

*(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**

Interim Financial Statements

As of and for the Nine-Month Period Ended

30 September 2007

With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ

13 November 2007

*This report contains "Independent Auditors' Review  
Report" comprising 1 page and; "Unconsolidated  
Financial Statements and Related Disclosures and  
Footnotes" comprising 59 pages.*

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

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

We have reviewed the unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") as of 30 September 2007 and the related unconsolidated statement of income, changes in shareholders' equity and cash flows for the nine-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors, is to issue a report on these financial statements based on our review. The financial statements of the Bank as of and for the year ended 31 December 2006 and, as of and for the nine-month period ended 30 September 2006 were audited and reviewed, respectively by another auditor who expressed an unqualified opinion in their report dated 8 March 2007 for the financial statements as of 31 December 2006 and an unqualified review report dated 9 November 2006 for the financial statements as of 30 September 2006.

We conducted our review in accordance with the regulations related with the "Accounting and Recording Rules" and "Independent Auditing Standards" of the (Turkish) Banking Law No 5411. These regulations require that we plan and perform the review to obtain reasonable assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı as of 30 September 2007, and of the results of its operations and its cash flows for the nine-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 of the (Turkish) Banking Law No 5411; and other communiqués, disclosures and directives announced by the Banking Regulation and Supervision Agency.

Istanbul,  
13 November 2007

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 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**  
**UNCONSOLIDATED INTERIM FINANCIAL REPORT**  
**AS OF AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007**

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The unconsolidated interim financial report as of and for the nine-month period ended 30 September 2007, prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

1. General Information about the Bank
2. Unconsolidated Financial Statements
3. Accounting Policies
4. Information Related to Financial Position of the Bank
5. Disclosures and Footnotes on Unconsolidated Financial Statements
6. Other Disclosures and Footnotes
7. Independent Auditors' Review Report

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

13 November 2007

|   |   |  |                                  |
|---|---|--|----------------------------------|
| Yusuf BEYAZIT<br>Board of Directors<br>Chairman | Cem DEMİRAĞ<br>Board Member<br>Audit Committee Member | Serdar TUNÇBİLEK<br>Board Member<br>Audit Committee Member | Bilal KARAMAN<br>General Manager |
|---|---|--|----------------------------------|

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

Ş. Mehmet BOZ  
Director of Accounting and  
Financial Affairs

The authorized contact person for questions on this financial report

|  |                                 |
|--|---------------------------------|
| Name-Surname/Title : A. Sonat ŞEN /Manager | Ayşen T.ÜNLÜ /Assistant Manager |
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|  |   | <b>Page No:</b> |
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# **Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**

Unconsolidated Interim Financial Report as of and

For the Nine-Month Period Ended 30 September 2007

(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. The Bank’s shareholder structure, management and internal audit, direct and indirect shareholders, 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.

On 19 December 2006 the Bank’s paid-in share capital increased from YTL 1,279,000 to YTL 2,500,000 by YTL 1,221,000 through YTL 605,763 from other capital reserves, YTL 448,205 from share issuance premium, YTL 154,500 from extraordinary reserves, YTL 7,795 from revaluation fund, and YTL 4,737 from other profit reserves. The Bank’s paid-in capital is divided into 2.500.000.000 shares with each has a nominal value of 1 New Turkish Lira.

| <b>Shareholders</b>   | <b>Number of Shares</b> | <b>Nominal Value of the Shares – Thousands of YTL</b> | <b>Share Percentage (%)</b> |
|---|-------------------------|---|-----------------------------|
| The General Directorate of the Foundations (Group A)                            | 1.075.058.640           | 1,075,059   | 43.00                       |
| The General Directorate of the Foundations (Group B)                            | 386.224.345             | 386,224   | 15.45                       |
| Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Group C) | 402.552.664             | 402,553   | 16.10                       |
| Foundations (Group B)   | 4.706.069               | 4,706   | 0.19                        |
| Individuals and legal entities (Group B)  | 2.060.313               | 2,060   | 0.08                        |
| Publicly traded (Group D)   | 629.397.969             | 629,398   | 25.18                       |
| <b>Total</b>  | <b>2.500.000.000</b>    | <b>2,500,000</b>                                      | <b>100.00</b>               |

In the current period, the shareholders’ structure has not been changed.

### 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           | 8 years                      |
| Ragıp DOĞU                       | Deputy Chairman  | 6 April 2005               | University       | 31 years                     |
| Bilal KARAMAN                    | Member – General Manager   | 22 June 2005               | University       | 27 years                     |
| Mehmet ÇEKİNMEZ                  | Member   | 24 July 2007               | University       | 31 years                     |
| Serdar TUNÇBİLEK                 | Member   | 24 July 2007               | University       | 22 years                     |
| Hasan ÖZER                       | Member   | 7 February 2003            | University       | 20 years                     |
| Erkan TOPAL                      | Member   | 4 April 2006               | University       | 12 years                     |
| Selahattin TORAMAN               | Member   | 31 December 2003           | University       | 24 years                     |
| Cem DEMİRAĞ                      | Member   | 4 April 2005               | University       | 15 years                     |
| <u>Audit Committee</u>           |  |                            |                  |                              |
| Serdar TUNÇBİLEK                 | Member   | 24 July 2007               | University       | 22 years                     |
| Cem DEMİRAĞ                      | Member   | 4 April 2005               | University       | 15 years                     |
| <u>Auditors</u>                  |  |                            |                  |                              |
| Ahmet Tanyolaç                   | Auditor  | 21 March 2003              | University       | 3 years                      |
| Faruk Eroğlu                     | Auditor  | 21 March 2003              | University       | 6 years                      |
| <u>Executive Vice Presidents</u> |  |                            |                  |                              |
| Tanju Yüksel                     | International Investors Relations                                    | 1 May 2000                 | University       | 20 years                     |
| Ahmet Atif Meydan                | Treasury and Foreign Operations, Banking Operations and Credit Cards | 29 January 2003            | University       | 17 years                     |
| Aydın Deliktaşlı                 | Corporate Banking, Human Resources, and Support Services             | 9 August 2004              | University       | 26 years                     |
| Şahin Uğur                       | Investment Banking and Subsidiaries                                  | 9 August 2004              | University       | 20 years                     |
| Feyzi Özcan                      | Commercial Banking and Retail Banking                                | 20 September 2005          | University       | 18 years                     |
| Dr. Metin Recep Zafer            | Accounting and Financial Affairs                                     | 13 June 2006               | PHD              | 11 years                     |
| Birgül Denli                     | Treasury   | 3 July 2006                | Master           | 14 years                     |
| Doğan Pençe                      | Corporate Loans, Loans Follow-up and Legal Services                  | 7 June 2006                | University       | 16 years                     |

Assistant General Manager Dr. Önder Halisdemir, who was responsible from Retail Banking, Credit Cards, Development of Retail Banking, Communication and Relations with Media has resigned on 23 February 2007.

Mehmet Zeki Akıllıoğlu, the member of the Bank's Board of Directors and Audit Committee, and Ahmet Müfit Cengiz, the member of the Bank's Board of Directors have resigned on 5 June 2007.

