42,934)	50,894

^(*) Equity effect also includes profit or loss effect of 100 bp increase or decrease in interest rates.

VII. 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 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 Year	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Undistributed (*)	Total
Assets:								
Cash and Central Bank	2,109,102	-	-	-	-	-	-	2,109,102
Banks	1,630,510	1,071,410	82,349	51,345	-	-	-	2,835,614
Financial assets at fair value through P/L	741	33,039	13,931	32,883	36,878	27,707	487	145,666
Interbank money market placements	-	3,201,833	-	-	-	-	-	3,201,833
Available-for-sale financial assets	-	201	188,513	2,157,900	4,452,964	1,551,919	27,673	8,379,170
Loans	-	3,240,762	2,523,394	7,970,326	13,151,648	3,924,409	97,114	30,907,653
Held-to-maturity investment securities	-	-	84,324	702,034	1,573,366	1,324,196	-	3,683,920
Other assets	92,815	231,780	231,956	164,950	409,743	-	2,147,405	3,278,649
Total assets	3,833,168	7,779,025	3,124,467	11,079,438	19,624,599	6,828,231	2,272,679	54,541,607
Liabilities:								
Bank deposits	1,825	1,454,791	16,668	-	-	-	-	1,473,284
Other deposits	5,326,245	16,817,071	11,570,841	1,609,370	913,901	3,059	-	36,240,487
Funds borrowed	-	126,583	154,251	2,574,223	318,828	2,929,376	-	6,103,261
Interbank money market takings	-	492,429	12,326	324,814	903,589	-	-	1,733,158
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	38,873	475,968	40,249	28,344	70,207	-	416,776	1,070,417
Other liabilities	1,525	69,649	4,133	213,163	73,682	37,874	7,520,974	7,921,000
Total liabilities	5,368,468	19,436,491	11,798,468	4,749,914	2,280,207	2,970,309	7,937,750	54,541,607
Liquidity gap	(1,535,300)	(11,657,466)	(8,674,001)	6,329,524	17,344,392	3,857,922	(5,665,071)	-
Prior Year								
Prior Year	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year 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
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 balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, intangible assets, associates, subsidiaries, miscellaneous receivables and shareholder's equity in the liabilities are included in this column.

VIII. Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Year	Prior Year	Current Year	Prior Year
Financial assets:				
Receivables from interbank	3,201,833	715,835	3,201,833	715,835
Banks	2,835,614	2,866,681	2,835,614	2,866,681
Available-for-sale financial assets	8,379,170	9,509,115	8,379,170	9,509,115
Held-to-maturity investment securities	3,683,920	1,664,351	3,621,537	1,674,882
Loans	30,907,653	23,803,132	30,615,256	23,845,571
Financial liabilities:				
Bank deposits	1,473,284	751,566	1,473,284	751,566
Other deposits	36,240,487	28,397,859	36,240,487	28,397,859
Funds borrowed	6,103,261	5,037,880	6,103,261	5,037,880
Securities issued	-	-	-	-
Miscellaneous payables	1,070,417	808,251	1,070,417	808,251

Fair values of available-for-sale financial assets and investments held-to-maturity are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

Fair value of fixed-interest loans are calculated by discounting cashflows with current market interest rates. For the loans with floating interest rate carrying value also represents fair value.

Fair value of other assets and liabilities is calculated by adding accumulated interest to initial price.

IX. Transactions carried out on behalf of customers, items held in trust

The Bank provides buying, selling and custody services and management and advisory services in financial matters for its customers. The Bank is not involved in trust activities.

X. 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, forfaiting, 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-center, 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 Year	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Operating profit	193,659	277,362	1,759,681	881,185	3,111,887
Undistributed expenses	-	-	-	(2,135,425)	(2,135,425)
Operating profit	193,659	277,362	1,759,681	(1,254,240)	976,462
Income from associates	-	-	-	-	18,072
Income before taxes	-	-	-	-	994,534
Provision for taxes	-	-	-	-	(184,930)
Net profit					809,604
Segment assets	8,669,273	23,894,137	17,753,138	1,198,351	51,514,899
Investments in associates and subsidiaries	-	-	-	243,442	243,442
Undistributed assets	-	-	-	2,783,266	2,783,266
Total assets	8,669,273	23,894,137	17,753,138	4,225,059	54,541,607
Segment liabilities	13,449,478	24,264,233	7,595,751	427,735	45,737,197
Shareholders' equity	-	-	-	5,932,228	5,932,228
Undistributed liabilities	-	-	-	2,872,182	2,872,182
Total Liabilities and Shareholders' Equity	13,449,478	24,264,233	7,595,751	9,232,145	54,541,607

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 Year		Prior Year	
	YTL	FC	YTL	FC
Cash	375,956	67,431	364,297	57,813
Central Bank of Turkey ^(*)	450,536	1,214,603	1,262,351	807,894
Others	88	488	77	868
Total	826,580	1,282,522	1,626,725	866,575

^(*) YTL 815,223 (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 48,601 (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% (31 December 2007: 6%) of the liabilities in Turkish Lira and 11% (31 December 2007: 11%) of the liabilities in foreign currencies.

In accordance with the announcement of TCMB regarding reserve requirements, dated 5 December 2008 and numbered 2008-63, the foreign currency reserve requirement ratio of banks which was 11% previously has been decreased by 2 points to 9%, aiming to diminish the negative effects of the current global credit problems and sustain foreign currency liquidity to banks.

The interest rate given by the Central Bank of Turkey is 12% for YTL reserve deposits and interest is not accrued for foreign currency reserve deposits as at 31 December 2008 (31 December 2007: YTL 11.81%, FC 1.95% , 1.80%).

Balances with the Central Bank of Turkey

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Unrestricted demand deposits	401,935	399,380	1,224,243	220,008
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Total	401,935	399,380	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 Year		Prior Year	
	YTL	FC	YTL	FC
Shares	27	-	490	-
Bonds, treasury bills and similar marketable securities	49	-	169	-
Others	-	-	-	-
Total	76	-	659	-

Trading securities subject to repurchase agreements

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Government Bonds	813	-	-	-
Treasury bills	-	-	-	-
Other debt securities	-	-	-	191,407
Bonds issued or guaranteed by banks	-	-	-	-
Asset backed securities	-	-	-	-
Others	-	-	-	-
Total	813	-	-	191,407

Derivative financial assets held for trading purpose

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Forward transactions	410	-	5,115	3
Swap transactions	6,491	54,142	17,149	16,846
Futures	-	-	-	-
Options	-	-	-	-
Others	-	-	-	-
Total	6,901	54,142	22,264	16,849

3. Banks

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Banks	124,071	2,711,543	859,321	2,007,360
Domestic banks	122,667	52,974	795,256	176,139
Foreign banks	1,404	2,658,569	64,065	1,831,221
Foreign head offices and branches	-	-	-	-
Total	124,071	2,711,543	859,321	2,007,360

Due from foreign banks

	Unrestricted Balances		Restricted Balances	
	Current Year	Prior Year	Current Year	Prior Year
EU countries	985,721	1,586,840	91,842	63,866
USA, Canada	1,500,085	206,685	57,350	-
OECD Countries (*)	21,608	23,919	-	-
Off-shore banking regions	1,009	12,465	505	1,079
Others	1,853	432	-	-
Total	2,510,276	1,830,341	149,697	64,945

(*) Includes OECD countries other than EU countries, USA, and Canada.

4. Information on available-for-sale financial assets

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

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar marketable securities	2,190,248	488,711	1,224,760	10,945
Others	-	-	-	-
Total	2,190,248	488,711	1,224,760	10,945

Available-for-sale financial assets subject to repurchase agreements

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Government bonds	1,125,762	146,155	931,117	906,987
Treasury bills	-	-	-	-
Other debt securities	-	361,499	-	397,186
Bonds issued or guaranteed by banks	-	43,124	-	54,927
Asset backed securities	-	-	-	-
Others	-	-	-	-
Total	1,125,762	550,778	931,117	1,359,100

Information related with available-for-sale financial assets

	Current Year	Prior Year
Debt instruments	8,428,325	9,511,551
Quoted	8,428,325	9,511,551
Unquoted	-	-
Equity instruments	80,495	79,446
Quoted	1,308	1,638
Unquoted	79,187	77,808
Impairment provision (-)	129,650	81,882
Total	8,379,170	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 100% provision as associates, subsidiaries and held-to-maturity assets impairment loss in accordance with the directives of BRSA.