Mehmet Çekinmez and Serdar Tunçbilek have been appointed for the positions of resigned members to be approved in the next general shareholders' meeting of the Bank.

The top management listed above does not hold any unquoted shares of the Bank.

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**

Unconsolidated Interim Financial Report as of and  
For the Nine-Month Period Ended 30 September 2007  
(Currency: Thousands of YTL – New Turkish Lira)

**IV. Information on people and entities who have qualified share in the Bank**

The shareholder holding direct or indirect control over the Bank is The General Directorate of the Foundations having 58.45% of the Bank's outstanding shares. Another organization holding qualified share in the Bank is Vakıfbank Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (the pension fund of the employees of the Bank), having 16.10% of outstanding shares of the Bank.

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

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

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

As of 30 September 2007, the Bank has 441 domestic, 2 foreign, in total 443 branches (31 December 2006: 427 domestic, 2 foreign branches). As of 30 September 2007, the Bank has 8,557 employees (31 December 2006: 7,679).

|                     |  | Reviewed<br>Current Period<br>30 September 2007 |                   |                   | Restated<br>Audited<br>Prior Period<br>31 December 2006 |                   |                   |                   |
|---------------------|--|---|-------------------|-------------------|---|-------------------|-------------------|-------------------|
| ASSETS              |  | Notes<br>Section 5                              | YTL               | FC                | Total   | YTL               | FC                | Total             |
| <b>I.</b>           | <b>CASH AND BALANCES WITH CENTRAL BANK</b>                         | I-1   | 733,927           | 851,010           | 1,584,937   | 1,652,164         | 1,131,019         | 2,783,183         |
| <b>II.</b>          | <b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b> | I-2   | 27,493            | 368,400           | 395,893   | 18,361            | 462,115           | 480,476           |
| 2.1                 | Financial assets held for trading                                  |   | 13,485            | 362,488           | 375,973   | 8,392             | 462,055           | 470,447           |
| 2.1.1               | Government securities  |   | 13,485            | 362,488           | 375,973   | -                 | 462,055           | 462,055           |
| 2.1.2               | Equity securities  |   | -                 | -                 | -   | 8,392             | -                 | 8,392             |
| 2.1.3               | Other securities   |   | -                 | -                 | -   | -                 | -                 | -                 |
| 2.2                 | Financial assets at fair value through profit or loss              |   | -                 | -                 | -   | -                 | -                 | -                 |
| 2.2.1               | Government securities  |   | -                 | -                 | -   | -                 | -                 | -                 |
| 2.2.2               | Equity securities  |   | -                 | -                 | -   | -                 | -                 | -                 |
| 2.2.3               | Other securities   |   | -                 | -                 | -   | -                 | -                 | -                 |
| 2.3                 | Trading derivatives  |   | 14,008            | 5,912             | 19,920  | 9,969             | 60                | 10,029            |
| <b>III.</b>         | <b>BANKS AND OTHER FINANCIAL INSTITUTIONS</b>                      | I-3   | 30,486            | 1,816,542         | 1,847,028   | 512,809           | 2,550,682         | 3,063,491         |
| <b>IV.</b>          | <b>INTERBANK MONEY MARKETS</b>                                     |   | 2,303,306         | -                 | 2,303,306   | 871,800           | -                 | 871,800           |
| 4.1                 | Interbank money market placements                                  |   | 2,303,306         | -                 | 2,303,306   | 751,093           | -                 | 751,093           |
| 4.2                 | Istanbul Stock Exchange money market placements                    |   | -                 | -                 | -   | -                 | -                 | -                 |
| 4.3                 | Receivables from reverse repurchase agreements                     |   | -                 | -                 | -   | 120,707           | -                 | 120,707           |
| <b>V.</b>           | <b>FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)</b>                   | I-4   | 6,825,246         | 3,126,647         | 9,951,893   | 6,475,857         | 3,430,188         | 9,906,045         |
| 5.1                 | Equity securities  |   | 91,719            | -                 | 91,719  | 91,649            | -                 | 91,649            |
| 5.2                 | Government securities  |   | 6,733,527         | 3,126,647         | 9,860,174   | 6,384,208         | 3,430,188         | 9,814,396         |
| 5.3                 | Other securities   |   | -                 | -                 | -   | -                 | -                 | -                 |
| <b>VI.</b>          | <b>LOANS</b>   | I-5   | 15,155,966        | 5,676,542         | 20,832,508  | 12,366,263        | 5,676,977         | 18,043,240        |
| 6.1                 | Performing loans   |   | 15,155,966        | 5,676,542         | 20,832,508  | 12,366,263        | 5,676,977         | 18,043,240        |
| 6.2                 | Loans under follow-up  |   | 1,131,158         | -                 | 1,131,158   | 1,002,047         | -                 | 1,002,047         |
| 6.3                 | Specific provisions (-)  |   | 1,131,158         | -                 | 1,131,158   | 1,002,047         | -                 | 1,002,047         |
| <b>VII.</b>         | <b>FACTORING RECEIVABLES</b>                                       |   | -                 | -                 | -   | -                 | -                 | -                 |
| <b>VIII.</b>        | <b>INVESTMENT SECURITIES HELD-TO-MATURITY (Net)</b>                | I-6   | 1,074,462         | 41,584            | 1,116,046   | -                 | 48,391            | 48,391            |
| 8.1                 | Government securities  |   | 1,074,462         | 5,248             | 1,079,710   | -                 | 6,072             | 6,072             |
| 8.2                 | Other securities   |   | -                 | 36,336            | 36,336  | -                 | 42,319            | 42,319            |
| <b>IX.</b>          | <b>INVESTMENTS IN ASSOCIATES (Net)</b>                             | I-7   | 19,363            | -                 | 19,363  | 17,381            | -                 | 17,381            |
| 9.1                 | Equity Method Associates   |   | -                 | -                 | -   | -                 | -                 | -                 |
| 9.2                 | Unconsolidated Associates  |   | 19,363            | -                 | 19,363  | 17,381            | -                 | 17,381            |
| 9.2.1               | Financial Associates   |   | 18,777            | -                 | 18,777  | 16,043            | -                 | 16,043            |
| 9.2.2               | Non-Financial Associates   |   | 586               | -                 | 586   | 1,338             | -                 | 1,338             |
| <b>X.</b>           | <b>INVESTMENTS IN SUBSIDIARIES (Net)</b>                           | I-8   | 480,436           | 41,073            | 521,509   | 350,386           | 41,073            | 391,459           |
| 10.1                | Unconsolidated financial investments in subsidiaries               |   | 354,998           | 41,073            | 396,071   | 227,065           | 41,073            | 268,138           |
| 10.2                | Unconsolidated non-financial investments in subsidiaries           |   | 125,438           | -                 | 125,438   | 123,321           | -                 | 123,321           |
| <b>XI.</b>          | <b>INVESTMENTS IN JOINT-VENTURES (Net)</b>                         | I-9   | -                 | -                 | -   | -                 | -                 | -                 |
| 11.1                | Consolidated financial investments in joint-ventures               |   | -                 | -                 | -   | -                 | -                 | -                 |
| 11.2                | Unconsolidated investments in joint-ventures                       |   | -                 | -                 | -   | -                 | -                 | -                 |
| 11.2.1              | Financial associates investments in joint-ventures                 |   | -                 | -                 | -   | -                 | -                 | -                 |
| 11.2.2              | Non-Financial associates investments in joint-ventures             |   | -                 | -                 | -   | -                 | -                 | -                 |
| <b>XII.</b>         | <b>LEASE RECEIVABLES (Net)</b>                                     | I-10  | -                 | -                 | -   | -                 | -                 | -                 |
| 12.1                | Financial lease receivables  |   | -                 | -                 | -   | -                 | -                 | -                 |
| 12.2                | Operational lease receivables                                      |   | -                 | -                 | -   | -                 | -                 | -                 |
| 12.3                | Others   |   | -                 | -                 | -   | -                 | -                 | -                 |
| 12.4                | Unearned income (-)  |   | -                 | -                 | -   | -                 | -                 | -                 |
| <b>XIII.</b>        | <b>DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT</b>        | I-11  | -                 | -                 | -   | -                 | -                 | -                 |
| 13.1                | Fair value hedges  |   | -                 | -                 | -   | -                 | -                 | -                 |
| 13.2                | Cash flow hedges   |   | -                 | -                 | -   | -                 | -                 | -                 |
| 13.3                | Net foreign investment hedges                                      |   | -                 | -                 | -   | -                 | -                 | -                 |
| <b>XIV.</b>         | <b>TANGIBLE ASSETS (Net)</b>                                       |   | 861,335           | 460               | 861,795   | 889,843           | 584               | 890,427           |
| <b>XV.</b>          | <b>INTANGIBLE ASSETS (Net)</b>                                     |   | 13,421            | -                 | 13,421  | 4,975             | -                 | 4,975             |
| 15.1                | Goodwill   |   | -                 | -                 | -   | 30                | -                 | 30                |
| 15.2                | Other intangibles  |   | 13,421            | -                 | 13,421  | 4,945             | -                 | 4,945             |
| <b>XVI.</b>         | <b>TAX ASSET</b>   | I-12  | 48,982            | -                 | 48,982  | 41,111            | -                 | 41,111            |
| 16.1                | Current tax asset  |   | -                 | -                 | -   | -                 | -                 | -                 |
| 16.2                | Deferred tax asset   |   | 48,982            | -                 | 48,982  | 41,111            | -                 | 41,111            |
| <b>XVII.</b>        | <b>ASSETS HELD FOR SALE</b>  |   | -                 | -                 | -   | -                 | -                 | -                 |
| <b>XVIII.</b>       | <b>OTHER ASSETS</b>  | I-13  | 343,060           | 241,712           | 584,772   | 110,046           | 232,382           | 342,428           |
| <b>TOTAL ASSETS</b> |  |   | <b>27,917,483</b> | <b>12,163,970</b> | <b>40,081,453</b>                                       | <b>23,310,996</b> | <b>13,573,411</b> | <b>36,884,407</b> |