As per the resolution of the Board of Directors dated 27 December 2007, it has been 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 Bank in the prior years, has been sold at a price of YTL 102 on 6 June 2007. The Bank has recorded gain on sale of equity shares amounting to YTL 25 in its financial statements.

In year 2008; Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonel Otelcilik AŞ shares which were previously presented as “Equity securities” under “Financial assets available for sale” with total carrying value of YTL 3,031 has been reclassified as “Investment in associates” in accordance with the directives of BRSA.

5. Information on loans

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

	Current Year		Prior Year	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	668	-	669
Corporate shareholders	-	668	-	669
Individual shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	40,844	44	31,977	17
Total	40,844	712	31,977	686

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	28,774,421	-	1,684,133	266,903
Discounted bills	261,097	-	-	16
Export loans	2,105,988	-	60,560	196,391
Import loans	-	-	-	-
Loans to financial sector	1,450,140	-	-	-
Foreign loans	100,646	-	-	-
Consumer loans	7,562,653	-	333,017	644
Credit cards	743,003	-	18,376	596
Precious metal loans	-	-	-	-
Others	16,550,894	-	1,272,180	69,256
Specialization loans	83,438	-	-	-
Other receivables	1,644	-	-	-
Total	28,859,503	-	1,684,133	266,903

Maturity analysis of cash loans

	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
Short-term loans	10,525,726	-	625,153	238,777
Loans	10,524,082	-	625,153	238,777
Specialization loans	-	-	-	-
Other receivables	1,644	-	-	-
Medium and long-term loans	18,333,777	-	1,058,980	28,126
Loans	18,250,339	-	1,058,980	28,126
Specialization loans	83,438	-	-	-
Other receivables	-	-	-	-

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

	Short-term	Medium and long-term	Total
Consumer loans – YTL	371,188	6,845,306	7,216,494
Housing loans	12,119	3,060,535	3,072,654
Automobile loans	2,871	125,983	128,854
General purpose loans	121,425	3,658,717	3,780,142
Others	234,773	71	234,844
Consumer loans – FC-indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Consumer loans – FC	4,082	-	4,082
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	4,082	-	4,082
Others	-	-	-
Retail credit cards – YTL	718,508	399	718,907
With installment	189,314	399	189,713
Without installment	529,194	-	529,194
Retail credit cards – FC	1,961	-	1,961
With installment	-	-	-
Without installment	1,961	-	1,961
Personnel loans – YTL	1,118	23,317	24,435
Housing loan	-	-	-
Automobile loans	-	-	-
General purpose loans	1,118	23,317	24,435
Others	-	-	-
Personnel loans - FC-indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Personnel loans – FC	356	-	356
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	356	-	356
Others	-	-	-
Personnel credit cards – YTL	15,994	-	15,994
With installment	5,343	-	5,343
Without installment	10,651	-	10,651
Personnel credit cards – FC	59	-	59
With installment	-	-	-
Without installment	59	-	59
Overdraft checking accounts– YTL (real persons)	650,947	-	650,947
Overdraft checking accounts– FC (real persons)	-	-	-
Total	1,764,213	6,869,022	8,633,235

Installment based commercial loans and corporate credit cards

	Short-term	Medium and long-term	Total
Installment-based commercial loans – YTL	258,468	4,570,815	4,829,283
Housing loans	22	110,431	110,453
Automobile loans	26,443	538,783	565,226
General purpose loans	232,003	3,921,601	4,153,604
Others	-	-	-
Installment-based commercial loans - FC-indexed	-	-	-
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	-	-	-
Others	-	-	-
Installment-based commercial loans – FC	237,310	57,294	294,604
Housing loans	-	-	-
Automobile loans	-	-	-
General purpose loans	237,043	-	237,043
Others	267	57,294	57,561
Corporate credit cards – YTL	24,904	-	24,904
With installment	1,124	-	1,124
Without installment	23,780	-	23,780
Corporate credit cards – FC	150	-	150
With installment	-	-	-
Without installment	150	-	150
Overdraft checking accounts– YTL (corporate)	72,707	-	72,707
Overdraft checking accounts– FC (corporate)	-	-	-
Total	593,539	4,628,109	5,221,648

Allocation of loan customers

	Current Year	Prior Year
Public sector	2,129,820	3,309,884
Private sector	28,680,719	20,492,779
Total	30,810,539	23,802,663

Allocation of domestic and foreign loans

	Current Year	Prior Year
Domestic loans	30,612,647	23,443,879
Foreign loans	197,892	358,784
Total	30,810,539	23,802,663

Loans to associates and subsidiaries

	Current Year	Prior Year
Direct loans granted to subsidiaries and investments	-	-
Indirect loans granted to subsidiaries and investments	-	-
Total	-	-

Specific provisions for loans

Specific Provisions	Current Year	Prior Year
Loans and receivables with limited collectibility	21,272	68,815
Loans and receivables with doubtful collectibility	274,052	151,330
Uncollectible loans and receivables	1,202,051	1,023,517
Total	1,497,375	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 Year	-	-	87,748
(Gross amounts before the specific reserves)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	-	-	87,748
Prior Year	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 year end balance	68,815	151,330	1,023,986
Additions (+)	575,142	1,237	25,009
Transfers from other categories of loans under follow-up (+)	110,487	524,290	474,356
Transfers to other categories of loans under follow-up (-)	569,800	343,303	222,394
Collections (-)	78,284	59,502	101,628
Write-offs (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Others	-	-	-
Currency differences	-	-	14,748
Current year end balance	106,360	274,052	1,214,077
Specific provision (-)	21,272	274,052	1,202,051
Net Balance on balance sheet	85,088	-	12,026

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 Year			
Net balance at the end of period	393	58,733	301,806
Specific provision (-)	79	58,733	291,654
Net balance on balance sheet	314	-	10,152
Prior Year			
Net balance at the end of the year	6,133	10,232	283,063
Specific provision (-)	6,133	10,232	282,594
Net balance on balance sheet	-	-	469

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)			
Consumer and commercial loans (Gross)	85,088	-	12,026
Specific provision (-)	105,650	273,599	1,114,448
Consumer and commercial loans (Net)	21,130	273,599	1,111,914
Banks (Gross)	84,520	-	2,534
Specific provision (-)	-	-	4,602
Banks (Net)	-	-	3,077
Other loans and receivables (Gross)	710	453	95,027
Specific provision (-)	142	453	87,060
Other loans and receivables (Net)	568	-	7,967
Prior Year (Net)			
Consumer and commercial loans (Gross)	-	-	469
Specific provision (-)	58,997	147,503	960,086
Consumer and commercial loans (Net)	58,997	147,503	959,617
Banks (Gross)	-	-	469
Specific provision (-)	-	-	1,551
Banks (Net)	-	-	1,551
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	9,818	3,827	62,349
Other loans and receivables (Net)	9,818	3,827	62,349
Other loans and receivables (Net)	-	-	-

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 standardised loans, charge off decisions generally are based on a product specific past due status.