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



| LIABILITIES AND SHAREHOLDERS' EQUITY              |  | Notes<br>Section 5 | Reviewed<br>Current Period<br>30 September 2007 |                   |                   | Restated<br>Audited<br>Prior Period<br>31 December 2006 |                   |                   |
|---|--|--------------------|---|-------------------|-------------------|---|-------------------|-------------------|
|   |  |                    | YTL   | FC                | Total             | YTL   | FC                | Total             |
| <b>I.</b>   | <b>DEPOSITS</b>  | II-1               | 20,867,185                                      | 6,069,117         | 26,936,302        | 17,562,632  | 7,279,428         | 24,842,060        |
| <b>II.</b>  | <b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>             | II-2               | 13,440  | 2,320             | 15,760            | -   | 3,742             | 3,742             |
| <b>III.</b>                                       | <b>FUNDS BORROWED</b>  | II-3               | 53,121  | 4,744,136         | 4,797,257         | 61,991  | 4,935,145         | 4,997,136         |
| <b>IV.</b>  | <b>INTERBANK MONEY MARKET</b>  |                    | 740,311   | 1,190,884         | 1,931,195         | 909   | 1,369,185         | 1,370,094         |
| 4.1   | Interbank money market takings                                       |                    | -   | -                 | -                 | -   | -                 | -                 |
| 4.2   | Istanbul Stock Exchange money market takings                         |                    | -   | -                 | -                 | -   | -                 | -                 |
| 4.3   | Obligations under repurchase agreements                              |                    | 740,311   | 1,190,884         | 1,931,195         | 909   | 1,369,185         | 1,370,094         |
| <b>V.</b>   | <b>SECURITIES ISSUED (Net)</b>                                       |                    | -   | -                 | -                 | -   | -                 | -                 |
| 5.1   | Bills  |                    | -   | -                 | -                 | -   | -                 | -                 |
| 5.2   | Asset backed securities  |                    | -   | -                 | -                 | -   | -                 | -                 |
| 5.3   | Bonds  |                    | -   | -                 | -                 | -   | -                 | -                 |
| <b>VI.</b>  | <b>FUNDS</b>   |                    | 130,351   | -                 | 130,351           | 139,922   | -                 | 139,922           |
| <b>VII.</b>                                       | <b>MISCELLANEOUS PAYABLES</b>  |                    | 357,823   | 74,958            | 432,781           | 310,497   | 7,863             | 318,360           |
| <b>VIII.</b>                                      | <b>OTHER EXTERNAL RESOURCES PAYABLE</b>                              | II-4               | 79,059  | 133,309           | 212,368           | 36,779  | 153,999           | 190,778           |
| <b>IX.</b>  | <b>FACTORING PAYABLES</b>  | II-9               | -   | -                 | -                 | -   | -                 | -                 |
| <b>X.</b>   | <b>LEASE PAYABLES (Net)</b>  | II-5               | -   | 4,633             | 4,633             | -   | 12,494            | 12,494            |
| 10.1  | Financial lease payables   |                    | -   | 4,916             | 4,916             | -   | 13,422            | 13,422            |
| 10.2  | Operational lease payables   |                    | -   | -                 | -                 | -   | -                 | -                 |
| 10.3  | Others   |                    | -   | -                 | -                 | -   | -                 | -                 |
| 10.4  | Deferred financial leasing expenses (-)                              |                    | -   | 283               | 283               | -   | 928               | 928               |
| <b>XI.</b>  | <b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK<br/>MANAGEMENT</b> | II-6               | -   | -                 | -                 | -   | -                 | -                 |
| 11.1  | Fair value hedges  |                    | -   | -                 | -                 | -   | -                 | -                 |
| 11.2  | Cash flow hedges   |                    | -   | -                 | -                 | -   | -                 | -                 |
| 11.3  | Net foreign investment hedges  |                    | -   | -                 | -                 | -   | -                 | -                 |
| <b>XII.</b>                                       | <b>PROVISIONS</b>  | II-7               | 437,888   | 4,108             | 441,996           | 386,854   | 4,508             | 391,362           |
| 12.1  | General provisions   |                    | 139,289   | 4,108             | 143,397           | 125,955   | 4,508             | 130,463           |
| 12.2  | Restructuring reserves   |                    | -   | -                 | -                 | -   | -                 | -                 |
| 12.3  | Reserve for employee benefits  |                    | 196,760   | -                 | 196,760           | 128,187   | -                 | 128,187           |
| 12.4  | Insurance technical provisions (Net)                                 |                    | -   | -                 | -                 | -   | -                 | -                 |
| 12.5  | Other provisions   |                    | 101,839   | -                 | 101,839           | 132,712   | -                 | 132,712           |
| <b>XIII.</b>                                      | <b>TAX LIABILITY</b>   |                    | 184,577   | 1,368             | 185,945           | 154,083   | 975               | 155,058           |
| 13.1  | Current tax liability  | II-8               | 184,577   | 1,368             | 185,945           | 154,083   | 975               | 155,058           |
| 13.2  | Deferred tax liability   | I-12               | -   | -                 | -                 | -   | -                 | -                 |
| <b>XIV.</b>                                       | <b>PAYABLES FOR ASSETS HELD FOR SALE</b>                             |                    | -   | -                 | -                 | -   | -                 | -                 |
| <b>XV.</b>  | <b>SUBORDINATED DEBTS</b>  |                    | -   | -                 | -                 | -   | -                 | -                 |
| <b>XVI.</b>                                       | <b>SHAREHOLDERS' EQUITY</b>  |                    | 4,957,729                                       | 35,136            | 4,992,865         | 4,407,580   | 55,821            | 4,463,401         |
| <b>16.1</b>                                       | <b>Paid-in capital</b>   | II-9               | 2,500,000                                       | -                 | 2,500,000         | 2,500,000   | -                 | 2,500,000         |
| <b>16.2</b>                                       | <b>Capital reserves</b>  |                    | 1,016,958                                       | 35,136            | 1,052,094         | 839,625   | 55,821            | 895,446           |
| 16.2.1  | Share premium  |                    | 723,918   | -                 | 723,918           | 723,918   | -                 | 723,918           |
| 16.2.2  | Share cancellation profits   |                    | -   | -                 | -                 | -   | -                 | -                 |
| 16.2.3  | Securities value increase fund                                       | II-9               | 228,921   | 35,136            | 264,057           | 80,565  | 55,821            | 136,386           |
| 16.2.4  | Revaluation surplus on tangible assets                               |                    | -   | -                 | -                 | -   | -                 | -                 |
| 16.2.5  | Revaluation surplus on intangible assets                             |                    | -   | -                 | -                 | -   | -                 | -                 |
| 16.2.6  | Bonus shares of associates, subsidiaries and joint-ventures          |                    | 64,119  | -                 | 64,119            | 35,142  | -                 | 35,142            |
| 16.2.7  | Hedging reserves (effective portion)                                 |                    | -   | -                 | -                 | -   | -                 | -                 |
| 16.2.8  | Revaluation surplus on assets held for sale                          |                    | -   | -                 | -                 | -   | -                 | -                 |
| 16.2.9  | Other capital reserves   |                    | -   | -                 | -                 | -   | -                 | -                 |
| <b>16.3</b>                                       | <b>Profit reserves</b>   |                    | 624,204   | -                 | 624,204           | 254,632   | -                 | 254,632           |
| 16.3.1  | Legal reserves   |                    | 179,631   | -                 | 179,631           | 102,658   | -                 | 102,658           |
| 16.3.2  | Status reserves  |                    | -   | -                 | -                 | -   | -                 | -                 |
| 16.3.3  | Extraordinary reserves   |                    | 296,122   | -                 | 296,122           | -   | -                 | -                 |
| 16.3.4  | Other profit reserves  |                    | 148,451   | -                 | 148,451           | 151,974   | -                 | 151,974           |
| <b>16.4</b>                                       | <b>Profit or loss</b>  |                    | 816,567   | -                 | 816,567           | 813,323   | -                 | 813,323           |
| 16.4.1  | Prior years' profit/loss   |                    | 7,886   | -                 | 7,886             | 51,747  | -                 | 51,747            |
| 16.4.2  | Current period profit/loss   |                    | 808,681   | -                 | 808,681           | 761,576   | -                 | 761,576           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |  |                    | <b>27,821,484</b>                               | <b>12,259,969</b> | <b>40,081,453</b> | <b>23,061,247</b>                                       | <b>13,823,160</b> | <b>36,884,407</b> |

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

|  | Notes<br>Section 5 | Reviewed<br>Current Period<br>30 September 2007 |                   |                   | Restated<br>Audited<br>Prior Period<br>31 December 2006 |                   |                   |
|--|--------------------|---|-------------------|-------------------|---|-------------------|-------------------|
|  |                    | YTL   | FC                | TOTAL             | YTL   | FC                | TOTAL             |
| <b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b> |                    | <b>6,792,906</b>                                | <b>3,627,468</b>  | <b>10,420,374</b> | <b>4,876,228</b>  | <b>3,380,234</b>  | <b>8,256,462</b>  |
| <b>I. GUARANTEES AND SURETIES</b>                                    | <b>III-1-4</b>     | <b>2,346,267</b>                                | <b>3,034,914</b>  | <b>5,381,181</b>  | <b>1,857,555</b>  | <b>3,014,367</b>  | <b>4,871,922</b>  |
| 1.1. Letters of guarantee  |                    | 2,346,267                                       | 1,473,159         | 3,819,426         | 1,857,461   | 1,423,832         | 3,281,293         |
| 1.1.1. Guarantees subject to State Tender Law                        |                    | 413,169   | 288,483           | 701,652           | 467,716   | 139,991           | 607,707           |
| 1.1.2. Guarantees given for foreign trade operations                 |                    | 73,165  | 345               | 73,510            | 61,374  | 189               | 61,563            |
| 1.1.3. Other letters of guarantee                                    |                    | 1,859,933                                       | 1,184,331         | 3,044,264         | 1,328,371   | 1,283,652         | 2,612,023         |
| 1.2. Bank acceptances  |                    | -   | 468,235           | 468,235           | -   | 354,923           | 354,923           |
| 1.2.1. Import letter of acceptance                                   |                    | -   | 162,448           | 162,448           | -   | 43,988            | 43,988            |
| 1.2.2. Other bank acceptances  |                    | -   | 305,787           | 305,787           | -   | 310,935           | 310,935           |
| 1.3. Letters of credit   |                    | -   | 1,089,979         | 1,089,979         | -   | 1,225,892         | 1,225,892         |
| 1.3.1. Documentary letters of credit                                 |                    | -   | 1,089,979         | 1,089,979         | -   | 1,225,892         | 1,225,892         |
| 1.3.2. Other letters of credit                                       |                    | -   | -                 | -                 | -   | -                 | -                 |
| 1.4. Guaranteed pre-financings                                       |                    | -   | 2,680             | 2,680             | -   | 2,957             | 2,957             |
| 1.5. Endorsements  |                    | -   | -                 | -                 | -   | -                 | -                 |
| 1.5.1. Endorsements to the Central Bank of Turkey                    |                    | -   | -                 | -                 | -   | -                 | -                 |
| 1.5.2. Other endorsements  |                    | -   | -                 | -                 | -   | -                 | -                 |
| 1.6. Underwriting commitments  |                    | -   | -                 | -                 | -   | -                 | -                 |
| 1.7. Factoring related guarantees                                    |                    | -   | -                 | -                 | -   | -                 | -                 |
| 1.8. Other guarantees  |                    | -   | 861               | 861               | 94  | 6,763             | 6,857             |
| 1.9. Other sureties  |                    | -   | -                 | -                 | -   | -                 | -                 |
| <b>II. COMMITMENTS</b>   |                    | <b>4,009,270</b>                                | <b>14,691</b>     | <b>4,023,961</b>  | <b>2,935,513</b>  | <b>64,059</b>     | <b>2,999,572</b>  |
| 2.1. Irrevocable commitments   |                    | 4,001,352                                       | -                 | 4,001,352         | 2,927,418   | 11,826            | 2,939,244         |
| 2.1.1. Asset purchase commitments                                    |                    | -   | -                 | -                 | -   | -                 | -                 |
| 2.1.2. Deposit purchase and sales commitments                        |                    | -   | -                 | -                 | -   | -                 | -                 |
| 2.1.3. Share capital commitments to associates and subsidiaries      |                    | -   | -                 | -                 | -   | -                 | -                 |
| 2.1.4. Loan granting commitments                                     |                    | 547   | -                 | 547               | 547   | 11,826            | 12,373            |
| 2.1.5. Securities issuance brokerage commitments                     |                    | -   | -                 | -                 | -   | -                 | -                 |
| 2.1.6. Commitments for reserve deposit requirements                  |                    | -   | -                 | -                 | -   | -                 | -                 |
| 2.1.7. Commitments for cheque payments                               |                    | 1,190,037                                       | -                 | 1,190,037         | 1,305,070   | -                 | 1,305,070         |
| 2.1.8. Tax and fund obligations on export commitments                |                    | -   | -                 | -                 | -   | -                 | -                 |
| 2.1.9. Commitments for credit card limits                            |                    | 2,795,203                                       | -                 | 2,795,203         | 1,611,354   | -                 | 1,611,354         |
| 2.1.10. Receivables from "short" sale commitments on securities      |                    | -   | -                 | -                 | -   | -                 | -                 |
| 2.1.11. Payables from "short" sale commitments on securities         |                    | -   | -                 | -                 | -   | -                 | -                 |
| 2.1.12. Other irrevocable commitments                                |                    | 15,565  | -                 | 15,565            | 10,447  | -                 | 10,447            |
| 2.2. Revocable commitments   |                    | 7,918   | 14,691            | 22,609            | 8,095   | 52,233            | 60,328            |