6. Information on investment securities held-to-maturity

Public sector held-to-maturity debt securities

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Government bonds	2,033,789	45,126	1,457,965	-
Treasury bills	15,531	-	-	-
Other government securities	-	1,543,571	-	162,491
Total	2,049,320	1,588,697	1,457,965	162,491

Information on held-to-maturity investment securities

	Current Year	Prior Year
Debt Securities	3,688,585	1,664,935
Quoted at stock exchange	3,653,500	1,629,765
Unquoted at stock exchange	35,085	35,170
Impairment losses (-)	4,665	584
Total	3,683,920	1,664,351

The movement of held-to-maturity investment securities

	Current Year	Prior Year
Balances at the beginning of year	1,664,351	280,451
Foreign currency differences on monetary assets	64,305	(14,007)
Purchases during the year	2,949,375	1,751,341
Disposals through redemptions	(1,060,406)	(435,582)
Impairment losses (-)	(4,511)	(584)
Change in amortized costs ^(*)	70,806	82,732
Balances at the end of year	3,683,920	1,664,351

^(*) Changes in the amortized cost of held-to-maturity investment securities are included in this column.

The Parent Bank reclassified certain investment securities that were previously classified in trading portfolio to its held-to-maturity investment securities portfolio in 2008. These investment securities have been included in held-to-maturity investment securities portfolio with their fair values as at the reclassification dates. These reclassifications are presented in "purchases during the year" line in the movement table of held-to-maturity investment securities.

Date of reclassification	Foreign exchange	Face value (FC'000)	Fair value as at reclassification date(FC'000)
31 October 2008	US Dollar	99,386	145,760
		99,386	145,760
31 October 2008	Euro	40,066	45,867
		40,066	45,867

The Parent Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of YTL 1,325,000,000 (full YTL), US Dollar 610,000,000 (full US Dollar), and EUR 75,000,000 (full EUR) to its held-to-maturity investment securities portfolio at their fair values of YTL 1,213,358,500 (full YTL), US Dollar 590,404,170 (full US Dollar), and EUR 68,996,250 (full EUR) respectively as at 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 amounting YTL (9,529,171) (full YTL), US Dollar (13,044,045) (full US Dollar), and EUR (5,325,575) (full EUR) respectively, are recorded under the shareholders’ equity and will be amortized through the statement of income until their maturities.

Additionally, the Parent 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 at 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 Year	Cost		Carrying Value	
	YTL	FC	YTL	FC
Collateralized/blocked Investments	1,330,165	80,408	1,442,356	82,312
Investments subject to repurchase agreements	58,494	388,511	62,044	400,326
Held for structural position	-	-	-	-
Receivable from security borrowing market	-	-	-	-
Collateral for security borrowing market	-	-	-	-
Others ^(*)	535,006	1,122,063	544,920	1,151,962
Total	1,923,665	1,590,982	2,049,320	1,634,600

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

^(*) In the “Others” column, the securities held as free that are not treated by the Group as subject of collateral/blockage or other transactions.

7. Investments in associates

Unconsolidated investments in associates

	Title	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	25.00	25.13
2	Roketsan Roket Sanayi ve Ticaret AŞ	Ankara/Turkey	10.00	10.00
3	Bankalararası Kart Merkezi AŞ	İstanbul/ Turkey	9.70	9.70
4	Kredi Kayıt Bürosu AŞ (*)	İstanbul/ Turkey	9.09	9.09
5	Güçbirliği Holding AŞ	İzmir/ Turkey	0.07	0.07
6	İzmir Enternasyonal Otelcilik AŞ	İstanbul/ Turkey	5.00	5.00

	Total Assets	Shareholders' Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Year's Profit/Loss	Company's Fair Value (if available)
1	-	-	-	-	-	-	-	-
2	365,502	146,616	148,554	4,281	6	10,207	(3,642)	-
3	16,962	13,333	5,734	1,665	-	1,533	1,157	-
4	19,864	17,770	2,321	1,173	705	4,528	2,888	-
5	109,270	35,797	91,005	178	-	(12,947)	(137)	-
6	110,240	50,182	103,404	72	-	(12,159)	11,104	-

(*) The financial statements as at and for the nine-month period ended 30 September 2008.

In year 2007, Roketsan Roket Sanayi ve Ticaret AŞ shares which were previously presented as “Equity securities” under “Financial assets available for sale” with carrying value of YTL 7,594 has been reclassified as “Non-financial associates”.

In year 2008, Bankalararası Kart Merkezi AŞ, Kredi Kayıt Bürosu AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal Otelcilik AŞ shares which were previously presented as “Equity securities” under “Financial assets available for sale” with total carrying value of YTL 3,031 has been reclassified as investment in associates in accordance with the directives of BRSA.

Since the Bank's share in Vakıf Gayrimenkul Değerleme AŞ has increased to 54.29%, it has been reclassified as “Subsidiary” which were previously presented as “Associate”.

As per the resolution of the Board of Directors of the Bank on 3 April 2008, it is decided to work on disposal process of Roketsan Roket Sanayi AŞ (“Roketsan”), 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.

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

Since İşkur İşçi İşadamı Kimya Kuruluşları AŞ, Roketsan Roket Sanayi ve Ticaret AŞ, Güçbirliği Holding AŞ and İzmir Enternasyonal Otelcilik AŞ are not among the financial subsidiaries of the Group; and the asset sums of Bankalararası Kart Merkezi AŞ and Kredi Kayıt Bürosu AŞ are less than the 1% of the Bank's assets sum, these companies have not been consolidated. The related subsidiaries have been accounted according to the related provisions of TAS 39.

Consolidated investments in associates

Title	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.	İstanbul/Turkey	11.75	21.77
3 Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	Ankara/Turkey	27.63	29.47
4 Türkiye Sınai Kalkınma Bankası AŞ	İstanbul/Turkey	8.38	8.38

Total Assets	Shareholders' Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Years' Profit/Loss	Company's Fair Value
1 589,800	39,979	5,067	88,057	1,203	5,699	5,412	-
2 11,627	11,547	57	525	(3,499)	(4,519)	2,228	500
3 70,957	70,814	35,570	1,196	3,951	8,113	5,197	5,424
4 6,339,915	808,025	246,252	206,414	218,109	116,464	119,889	37,112

Movement of investments in associates

	Current Year	Prior Year
Balance at beginning of the year	81,887	81,539
Movements during the year	(35,732)	348
Acquisitions and capital increases	294	-
Bonus shares received	8,604	9,292
Dividends from current year profit	-	-
Sales/liquidations	-	-
Revaluation increase, inflation correction difference and currency difference on foreign subsidiaries	(44,630)	(8,944)
Impairment losses	-	-
Balance at the end of the year	46,155	81,887
Capital commitments	-	-
Share percentage at the end of year (%)	-	-

The Bank has reclassified Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") shares as "Financial associates", which were previously presented as "Equity securities" under "Available-for-sale financial assets". In the table presented above, the beginning balances have been restated according to TSKB's fair value as at the related periods.

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.

Sectoral distribution of investments and associates

	Current Year	Prior Year
Banks	40,231	68,262
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial associates	5,924	13,625
Total	46,155	81,887

Quoted associates

	Current Year	Prior Year
Quoted to domestic stock exchanges	43,036	78,768
Quoted to international stock exchanges	-	-
Total	43,036	78,768

Investments in associates sold during the current year

There is not any sale of associates in the current period.

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

Investments in associates acquired during the current year

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

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

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

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

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

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

8. Investments in subsidiaries

Unconsolidated investments in subsidiaries

Title	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	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
6 Vakıf Gayrimenkul Değerleme AŞ	Ankara/ Turkey	54.29	58.54

	Total Assets	Shareholder's Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Years' Profit/(Loss)	Company's Fair Value
1	61,481	45,131	49,758	752	-	(3,161)	2,672	21,722
2	-	-	-	-	-	-	-	-
3	230,729	226,731	84,894	12,389	109	22,970	(8,354)	-
4	4,543	4,503	12	506	240	328	(59)	1,281
5	14,304	9,316	411	1,567	280	2,666	2,249	10,950
6	13,316	9,985	653	1,239	245	4,395	4,387	16,287

Since the Parent Bank's share on Vakıf Gayrimenkul Değerleme AŞ has increased to 54.29%, Bank has reclassified Vakıf Gayrimenkul Değerleme AŞ shares as "Subsidiary" which were previously presented as "Associate".

In year 2008, Vakıf Gayrimenkul Değerleme AŞ, a subsidiary of the Parent Bank, increased its paid-in capital from the Bank sources by YTL 1,500 from YTL 2,000 to YTL 3,500.