| 2.2.1. Revocable loan granting commitments                           |                    | 7,918   | 171               | 8,089             | 8,095   | 198               | 8,293             |
| 2.2.2. Other revocable commitments                                   |                    | -   | 14,520            | 14,520            | -   | 52,035            | 52,035            |
| <b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>                         |                    | <b>437,369</b>                                  | <b>577,863</b>    | <b>1,015,232</b>  | <b>83,160</b>   | <b>301,808</b>    | <b>384,968</b>    |
| 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   |                    | 437,369   | 577,863           | 1,015,232         | 83,160  | 301,808           | 384,968           |
| 3.2.1. Forward foreign currency purchases/sales                      |                    | 132,469   | 124,708           | 257,177           | -   | 9,837             | 9,837             |
| 3.2.1.1. Forward foreign currency purchases                          |                    | 66,248  | 62,354            | 128,602           | -   | 4,919             | 4,919             |
| 3.2.2.2. Forward foreign currency sales                              |                    | 66,221  | 62,354            | 128,575           | -   | 4,918             | 4,918             |
| 3.2.2. Currency and interest rate swaps                              |                    | 304,900   | 453,155           | 758,055           | 83,160  | 291,971           | 375,131           |
| 3.2.2.1. Currency swaps-purchases                                    |                    | 133,925   | -                 | 133,925           | -   | -                 | -                 |
| 3.2.2.2. Currency swaps-sales  |                    | -   | 133,976           | 133,976           | -   | -                 | -                 |
| 3.2.2.3. Interest rate swaps-purchases                               |                    | 83,160  | 166,121           | 249,281           | 83,160  | 106,166           | 189,326           |
| 3.2.2.4. Interest rate swaps-sales                                   |                    | 87,815  | 153,058           | 240,873           | -   | 185,805           | 185,805           |
| 3.2.3. Currency, interest rate and security options                  |                    | -   | -                 | -                 | -   | -                 | -                 |
| 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                                       |                    | -   | -                 | -                 | -   | -                 | -                 |
| 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  |                    | -   | -                 | -                 | -   | -                 | -                 |
| <b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>                        |                    | <b>37,322,527</b>                               | <b>6,931,484</b>  | <b>44,254,011</b> | <b>33,320,788</b>                                       | <b>7,229,953</b>  | <b>40,550,741</b> |
| <b>IV. ITEMS HELD IN CUSTODY</b>                                     |                    | <b>11,202,059</b>                               | <b>436,258</b>    | <b>11,638,317</b> | <b>11,734,986</b>                                       | <b>485,078</b>    | <b>12,220,064</b> |
| 4.1. Customers' securities held                                      |                    | -   | 11,770            | 11,770            | -   | 13,618            | 13,618            |
| 4.2. Investment securities held in custody                           |                    | 10,368,499                                      | 2,868             | 10,371,367        | 11,109,692  | 30,674            | 11,140,366        |
| 4.3. Checks received for collection                                  |                    | 297,708   | 77,789            | 375,497           | 223,854   | 116,902           | 340,756           |
| 4.4. Commercial notes received for collection                        |                    | 168,772   | 92,052            | 260,824           | 111,527   | 125,522           | 237,049           |
| 4.5. Other assets received for collection                            |                    | 6,715   | 756               | 7,471             | 6,545   | 478               | 7,023             |
| 4.6. Assets received through public offering                         |                    | -   | 456               | 456               | -   | 116               | 116               |
| 4.7. Other items under custody                                       |                    | 211,166   | 5,397             | 216,563           | 171,691   | 5,600             | 177,291           |
| 4.8. Custodians  |                    | 149,199   | 245,170           | 394,369           | 111,677   | 192,168           | 303,845           |
| <b>V. PLEDGED ITEMS</b>  |                    | <b>26,120,468</b>                               | <b>6,495,226</b>  | <b>32,615,694</b> | <b>21,585,802</b>                                       | <b>6,744,875</b>  | <b>28,330,677</b> |
| 5.1. Securities  |                    | 978,290   | 54,446            | 1,032,736         | 928,482   | 35,278            | 963,760           |
| 5.2. Guarantee notes   |                    | 445,233   | 263,970           | 709,203           | 294,585   | 320,358           | 614,943           |
| 5.3. Commodities   |                    | 6,431,106                                       | -                 | 6,431,106         | 5,932,412   | -                 | 5,932,412         |
| 5.4. Warranties  |                    | -   | 6,441             | 6,441             | -   | -                 | -                 |
| 5.5. Real estates  |                    | 17,822,675                                      | 5,571,432         | 23,394,107        | 14,139,270  | 5,703,996         | 19,843,266        |
| 5.6. Other pledged items   |                    | 264,083   | 582,251           | 846,334           | 150,780   | 670,661           | 821,441           |
| 5.7. Pledged items-depository  |                    | 179,081   | 16,686            | 195,767           | 140,273   | 14,582            | 154,855           |
| <b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>                  |                    | -   | -                 | -                 | -   | -                 | -                 |
| <b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>                           |                    | <b>44,115,433</b>                               | <b>10,558,952</b> | <b>54,674,385</b> | <b>38,197,016</b>                                       | <b>10,610,187</b> | <b>48,807,203</b> |