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, which the Bank owns 73% of its outstanding shares.

The sales contract has been signed as at 7 March 2008 for the sale of the Parent Bank's total shares of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ consisting of (A) Group share with a percentage of 25.00 and (B) Group share with a percentage of 6.00, 31.00% in total, to the Multinet Kurumsal Hizmetler AŞ and also for the sale of the shares with a percentage of 0.15 in total and consisting of (B) Group share of Vakıf Finansal Kiralama AŞ with a percentage of 0.05, (B) Group share of Vakıf Deniz Finansal Kiralama AŞ with a percentage of 0.05 and (B) Group share of Güneş Sigorta AŞ with a percentage of 0.05 to CFK Kurumsal Finansal Danışmanlık AŞ. Selling price for the shares has been determined as YTL 3,129. Authorization of the Capital Markets Board is needed for the sales transaction to be closed. Based on the application to the Capital Markets Board ("CMB") for the realization of sales transaction, it has been specified that "in our meeting dated 15 October 2008 and numbered 27 which the request has been discussed, it is decided not to take the related request into consideration in this stage" with CMB article no. B.02.1.SPK.0.15-1027 and dated 24 October 2008. Based on the the decision of Capital Market Board, it has been decided to prolong activities regarding the sales and continue the business activities as a venture-capital trust. However, in order to make up venture- capital trust portfolio, the term has been extended for one-year in accordance with clause B of the CMB decision no. 39/1206 and dated 23 September 2008. The Bank has appealed CMB via the letter no. 34 dated 15 January 2009, for the sale of the Bank's total shares of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ to Multinet Kurumsal Hizmetler AŞ and CFK Kurumsal Finansal Danışmanlık AŞ to be reconsidered.

In year 2007, Taksim Otelcilik AŞ, a subsidiary of the Parent Bank, increased its paid-in capital from internal sources by YTL 4,150 from YTL 93,000 to YTL 97,150

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

As at 31 December 2008, Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ, one of the subsidiaries, has been accounted at its fair value in the accompanying consolidated financial statements since its assets sum is less than the 1% of the Bank's assets.

Vakıf Enerji ve Madencilik AŞ, Ataköy Mağazacılık Ticaret AŞ, Taksim Otelcilik AŞ, Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ and Vakıf Gayrimenkul Değerleme 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

Title	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 Year's Profit / (Loss)	Prior Year's Profit / (Loss)	Company's Fair Value
1-	634,262	249,077	169,068	2,914	20,044	9,547	4,480	71,699
2-	849,717	106,470	36,929	3,820	63,665	16,416	22,846	73,223
3-	164,989	53,818	105	24,301	-	10,013	(31,409)	33,708
4-	286,149	37,474	5,287	20,972	23	4,313	(3,382)	14,854
5-	101,119	(850)	235	10,946	3	(1,704)	(9,570)	-
6-	67,187	49,573	9,055	7,399	1,401	5,338	5,176	-
7-	1,017,899	102,038	1,540	35,678	12,106	9,065	9,632	100,158
8-	17,414	(19,005)	-	2,133	-	(6,291)	(13,914)	-
9-	4,351	4,228	36	317	290	1,039	832	-

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

As per the resolution 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.

According to the resolution of the Bank's Board of Directors on 15 May 2008, it is decided to sell the shares of consolidated subsidiaries Güneş Sigorta AŞ and Vakıf Emeklilik AŞ partially or entirely, however after resolution date, sales transaction of related subsidiaries has been cancelled due to global economic crisis. Therefore, sale oriented operations has been stopped and the process has been ended.

Movement of consolidated investments in subsidiaries

	Current Year	Prior Year
Balance at the beginning of the year	367,243	264,847
Movements during the year	(33,266)	102,396
Acquisitions and capital increases	-	5,685
Bonus shares received	-	27,262
Dividends from current year's profit	-	-
Sales and liquidations	-	-
Revaluation increase, inflation correction difference and currency difference on foreign subsidiaries	(33,266)	69,449
Impairment losses	-	-
Balance at the end of the year	333,977	367,243
Capital commitments	-	-
Share percentage at the end of year (%)	-	-

Valuation methods of investments in subsidiaries

	Current Year	Prior Year
Valued at cost	40,335	105,709
Valued at fair value	293,642	261,534
Valued by equity method of accounting	-	-
Total	333,977	367,243

Sectoral distribution of financial investments in subsidiaries

	Current Year	Prior Year
Banks	100,158	41,073
Insurance companies	144,922	172,456
Factoring companies	33,708	24,301
Leasing companies	14,854	89,078
Finance companies	-	-
Other financial subsidiaries	40,335	40,335
Total	333,977	367,243

Quoted subsidiaries

	Current Year	Prior Year
Quoted at domestic stock exchanges	86,553	188,311
Quoted at international stock exchanges	-	-
Total	86,553	188,311

Investments in subsidiaries disposed during the current year

None.

Investments in subsidiaries subject to consolidation purchased during the current year

There is not any subsidiary subject to consolidation purchased in 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 Portföy Yönetim AŞ, which has a nominal paid in capital of YTL 1,500, previously owned by Vakıf Yatırım Ortaklığı AŞ. The sale price amounting to USD 4,300,000 was determined by an independent appraiser.

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

9. Investments in joint-ventures

None.

10. Information on finance lease receivables

Finance lease receivables according to remaining maturities

	Current Year		Prior Year	
	Gross	Net	Gross	Net
Less than 1 year	113,188	99,168	13,570	13,338
Between 1-4 years	215,063	188,930	251,748	217,957
Longer than 4 years	10,768	10,540	68,423	52,539
Total	339,019	298,638	333,741	283,834

Net finance lease receivables

	Current Year	Prior Year
Gross finance lease receivables	339,019	333,741
Unearned income on finance lease receivables (-)	(40,381)	(49,907)
Terminated lease contracts (-)	-	-
Net finance lease receivables	298,638	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 purpose

None.

12. Information on tangible assets

	Real estates	Tangible assets held through finance leases	Vehicles	Other tangible assets	Total
Balance at the end of the prior year:					
Cost	1,022,359	208,523	29,960	337,995	1,598,837
Accumulated depreciation(-)	200,368	130,438	19,693	245,132	595,631
Net book value	821,991	78,085	10,267	92,863	1,003,206
Balance at the end of the current year:					
Net book value at the beginning of the current year	821,991	78,085	10,267	92,863	1,003,206
Additions	75,644	16,761	5,017	112,754	210,176
Disposals (-)	31,884	1,022	430	1,960	35,296
Value increase	-	-	-	-	-
Impairment losses (-)	-	-	-	-	-
Depreciation of the current year (-)	29,081	23,344	4,137	38,894	95,456
Currency translation diff. on foreign operations (-)	5	-	-	310	315
Cost at the end of the current year	1,066,124	224,262	34,547	449,099	1,774,032
Accumulated depreciation at the end of the year	229,449	153,782	23,830	284,026	691,087
Net book value at the end of the current year	836,675	70,480	10,717	165,073	1,082,945

Considering the related assets, there are no specific amounts allocated or cancelled for the impairments which have not been recorded in the current year, or cancelled and which possess not individually but an overall significance for the consolidated financial statements.

Assets held for sale amounting to YTL 76,635 has been reclassified as assets for own use in accordance with the BRSA permission numbered 7061 and dated 24 May 2007.

13. Information on intangible assets

Bank's intangible assets consist of computer softwares. The estimated useful life of intangible assets is five years. Intangible assets are amortized on a straight-line basis over the estimated useful lives.

In current year an intangible asset that presents severity for the financial statements does not exist. Additionally Bank does not have intangible assets, which are obtained by government incentives, recorded at fair value, have utilisation restrictions or have been pledged.

The Bank did not have commitment to purchase intangible assets. In the current year Bank has not capitalised research and development expense.