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

|               |  | Reviewed<br>Current Period<br>1 January 2007 –<br>30 September 2007 | Restated<br>Reviewed<br>Prior Period<br>1 January 2006 –<br>30 September 2006 | Reviewed<br>Current Period<br>1 July 2007 –<br>30 September 2007 | Restated<br>Reviewed<br>Prior Period<br>1 July 2006 –<br>30 September 2006 |
|---------------|--|---|---|--|--|
|               | <b>Notes<br/>(Section 5)</b>                                   | <b>Total</b>  | <b>Total</b>  | <b>Total</b>   | <b>Total</b>   |
| <b>I.</b>     | <b>INTEREST INCOME</b>   | <b>3,943,811</b>  | <b>3,119,169</b>  | <b>1,357,732</b>   | <b>1,092,802</b>   |
| 1.1           | Interest income from loans                                     | 2,329,431   | 1,778,869   | 808,358  | 640,597  |
| 1.2           | Interest income from reserve deposits                          | 120,923   | 88,208  | 42,292   | 34,589   |
| 1.3           | Interest income from banks                                     | 154,929   | 80,704  | 52,760   | 34,619   |
| 1.4           | Interest income from money market transactions                 | 160,685   | 202,074   | 47,250   | 35,311   |
| 1.5           | Interest income from securities portfolio                      | 1,173,225   | 969,314   | 405,645  | 347,686  |
| 1.5.1         | Trading financial assets                                       | 29,017  | 16,689  | 9,031  | 30,460   |
| 1.5.2         | Financial assets at fair value through profit or loss          | -   | -   | -  | -  |
| 1.5.3         | Financial assets available-for-sale                            | 1,092,628   | 940,731   | 353,223  | 317,430  |
| 1.5.4         | Investments held-to-maturity                                   | 51,580  | 11,894  | 43,391   | (204)  |
| 1.6           | Financial lease income   | -   | -   | -  | -  |
| 1.7           | Other interest income  | 4,618   | -   | 1,427  | -  |
| <b>II.</b>    | <b>INTEREST EXPENSE</b>  | <b>2,719,165</b>  | <b>2,009,543</b>  | <b>923,188</b>   | <b>709,171</b>   |
| 2.1           | Interest on deposits   | 2,398,872   | 1,820,118   | 805,757  | 635,758  |
| 2.2           | Interest on funds borrowed                                     | 191,448   | 148,809   | 68,564   | 53,148   |
| 2.3           | Interest on money market transactions                          | 113,587   | 38,484  | 47,000   | 19,634   |
| 2.4           | Interest on securities issued                                  | -   | -   | -  | -  |
| 2.5           | Other interest expenses  | 15,258  | 2,132   | 1,867  | 631  |
| <b>III.</b>   | <b>NET INTEREST INCOME (I – II)</b>                            | <b>1,224,646</b>  | <b>1,109,626</b>  | <b>434,544</b>   | <b>383,631</b>   |
| <b>IV.</b>    | <b>NET FEES AND COMMISSIONS INCOME</b>                         | <b>245,961</b>  | <b>217,624</b>  | <b>84,336</b>  | <b>62,128</b>  |
| 4.1           | Fees and commissions received                                  | 356,298   | 306,675   | 123,109  | 95,613   |
| 4.1.1         | Cash loans   | 33,578  | 26,712  | 11,227   | 9,850  |
| 4.1.2         | Non-cash loans   | 35,400  | 33,515  | 12,180   | 12,083   |
| 4.1.3         | Others   | 287,320   | 246,448   | 99,702   | 73,680   |
| 4.2           | Fees and commissions paid                                      | 110,337   | 39,051  | 38,773   | 33,485   |
| 4.2.1         | Cash loans   | 5,926   | 6,718   | 1,764  | 2,674  |
| 4.2.2         | Non-cash loans   | 11  | 2   | 1  | -  |
| 4.2.3         | Others   | 104,400   | 82,331  | 37,008   | 30,811   |
| <b>V.</b>     | <b>DIVIDEND INCOME</b>   | <b>34,718</b>   | <b>6,376</b>  | <b>914</b>   | <b>-</b>   |
| <b>VI.</b>    | <b>NET TRADING INCOME/LOSSES (Net)</b>                         | <b>160,065</b>  | <b>(10,954)</b>   | <b>43,791</b>  | <b>7,747</b>   |
| 6.1           | Trading account income/losses (Net)                            | 43,206  | 27,628  | 521  | (16,352)   |
| 6.2           | Foreign exchange gains/losses (Net)                            | 116,859   | (38,582)  | 43,270   | 24,099   |
| <b>VII.</b>   | <b>OTHER OPERATING INCOME</b>                                  | <b>305,789</b>  | <b>217,901</b>  | <b>152,032</b>   | <b>31,129</b>  |
| <b>VIII.</b>  | <b>TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>                | <b>1,971,179</b>  | <b>1,540,573</b>  | <b>715,617</b>   | <b>484,635</b>   |
| <b>IX.</b>    | <b>PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b> | <b>282,378</b>  | <b>179,276</b>  | <b>74,392</b>  | <b>43,024</b>  |
| <b>X.</b>     | <b>OTHER OPERATING EXPENSES (-)</b>                            | <b>719,240</b>  | <b>609,377</b>  | <b>260,885</b>   | <b>203,966</b>   |
| <b>XI.</b>    | <b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>                   | <b>969,561</b>  | <b>751,920</b>  | <b>380,340</b>   | <b>237,645</b>   |
| <b>XII.</b>   | <b>INCOME RESULTED FROM MERGERS</b>                            | -   | -   | -  | -  |
| <b>XIII.</b>  | <b>INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>    | -   | -   | -  | -  |
| <b>XIV.</b>   | <b>GAIN/LOSS ON NET MONETARY POSITION</b>                      | -   | -   | -  | -  |
| <b>XV.</b>    | <b>PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)</b>              | <b>969,561</b>  | <b>751,920</b>  | <b>380,340</b>   | <b>237,645</b>   |
| <b>XVI.</b>   | <b>PROVISION FOR TAXES</b>                                     | <b>(160,880)</b>  | <b>(196,257)</b>  | <b>(50,208)</b>  | <b>(45,843)</b>  |
| 16.1          | Current tax charge   | (179,312)   | (98,982)  | (58,030)   | (74,271)   |
| 16.2          | Deferred tax charge/(credit)                                   | 18,432  | (97,275)  | 7,822  | 28,428   |
| <b>XVII.</b>  | <b>NET OPERATING PROFIT/LOSS AFTER TAXES (XV-XVI)</b>          | <b>808,681</b>  | <b>555,663</b>  | <b>330,132</b>   | <b>191,802</b>   |
| 17.1          | Discontinued operations  | -   | -   | -  | -  |
| 17.2          | Others   | 808,681   | 555,663   | 330,132  | 191,802  |
| <b>XVIII.</b> | <b>NET PROFIT/LOSS (XV-XVI)</b>                                | <b>808,681</b>  | <b>555,663</b>  | <b>330,132</b>   | <b>191,802</b>   |
|               | <b>EARNINGS PER SHARE (full YTL)</b>                           | <b>0.3235</b>   | <b>0.4345</b>   | <b>0.1321</b>  | <b>0.1500</b>  |