14. Information on investment properties

As at 31 December 2008, The Group has investment property amounting to YTL 54,119 in total which consists of the net book value amounting to YTL 35,469 for the subsidiaries operating in the field of real estate investment sector and the net book value amounting of YTL 18,650 for the subsidiaries operating in the insurance business (31 December 2007: 56,786).

15. Information on deferred tax assets

Items generating deferred tax assets or liabilities are listed below as at 31 December 2008 and 2007:

	Current Year	Prior Year
BRSA – Tax Code depreciation differences	34,521	26,704
ETI and vacation pay provisions	18,903	28,023
Valuation differences of financial assets and liabilities	16,807	2,367
Other provisions	11,455	5,362
Valuation difference for associates and subsidiaries	8,570	21,140
Others	4,255	2,533
Deferred tax assets	94,511	86,129
Net-off of the deferred tax assets and liabilities from the same entity	(7,745)	(36,280)
Deferred tax assets (net)	86,766	49,849
	Current Year	Prior Year
Valuation differences for financial assets and liabilities	2,583	33,941
Valuation difference for associates and subsidiaries	1,435	3,963
Others	10,033	4,008
Deferred tax liabilities	14,051	41,912
Net-off of the deferred tax assets and liabilities from the same entity	(7,745)	(36,280)
Deferred tax liabilities (net)	6,306	5,632

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

As at 31 December 2008, net book value of asset held for sale is YTL 1,558 (31 December 2007: YTL 1,702).

17. Information on other assets

Details of other assets as at 31 December 2008 and 2007 are as follows:

	Current Year	Prior Year
Receivables from insurance operations	605,411	486,177
Prepaid expenses	286,135	213,237
Receivables from term sale of assets	158,266	138,749
Receivables from derivative financial instruments	84,558	69,344
Receivables from credit cards	52,416	30,087
Receivables from lawsuit and court expenses	30,691	24,455
Deferred acquisition costs	11,740	28,191
Others	92,862	27,821
Total	1,322,079	1,018,061

II. Information and disclosures related to consolidated liabilities

1. Information on maturity profile of deposits

<i>Current Year</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	839,372	-	732,245	6,924,356	168,677	10,169	28,087	-	8,702,906
Foreign currency deposits	1,108,645	-	2,552,843	5,646,991	870,682	431,140	1,166,730	-	11,777,031
Residents in Turkey	1,077,544	-	2,544,377	5,625,775	866,969	279,838	652,349	-	11,046,852
Residents in abroad	31,101	-	8,466	21,216	3,713	151,302	514,381	-	730,179
Public sector deposits	1,078,139	-	1,041,733	1,721,947	123,714	71	1,370	-	3,966,974
Commercial deposits	819,772	-	1,873,345	3,369,546	116,177	40,508	1,172	-	6,220,520
Others	1,480,317	-	525,034	3,420,681	136,301	413	10,310	-	5,573,056
Precious metal deposits	-	-	-	-	-	-	-	-	-
Bank deposits	1,825	-	1,068,819	402,640	-	-	-	-	1,473,284
Central Bank	65	-	-	-	-	-	-	-	65
Domestic banks	134	-	1,021,638	398,603	-	-	-	-	1,420,375
Foreign banks	1,366	-	47,181	4,037	-	-	-	-	52,584
Participation banks	260	-	-	-	-	-	-	-	260
Others	-	-	-	-	-	-	-	-	-
Total	5,328,070	-	7,794,019	21,486,161	1,415,551	482,301	1,207,669	-	37,713,771

<i>Prior Year</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
Others	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
Others	-	-	-	-	-	-	-	-	-
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 Year	Prior Year	Current Year	Prior Year
Saving deposits	4,549,510	3,654,728	4,153,396	3,208,160
Foreign currency saving deposits	1,341,128	1,286,065	2,739,340	1,893,244
Other saving deposits	-	-	-	-
Foreign branches' deposits under foreign insurance coverage	-	-	-	-
Off-Shore deposits under foreign insurance coverage	-	-	-	-
Total	5,890,638	4,940,793	6,892,736	5,101,404

Saving deposits out of insurance coverage limits

	Current Year	Prior Year
Deposits and other accounts at foreign branches	591	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	2,792	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	6,661	14,582

2. Information on trading derivatives

Negative value of derivative financial liabilities held for trading purpose

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Forwards	406	-	4,959	1
Swaps	5,145	21,576	15,044	2,286
Futures	-	-	-	-
Options	-	-	-	-
Others	-	-	-	-
Total	5,551	21,576	20,003	2,287

3. Information on banks and other financial institutions

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic banks and financial institutions	106,650	345,265	52,619	274,947
Foreign banks, financial institutions and funds	-	5,651,346	-	4,710,314
Total	106,650	5,996,611	52,619	4,985,261

Maturity information of funds borrowed

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Short-term	106,650	1,940,515	52,619	1,430,792
Medium and long-term	-	4,056,096	-	3,554,469
Total	106,650	5,996,611	52,619	4,985,261

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 12.56% (31 December 2007: 12.96%) of the Group's liabilities. There is no risk concentration on funding sources of the Bank.

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

On 3 December 2007, the Parent Bank has obtained syndication loan of US Dollar 375 million with one year of maturity with the participation of 23 international banks. On 19 December 2008, the Bank has renewed the syndication loan by the amount of US Dollar 335 million with US Libor+2% and EUR Libor+2%, with the participation of 12 banks.

On 22 May 2007, the Parent 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.

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 derivative financial liabilities held for risk management purpose

Negative value of hedging purpose derivatives

None.

7. Information on provisions

Information on general provisions

	Current Year	Prior Year
Provisions for loans and receivables in Group I	202,266	151,077
Provisions for loans and receivables in Group II	36,860	7,099
Provisions for non-cash loans	19,531	15,390
Others	250	179
Total	258,907	173,745

Assets subject to general provision and provision amounts as per risk gradings

Current Year	Balance sheet items		Off balance sheet items	
	Book value	Provision	Book value	Provision
Grade 1 : Low risk loans and receivables	27,973,138	199,506	13,602,667	18,952
Grade 2 : Loans under follow-up	1,740,282	35,436	144,692	579
Restructured loans	208,792	1,424	-	-
Others - not graded assets	673,284	2,760	1,225,095	250
Total	30,595,496	239,126	14,972,454	19,781

Prior Year	Balance sheet items		Off balance sheet items	
	Book value	Provision	Book value	Provision
Grade 1 : Low risk loans and receivables	21,937,130	141,534	8,302,084	15,075
Grade 2 : Loans under follow-up	947,053	6,049	173,207	315
Restructured loans	235,182	1,050	-	-
Others - not graded assets	2,283,973	9,543	738,696	179
Total	25,403,338	158,176	9,213,987	15,569

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

None.

Provisions for non-cash loans that are not indemnified or converted into cash

	Current Year	Prior Year
Non-cash loans with limited collectibility	1,602	1,956
Non-cash loans with doubtful collectibility	7,914	11,613
Uncollectible non-cash loans	95,947	68,823
Total	105,463	82,392

Information on other provisions

None.

Information on other provisions exceeding 10% of total provisions

	Cari Dönem	Önceki Dönem
Specific provisions for non-cash loans	105,463	82,392
Provisions for law suits initiated against the Group	32,602	27,545
Provisions for credit card promotions	9,022	7,890
Others	16,433	5,759
Total	163,520	123,586

8. Taxation

Current Taxes

Tax provision

As at 31 December 2008, Group has corporate tax liabilities amounted to YTL 50,112 (31 December 2007: YTL 83,464), after deducting prepaid taxes.

Information on taxes payable

	Current Year	Prior Year
Corporate taxes payable	50,112	83,464
Taxation on securities	91,324	52,709
Capital gains tax on property	663	477
Banking and Insurance Transaction Tax (BITT)	32,546	22,364
Taxes on foreign exchange transactions	-	1,311
Value added tax payable	1,173	1,134
Others	16,538	15,166
Total	192,356	176,625

Information on premiums payable

	Current Year	Prior Year
Social security premiums- employee share	447	452
Social security premiums- employer share	444	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	376	302
Unemployment insurance- employer share	745	542
Others	2	-
Total	2,014	1,837

Information on deferred tax liability

Disclosed in Note 15 of information and disclosures for assets.

9. Information on payables for assets held for resale and tangible assets related to discounted activities

None.

10. Information on subordinated loans

None.

11. Information on shareholders' equity

Paid-in capital

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

Paid-in capital of the Bank amounted to YTL 2,500,000 is divided into groups comprised of 43.0% Group (A), 15.64% Group (B), 16.18% Group (C) and 25.18% 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
Basic capital system	2,500,000	5,000,000

The registered capital ceiling 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 year

There is no share capital increase in the current and the previous year.

Information on share capital increases from revaluation funds

None.

Capital commitments for current financial year and following year

None.

Prior year indicators of the 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.

Valuation differences of the marketable securities

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Associates, subsidiaries and JV's	9,715	-	3,584	-
Fair value differences	57,000	(76,723)	45,642	41,627
Foreign exchange differences	-	-	-	-
Total	66,715	(76,723)	49,226	41,627

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

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

	Current Year	Prior Year
Commitments for credit card limits	3,050,410	3,067,930
Commitments for cheque payments	1,456,567	1,330,395
Loan granting commitments	1,273,207	1,452,873
Asset purchase commitments	293,765	207,135
Total	6,073,949	6,058,333

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

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

The Bank provided specific provision amounting to YTL 105,463 (31 December 2007: YTL 82,392) for unliquidated non-cash loans recorded under off-balance sheet items, amounting to YTL 111,873 (31 December 2007: YTL 82,392).

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Year	Prior Year
Provisional letters of guarantee	102,621	107,807
Final letters of guarantee	4,112,388	3,432,155
Letters of guarantee for advances	1,035,225	545,641
Letters of guarantee given to custom offices	182,196	82,595
Other letters of guarantee	249,835	194,539
Total	5,682,265	4,362,737

2. Non-cash loans

	Current Year	Prior Year
Non-cash loans given against for cash loan risks	405,492	427,846
With original maturity of 1 year or less	132,743	169,739
With original maturity of more than 1 year	272,749	258,107
Other non-cash loans	7,695,118	5,513,279
Total	8,100,610	5,941,125

3. Sectoral risk concentrations of non-cash loans

	Current Year				Prior Year			
	YTL	%	FC	%	YTL	%	FC	%
Agricultural	30,209	0.87	57,063	1.23	24,187	0.87	25,727	0.80
Farming and Stockbreeding	22,881	0.66	37,906	0.82	18,843	0.68	14,693	0.45
Forestry	4,980	0.14	3,705	0.08	3,803	0.14	90	0.00
Fishing	2,348	0.07	15,452	0.33	1,541	0.05	10,944	0.35
Manufacturing	1,341,409	38.83	1,827,785	39.34	1,083,730	39.01	1,533,508	48.49
Mining	34,613	1.00	119,474	2.57	23,992	0.86	89,892	2.84
Production	953,207	27.60	1,523,671	32.80	830,040	29.88	1,293,486	40.90
Electric, gas and water	353,589	10.23	184,640	3.97	229,698	8.27	150,130	4.75
Construction	581,153	16.82	1,083,182	23.32	369,941	13.32	566,647	17.92
Services	1,203,179	34.81	846,803	18.23	1,028,492	37.01	517,559	16.37
Wholesale and retail trade	466,892	13.51	260,919	5.62	526,053	18.93	172,466	5.45
Hotel, food and beverage services	32,832	0.95	12,380	0.27	31,633	1.14	9,569	0.30
Transportation and telecommunication	205,056	5.93	356,329	7.66	144,200	5.19	60,954	1.93
Financial institutions	466,926	13.51	197,217	4.25	299,017	10.76	258,246	8.17
Real estate and renting services	4,898	0.14	65	0.00	1,787	0.06	-	-
“Self-employment” type services	-	-	-	-	-	-	-	-
Education services	5,092	0.15	2,293	0.05	5,423	0.20	5,945	0.19
Health and social services	21,483	0.62	17,600	0.38	20,379	0.73	10,379	0.33
Others	299,437	8.67	830,390	17.88	271,945	9.79	519,389	16.42
Total	3,455,387	100.00	4,645,223	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	3,313,488	2,168,519	92,291	-
Confirmed Bills of exchange and Acceptances	-	400,416	-	25,827
Letters of Credit	-	1,935,686	-	33,996
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	1,049	3,143	-	-
Other Guarantees and Sureties	-	14,322	-	-
Total	3,314,537	4,522,086	92,291	59,823

5. Information on derivative transactions

	Current Year	Prior Year
Trading derivatives		
Foreign currency derivative transactions (I)	2,179,471	1,171,223
Currency forwards	24,545	484,726
Currency swaps	2,154,926	686,497
Currency futures	-	-
Currency options	-	-
Interest rate derivative transactions (II)	702,977	468,636
Interest rate forwards	-	-
Interest rate swaps	702,975	468,634
Interest rate futures	2	2
Interest rate options	-	-
Other trading derivatives (III)	60,800	-
A. Total trading derivatives (I+II+III)	2,943,248	1,639,859
Hedging derivatives	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Hedges for foreign currency investments	-	-
B. Total hedging derivatives	-	-
Derivative transactions (A+B)	2,943,248	1,639,859

	31 December 2008					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	1,063,575	22,230	-	-	-	1,085,805
Sale	1,048,683	20,438	-	-	-	1,069,121
Currency forwards:						
Purchase	6,179	3,943	2,152	-	-	12,274
Sale	6,177	3,941	2,153	-	-	12,271
Cross currency interest rate swaps:						
Purchase	-	-	-	88,112	72,059	160,171
Sale	-	-	-	76,153	82,992	159,145
Interest rate swaps:						
Purchase	-	-	118,560	78,971	-	197,531
Sale	-	-	118,560	67,568	-	186,128
Currency, interest rate, investment security options						
Purchase	-	-	-	-	2	2
Sale	-	-	-	-	-	-
Other trading derivatives:						
Purchase	-	-	-	15,200	-	15,200
Sale	-	-	-	45,600	-	45,600
Total of purchases	1,069,754	26,173	120,712	182,283	72,061	1,470,983
Total of sales	1,054,860	24,379	120,713	189,321	82,992	1,472,265
Total	2,124,614	50,552	241,425	371,604	155,053	2,943,248

	31 December 2007					Total
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	
Currency swaps:						
Purchase	287,214	56,819	3,879	-	-	347,912
Sale	280,797	53,906	3,882	-	-	338,585
Currency forwards:						
Purchase	148,336	47,591	46,519	-	-	242,446
Sale	148,226	47,561	46,493	-	-	242,280
Cross currency interest rate swaps:						
Purchase	-	-	-	78,000	83,160	161,160
Sale	-	-	-	87,815	73,395	161,210
Interest rate swaps:						
Purchase	-	-	-	77,199	-	77,199
Sale	-	-	-	69,065	-	69,065
Currency, interest rate, investment security options						
Purchase	-	-	-	-	2	2
Sale	-	-	-	-	-	-
Other trading derivatives:						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
Total of purchases	435,550	104,410	50,398	155,199	83,162	828,719
Total of sales	429,023	101,467	50,375	156,880	73,395	811,140
Total	864,573	205,877	100,773	312,079	156,557	1,639,859

6. Contingent assets and liabilities

None.