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

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**  
**Unconsolidated Statement of Changes in Shareholders' Equity**  
**For the Nine-Month Period Ended 30 September 2007**  
**(Thousands of New Turkish Lira (YTL))**

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

|  | Paid-in Capital   | Capital Reserves from Inflation Adjustments to Paid-in Capital | Share Premium  | Share Cancellation Profits | Legal Reserves | Status Reserves | Extraordinary Reserves | Other Reserves | Current Period Net Profit/(Loss) | Prior Period Net Profit/(Loss) | Revaluation Fund | Revaluation Surplus | Securities Value Increase Fund | Total Shareholders' Equity |           |
|--|---|--|----------------|----------------------------|----------------|-----------------|------------------------|----------------|----------------------------------|--------------------------------|------------------|---------------------|--------------------------------|----------------------------|-----------|
| <b>CHANGES IN SHAREHOLDERS' EQUITY</b> |   |  |                |                            |                |                 |                        |                |                                  |                                |                  |                     |                                |                            |           |
| <b>PRIOR PERIOD</b>                    |   |  |                |                            |                |                 |                        |                |                                  |                                |                  |                     |                                |                            |           |
| <b>30 September 2006</b>               |   |  |                |                            |                |                 |                        |                |                                  |                                |                  |                     |                                |                            |           |
| I.                                     | Balances at the beginning of the period   | 1,279,000  | 605,763        | 1,172,347                  | -              | 52,868          | -                      | 146,750        | 127,352                          | 527,573                        | 46,826           | 5,898               | 3,668                          | 399,326                    | 4,367,371 |
| II.                                    | Correction made as per TAS 8  | -  | -              | -                          | -              | -               | -                      | (10,000)       | 4,320                            | 8,198                          | -                | -                   | -                              | (29,911)                   | (27,393)  |
| 2.1                                    | Effect of corrections   | -  | -              | -                          | -              | -               | -                      | (10,000)       | 4,320                            | 8,198                          | -                | -                   | -                              | (29,911)                   | (27,393)  |
| 2.2                                    | Effect of changes in accounting policies  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          | -         |
| III.                                   | Adjusted balances at beginning of the period (I+II)                                   | 1,279,000  | 605,763        | 1,172,347                  | -              | 52,868          | -                      | 146,750        | 531,893                          | 55,024                         | 5,898            | 3,668               | 369,415                        | 4,339,978                  |           |
| <b>Changes during the period</b>       |   |  |                |                            |                |                 |                        |                |                                  |                                |                  |                     |                                |                            |           |
| IV.                                    | Mergers   | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          | -         |
| V.                                     | Associates, Subsidiaries and "Available-for-sale" securities                          | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | 1,897            | 31,474              | (360,867)                      | (327,496)                  |           |
| VI.                                    | Hedges for risk management  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 6.1                                    | Net cash flow hedges  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 6.2                                    | Net foreign investment hedges   | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| VII.                                   | Transfers   | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| VIII.                                  | Associates, Subsidiaries and "Available-for-sale" securities                          | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| VIII.                                  | Hedges for risk management  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 8.1                                    | Net cash flow hedges  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 8.2                                    | Net foreign investment hedges   | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| IX.                                    | Current period net profit   | -  | -              | -                          | -              | -               | -                      | -              | 555,663                          | -                              | -                | -                   | -                              | 555,663                    |           |
| X.                                     | Profit distribution   | -  | -              | -                          | -              | 49,790          | -                      | 7,750          | (531,893)                        | (3,277)                        | -                | -                   | -                              | (438,270)                  |           |
| 10.1                                   | Dividends   | -  | -              | -                          | -              | -               | -                      | -              | (440,351)                        | -                              | -                | -                   | -                              | (440,351)                  |           |
| 10.2                                   | Transferred to reserves   | -  | -              | -                          | -              | 49,790          | -                      | 7,750          | (91,542)                         | (3,277)                        | -                | -                   | -                              | -                          |           |
| 10.3                                   | Others  | -  | -              | -                          | -              | -               | -                      | 2,081          | -                                | -                              | -                | -                   | -                              | 2,081                      |           |
| XI.                                    | Capital increase  | -  | -              | (225)                      | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | (225)                      |           |
| 11.1                                   | Cash  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.2                                   | Revaluation surplus on tangible assets  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.3                                   | Bonus shares of associates, subsidiaries and joint-ventures                           | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.4                                   | Securities value increase fund  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.5                                   | Capital reserves from inflation adjustments to paid-in capital                        | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.6                                   | Issuance of share certificates  | -  | -              | (225)                      | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | (225)                      |           |
| 11.7                                   | Foreign exchange differences  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.8                                   | Others  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| XII.                                   | Changes resulted from disposal of assets  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| XIII.                                  | Changes resulted from reclassification of assets                                      | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| XIV.                                   | Primary subordinated debts  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| XV.                                    | Secondary subordinated debts  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| XVI.                                   | Effects of the changes in the equity of equity method associates on the Bank's equity | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
|  | <b>Balances at the end of the period</b>  | <b>1,279,000</b>   | <b>605,763</b> | <b>1,172,122</b>           | <b>-</b>       | <b>102,658</b>  | <b>-</b>               | <b>154,500</b> | <b>555,663</b>                   | <b>51,747</b>                  | <b>7,795</b>     | <b>35,142</b>       | <b>8,548</b>                   | <b>4,129,650</b>           |           |
| <b>CURRENT PERIOD</b>                  |   |  |                |                            |                |                 |                        |                |                                  |                                |                  |                     |                                |                            |           |
| <b>30 September 2007</b>               |   |  |                |                            |                |                 |                        |                |                                  |                                |                  |                     |                                |                            |           |
| I.                                     | Balances at the beginning of the period   | 2,500,000  | -              | 723,918                    | -              | 102,658         | -                      | -              | 161,974                          | 769,730                        | 39,229           | 35,142              | -                              | 154,778                    | 4,487,429 |
| II.                                    | Correction made as per TAS 8  | -  | -              | -                          | -              | -               | -                      | -              | (10,000)                         | (8,154)                        | 12,518           | -                   | -                              | (18,392)                   | (24,028)  |
| 2.1                                    | Effect of corrections   | -  | -              | -                          | -              | -               | -                      | -              | (10,000)                         | (8,154)                        | 12,518           | -                   | -                              | (18,392)                   | (24,028)  |
| 2.2                                    | Effect of changes in accounting policies  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| III.                                   | Adjusted balances at beginning of the period (I+II)                                   | 2,500,000  | -              | 723,918                    | -              | 102,658         | -                      | -              | 151,974                          | 761,576                        | 51,747           | 35,142              | -                              | 136,386                    | 4,463,401 |
| <b>Changes during the period</b>       |   |  |                |                            |                |                 |                        |                |                                  |                                |                  |                     |                                |                            |           |
| IV.                                    | Mergers   | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| V.                                     | Associates, Subsidiaries and "Available-for-sale" securities                          | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | 133,888                    |           |
| VI.                                    | Hedges for risk management  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 6.1                                    | Net cash flow hedges  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 6.2                                    | Net foreign investment hedges   | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| VII.                                   | Transfers   | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| VIII.                                  | Associates, Subsidiaries and "Available-for-sale" securities                          | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | 28,977           | -                   | (6,217)                        | 22,760                     |           |
| VIII.                                  | Hedges for risk management  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 8.1                                    | Net cash flow hedges  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 8.2                                    | Net foreign investment hedges   | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| IX.                                    | Current period net profit   | -  | -              | -                          | -              | -               | -                      | -              | 808,681                          | (761,576)                      | (43,861)         | -                   | -                              | (435,865)                  |           |
| X.                                     | Profit distribution   | -  | -              | -                          | -              | 76,973          | -                      | 296,122        | (3,523)                          | (435,865)                      | -                | -                   | -                              | (435,865)                  |           |
| 10.1                                   | Dividends   | -  | -              | -                          | -              | -               | -                      | -              | (325,711)                        | (43,861)                       | -                | -                   | -                              | -                          |           |
| 10.2                                   | Transferred to reserves   | -  | -              | -                          | -              | 76,973          | -                      | 296,122        | (3,523)                          | -                              | -                | -                   | -                              | -                          |           |
| 10.3                                   | Others  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| XI.                                    | Capital increase  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.1                                   | Cash  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.2                                   | Revaluation surplus on tangible assets  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.3                                   | Bonus shares of associates, subsidiaries and joint-ventures                           | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.4                                   | Securities value increase fund  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.5                                   | Capital reserves from inflation adjustments to paid-in capital                        | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.6                                   | Issuance of share certificates  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.7                                   | Foreign exchange differences  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| 11.8                                   | Others  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| XII.                                   | Changes resulted from disposal of assets  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| XIII.                                  | Changes resulted from reclassification of assets                                      | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| XIV.                                   | Primary subordinated debts  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| XV.                                    | Secondary subordinated debts  | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
| XVI.                                   | Effects of the changes in the equity of equity method associates on the Bank's equity | -  | -              | -                          | -              | -               | -                      | -              | -                                | -                              | -                | -                   | -                              | -                          |           |
|  | <b>Balances at the end of the period</b>  | <b>2,500,000</b>   | <b>-</b>       | <b>723,918</b>             | <b>-</b>       | <b>179,631</b>  | <b>-</b>               | <b>296,122</b> | <b>808,681</b>                   | <b>7,886</b>                   | <b>64,119</b>    | <b>-</b>            | <b>264,057</b>                 | <b>4,992,865</b>           |           |