7. Services rendered on behalf of third parties

The Parent 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 Parent 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 the consolidated income statement

1. Interest income

Information on interest income received from loans

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Short-term loans	1,729,926	197,992	1,717,448	151,035
Medium and long-term loans	1,954,390	413,599	1,086,953	244,001
Loans under follow-up	62,127	-	75,073	-
Premiums received from resource utilization support fund	-	-	-	-
Total	3,746,443	611,591	2,879,474	395,036

Information on interest income received from banks

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	3,016	-	4,626
Domestic banks	21,634	4,056	25,430	999
Foreign banks	29,269	49,258	65,202	94,815
Foreign head office and branches	-	598	-	-
Total	50,903	56,928	90,632	100,440

Information on interest income received from securities portfolio

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Trading financial assets	3,797	21,539	15,934	33,798
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	1,188,496	154,982	1,208,618	224,190
Held-to-maturity investment securities	318,905	63,117	120,343	13,207
Total	1,511,198	239,638	1,344,895	271,195

Information on interest income received from associates and subsidiaries

	Current Year	Prior Year
Interest received from associates and subsidiaries	288	524

2. Interest expense

Interest expenses on funds borrowed

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Banks	8,093	246,150	14,525	259,345
Central Bank of Turkey	-	-	-	-
Domestic banks	8,093	9,518	7,421	4,614
Foreign banks	-	229,359	7,104	254,731
Foreign head offices and branches	-	7,273	-	-
Other institutions	155	24	39	19
Total	8,248	246,174	14,564	259,364

Interest expenses paid to associates and subsidiaries

	Current Year	Prior Year
Interest Paid to Associates and Subsidiaries	22,056	13,319

Interest expense on securities issued

None.

Maturity structure of interest expense on deposits

Account Description	Time Deposit						Accumulating Deposit Accounts	Total
	Demand Deposits	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	1 Year and Over		
<i>Turkish Lira:</i>								
Bank deposits	-	90,371	-	-	-	-	-	90,371
Saving deposits	8,173	85,672	1,061,78	29,806	3,207	4,627	-	1,193,270
Public sector deposits	3,685	92,991	315,103	25,378	7,234	89	-	444,480
Commercial deposits	1,859	148,586	533,372	16,198	2,877	332	-	703,224
Other deposits	958	211,966	816,923	66,444	3,914	8,654	-	1,108,859
“7 days notice” deposits	-	-	-	-	-	-	-	-
Total	14,675	629,586	2,727,18	137,82	17,232	13,702	-	3,540,204
<i>Foreign currency:</i>								
Foreign currency deposits	7,783	71,926	176,635	52,176	25,506	42,060	-	376,086
Bank deposits	-	6,933	-	-	-	-	-	6,933
“7 days notice” deposits	-	-	-	-	-	-	-	-
Precious metals deposits	-	-	-	-	-	-	-	-
Total	7,783	78,859	176,635	52,176	25,506	42,060	-	383,019
Total	22,458	708,445	2,903,81	190,00	42,738	55,762	-	3,923,223

3. Dividend income

	Current Year	Prior Year
Trading financial assets	-	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	1,972	8,349
Others	4,536	24,957
Total	6,508	33,306

4. Trading income/losses (Net)

	Current Year	Prior Year
Income	1,611,674	749,096
Trading account income	180,140	145,559
<i>Derivative financial instruments</i>	69,120	55,231
<i>Others</i>	111,020	90,328
Foreign exchange gains	1,431,534	603,537
Losses (-)	1,462,167	506,952
Trading account losses	82,408	48,644
<i>Derivative financial instruments</i>	74,725	38,868
<i>Others</i>	7,683	9,776
Foreign exchange losses	1,379,759	458,308
Net trading income/(losses)	149,507	242,144

5. Other operating income

As at 31 December 2008, other operating income consists of; written insurance premiums amounting to YTL 433,971 (net), reversal of the impairment losses provided in previous years amounting to YTL 176,538, communication income amounting to YTL 70,513, income arising from change in unearned premium reserve amounting to YTL (34,106), income arising from reversal of life mathematical provisions amounting to YTL 13,979, pension business income amounting to YTL 12,404 income from sale of Group's assets amounting to YTL 9,040 and other income amounting to YTL 39,909.

6. Provision expenses for losses on loans and other receivables

	Current Year	Prior Year
Specific provisions on loans and other receivables	404,550	221,097
<i>Loans and receivables in Group III</i>	41,082	215,518
<i>Loans and receivables in Group IV</i>	153,887	5,579
<i>Loans and receivables in Group V</i>	209,581	-
Non-performing commissions and other receivables	-	-
General provision expenses	84,193	43,282
Provision for possible losses	-	-
Impairment losses on securities:	27,886	62,734
<i>Trading securities</i>	5,923	992
<i>Available-for-sale financial assets</i>	21,963	61,742
Other impairment losses:	7,764	11,595
<i>Associates</i>	3,253	11,011
<i>Subsidiaries</i>	-	-
<i>Joint ventures</i>	-	-
<i>Held-to-maturity investment securities</i>	4,511	584
Others	116,529	117,652
Total	640,922	456,360

7. Other operating expenses

	Current Year	Prior Year
Personnel expenses	627,615	515,151
Reserve for employee severance indemnities	30,559	22,523
Deficit provision for pension funds	-	-
Impairment losses on tangible assets	84	4,659
Depreciation expenses on tangible assets	95,456	79,100
Impairment losses on intangible assets	-	9
Amortization expenses on intangible assets	4,293	2,538
Impairment losses on assets to be disposed	-	-
Depreciation expenses on assets to be disposed	-	-
Impairment losses on assets held for sale	-	-
Other operating expenses	570,605	372,081
<i>Operational lease related expenses</i>	66,158	53,288
<i>Repair and maintenance expenses</i>	19,336	12,840
<i>Advertisement expenses</i>	57,769	41,118
<i>Other expenses</i>	427,342	264,835
Loss on sale of assets	2,167	264,502
Others	472,213	154,692
Total	1,802,992	1,415,255

8. Information on income/loss from discontinued operations

The Group has no discontinued operations. Information on provision for taxes on income from continuing operations is presented in disclosure 11 in this section.

9. Information on tax provision from discontinued operations

The Group has no discontinued operations. Information and detailed tables on income before tax from continuing operations are presented in disclosures 1-7 in this section.

10. Information on net profit/loss from discontinued operations

The Group has no discontinued operations. Information on net income is presented in disclosures 1-14 in this section.

11. Provision for taxes on income

Current year taxation benefit or charge and deferred tax benefit or charge

In the current year, the Group recorded a tax provision of YTL 206,364 (31 December 2007: YTL 265,632) 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

Sources of deferred tax benefit/charge	Current Year	Prior Year
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	(1,920)	10,384
Arising from Origination (+)/ Reversal (-) of Taxable Temporary Differences	23,354	20,186
Arising from Origination (+)/ Reversal (-) of Tax Losses	-	-
Arising from tax rate change	-	-
Total	21,434	30,570

12. Net profit and loss

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

None.

Any changes in estimations that might have a material effect on current and subsequent year results

None.

13. Income/loss related to minority shares

	Current Year	Prior Year
Income/Loss related to Minority Shares	18,294	3,316

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

The other commission income of the Group mainly consists of credit card charge and commissions, collection and payment commissions, remittance commissions and information commissions.

The other commission expense of the Group mainly consists of the commissions and charges allocated for the credit cards and the commissions charged for the borrowings from foreign banks.

V. Information and disclosures related to consolidated statement of changes in shareholders' equity

1. Information on increases in the valuation differences of available-for-sale financial assets

Valuation differences of available-for-sale financial assets have decreased in the current year. Detailed information about the decrease is explained below in Note 6.

2. Information on increases in cash flow hedges

None.

3. Reconciliation of the beginning and end of the year balances of foreign exchange differences

As at 31 December 2008, foreign currency differences arising from the translation of the financial statements of the net investment in foreign operations into YTL for consolidation purpose amounted to YTL 41,011 (31 December 2007: YTL 24,837), have been recorded under the other reserves in the accompanying consolidated financial statements.

4. Information on differences in shareholders' equity accounts due to inflation accounting

In compliance with BRSA's Circular on 28 April 2005 on ceasing the inflation accounting application, the balances resulted from the inflation accounting application as at 31 December 2004 and booked according to the Uniform Chart of Accounts and the related Articles, are transferred to the main accounts that were subject to the inflation accounting adjustments except for "capital reserves from inflation adjustments". The balance of "capital reserves from inflation adjustments" account is transferred to "other capital reserves" account. In 2006, the Bank has increased its paid in capital through "other capital reserves" by YTL 605,763.

5. Information on profit distribution

Based on the resolution of 54th Annual General Assembly of the Parent Bank held on 21 March 2008, net profit of the year 2007 available for distribution amounting to YTL 1,002,616 is decided to be distributed as legal reserves in the amount of YTL 100,262, as extraordinary reserves in the amount of YTL 760,154 and as dividend in the amount of YTL 142,200. There is no dividend distribution announced about 2008 profit before the release of consolidated financial statements.

6. Decreases in the valuation differences of available-for-sale financial assets

Movement table related to decreases in revaluation of available-for-sale investments is as follows:

Valuation Differences of Marketable Securities	Current Year	Prior Year
Valuation differences at the beginning of the year	87,269	(4,456)
Fair value changes in current year	(67,756)	140,938
Effect of deferred and corporate taxes	5,669	(27,547)
Valuation differences transferred to the income statement	(57,100)	(27,079)
Effect of deferred and corporate taxes	12,195	5,413
Valuation differences at the end of the year	(19,723)	87,269
Valuation Difference of the Subsidiaries and Affiliates	Current Year	Prior Year
Valuation differences at the beginning of the year	3,584	3,150
Fair value changes in current year	7,212	434
Effect of deferred and corporate taxes	(1,081)	-
Valuation differences transferred to the income statement	-	-
Effect of deferred and corporate taxes	-	-
Valuation differences at the end of the year	9,715	3,584

VI. Information and disclosures on consolidated cash flow statement

1. Disclosures for “other” items in statement of cash flows and effect of change in foreign currency rates cash and cash equivalents

In 2008, net cash inflows arising from banking operations amounts to YTL 1,782,935 (31 December 2007: YTL 289,482). YTL 1,451,109 (31 December 2007: YTL (563,215)) of this amount is generated from the change in operating assets and liabilities and YTL 331,826 (31 December 2007: YTL 852,697) from operating profit. The net cash inflow from investing activities amounts to YTL 90,105 (31 December 2007: YTL 462,643 net cash outflow). The major item in the cash flow from investing activities is the cash outflows arising from new investments in available for sale securities. Cash and cash equivalents increased to YTL 7,107,581 (31 December 2007: YTL 5,382,011) at the end of the current year in comparison to YTL 5,382,011 (31 December 2007: YTL 5,991,037) at the beginning of the current year.

2. Cash outflows from acquisition of associates, subsidiaries and joint-ventures

The paid-in capital of Vakıf Gayrimenkul Değerleme AŞ has been increased by 1,500 YTL from 2,000 YTL to 3,500 YTL in the current year. The 1,500 YTL increase was wholly compensated by the Parent Bank. The related amounts have been shown in “cash paid for purchase of associates, subsidiaries and joint-ventures” under “net cash flow from investing activities” in cash flow statement.

3. Cash inflows from disposal of associates, subsidiaries and joint-ventures

The Group has not disposed any associates, subsidiaries or joint ventures during the year.

4. Information on cash and cash equivalents at the beginning of the year

	31 December 2007	31 December 2006
Cash on hand	422,110	412,429
Cash in YTL	364,297	367,249
Cash in foreign currencies	57,813	45,180
Cash equivalents	4,959,901	5,578,608
Others	4,959,901	5,578,608
Total	5,382,011	5,991,037

Information on cash and cash equivalents at the end of the year

	Current Year 31 December 2008	Prior Year 31 December 2007
Cash on hand	443,387	422,110
Cash in YTL	375,956	364,297
Cash in foreign currencies	67,431	57,813
Cash equivalents	6,664,194	4,959,901
Others	6,664,194	4,959,901
Total	7,107,581	5,382,011

5. Restricted cash and cash equivalents due to legal requirements or other reasons

Bank’s foreign currency denominated demand deposits at banks amounted to YTL 55,724 and foreign currency denominated time deposits at banks amounted to YTL 93,468 are blocked in favor of other banks resulting from the normal course of the banking transactions. Demand deposits of the subsidiaries amounted to YTL 505 are also blocked against their transactions.

VII. 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 year end and income and expenses in the current year

Current Year	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 year	-	6,974	-	669	4,119	5,488
Balance at the end of the year	-	9,098	-	668	8,437	5,881
Interest and commission income	288	12	-	-	730	11

Prior Year	Associates and subsidiaries		Bank's direct and indirect shareholders		Other components in risk group	
	Cash	Non-Cash	Cash	Cash	Non-Cash	Cash
Loans and other receivables						
Balance at the beginning of the year	-	3,089	-	568	4,652	32,373
Balance at the end of the year	-	6,974	-	669	4,119	5,488
Interest and commission income	524	20	-	-	646	13

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 Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Deposits						
Balance at the beginning of the year	212,360	112,095	918,176	77,592	143,867	2,650
Balance at the end of the year	176,458	212,360	977,811	918,176	208,027	143,867
Interest on deposits	22,056	13,319	-	-	1,210	2,567

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 the risk group to the overall cash and non-cash loans are 0.03% (31 December 2007: 0.02%) and 0.19% (31 December 2007: 0.22%).

Current Year	Amount	Compared with the financial statement amount %
Cash loans	8,437	0.03
Non-cash loans	15,647	0.19
Deposits	1,362,296	3.61
Forward and option agreements	-	-

Prior Year	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	-	-

Similar items excluding the cases where it is mandatory to give explanation to express the effect of the transactions on the 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.

VIII. Information on domestic, foreign and off-shore branches or investments and foreign representative offices

Domestic and foreign branches and representative offices

	Number of branches	Number of employees			
Domestic branches (*)	523	9,551			
				Country	
Foreign representative offices	-	-	1-	-	
			2-	-	
			3-	-	
Foreign branches	2	16	1-	Amerika	2,097,689
			2-	Bahreyn	9,996,590
			3-	-	-
Off-shore branches	-	-	1-	-	-
			2-	-	-
			3-	-	-
					Total Assets
					Legal Capital

(*) Free zone branches in Turkey is included in domestic branches.

Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

During the year 2008, 84 new domestic branches have been opened and 27 branches have been closed.

SECTION SIX

I. Other Disclosures and Footnotes

1. Other disclosures on the Bank's activity

- 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%.
- Based on the resolution of 54th Annual General Assembly held on 21 March 2008, net profit of the year 2007 is decided to be distributed as follows. The Bank has paid dividend as cash on 30 May 2008.

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

- 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 favor 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 decision for any reconcilements for the point in dispute as stated in the second paragraph specified in the first paragraph above.

- The Parent 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 Parent Bank has nominated its general manager for signing and preparation of the agreement. The main agreement and the additional clauses have been signed on 30 June 2008 and 31 July 2008, respectively and the agreement came into effect on 5 August 2008.

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

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

November 2008 (*)	Moody's Investors' Service
Financial Strength Rating	D+
Local Currency Deposit Rating	Baa1 / P-2
Foreign Currency Deposit Rating	B1 / NP
Outlook	Stable

August 2008 (*)	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+

December 2008 (*)	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 balance sheet date that are not resulted

As per the principle regarding “Essentials of the application of the use of Turkish Lira and Kuruş in private sector accounting system”, included in “Numbered 15 General Communique of Application of Accounting System” issued by Ministry of Finance in 26 December 2008 dated and 27092 numbered Official Gazette, it has been assessed that the accounting entries are to be recorded in New Turkish Lira and New Kuruş till the end of 31 December 2008. The Communique came into effect on issue date. Beginning from 1 January 2009, the accounting entries are to be recorded in Turkish Lira and Kuruş.

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

None.

SECTION SEVEN

I. Independent Auditors' Report

1. Information on the independent auditors' report

The Bank's consolidated financial statements and footnotes as at 31 December 2008, have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International) and an unqualified opinion has been issued in their independent auditors' report dated 19 March 2009.

2. Explanations and disclosures by Independent Auditors

None.