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

**Türkiye Vakıflar Bankası Türk Anonim Ortaklığı**  
Unconsolidated Statement of Cash Flow  
For the Nine-Month Period Ended 30 September 2007  
(Thousands of New Turkish Lira (YTL))

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

|   | Notes<br>Section 5 | Reviewed<br>Current Period<br>30 September 2007 | Reviewed<br>Prior Period<br>30 September 2006 |
|---|--------------------|---|---|
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>  |                    |   |   |
| <b>1.1 Operating profit before changes in operating assets and liabilities</b>                |                    | <b>738,014</b>                                  | <b>709,762</b>                                |
| 1.1.1 Interests received  |                    | 3,910,309                                       | 3,162,822                                     |
| 1.1.2 Interests paid  |                    | (2,674,422)                                     | (2,009,543)                                   |
| 1.1.3 Dividend received   |                    | 34,718  | 6,376   |
| 1.1.4 Fees and commissions received   |                    | 356,298   | 306,675                                       |
| 1.1.5 Other income  |                    | 465,854   | 202,905                                       |
| 1.1.6 Collections from previously written-off loans and other receivables                     |                    | 35,243  | 185,706                                       |
| 1.1.7 Payments to personnel and service suppliers   |                    | (333,614)                                       | (268,060)                                     |
| 1.1.8 Taxes paid  |                    | (119,068)                                       | (22,776)                                      |
| 1.1.10 Others   |                    | (937,304)                                       | (854,343)                                     |
| <b>1.2 Changes in operating assets and liabilities</b>  |                    | <b>90,788</b>                                   | <b>(1,653,958)</b>                            |
| 1.2.1 Net (increase) decrease in financial assets held for trading                            |                    | 72,036  | 409,994                                       |
| 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              |                    | (37,969)  | (43,713)                                      |
| 1.2.4 Net (increase) decrease in loans  |                    | (2,716,147)                                     | (4,687,599)                                   |
| 1.2.5 Net (increase) decrease in other assets   |                    | (4,335)   | 96,807  |
| 1.2.6 Net increase (decrease) in bank deposits  |                    | (147,476)                                       | (474,140)                                     |
| 1.2.7 Net increase (decrease) in other deposits   |                    | 2,231,697                                       | 850,637                                       |
| 1.2.8 Net increase (decrease) in funds borrowed   |                    | (190,224)                                       | 1,403,576                                     |
| 1.2.9 Net increase (decrease) in matured payables   |                    | -   | -   |
| 1.2.10 Net increase (decrease) in other liabilities   |                    | 883,206   | 790,480                                       |
| <b>I. Net cash flow from banking operations</b>   |                    | <b>828,802</b>                                  | <b>(944,196)</b>                              |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                    |   |   |
| <b>II. Net cash flow from investing activities</b>  |                    | <b>(1,170,386)</b>                              | <b>472,740</b>                                |
| 2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures                     |                    | (5,685)   | (32,981)                                      |
| 2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures                    |                    | 949   | 6,599   |
| 2.3 Purchases of tangible assets  |                    | (88,323)  | (30,012)                                      |
| 2.4 Sales of tangible assets  |                    | 60,315  | 156,609                                       |
| 2.5 Cash paid for purchase of financial assets available-for-sale                             |                    | (100,099)                                       | -   |
| 2.6 Cash obtained from sale of financial assets available-for-sale                            |                    | -   | 63,392  |
| 2.7 Cash paid for purchase of investments held-to-maturity                                    |                    | (1,037,543)                                     | (155,860)                                     |
| 2.8 Cash obtained from sale of investments held-to-maturity                                   |                    | -   | 464,993                                       |
| 2.9 Others  |                    | -   | -   |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                    |   |   |
| <b>III. Net cash flow from financing activities</b>   |                    | <b>(443,726)</b>                                | <b>(440,351)</b>                              |
| 3.1 Cash obtained from funds borrowed and securities issued                                   |                    | -   | -   |
| 3.2 Cash used for repayment of funds borrowed and securities issued                           |                    | -   | -   |
| 3.3 Equity instruments issued   |                    | -   | -   |
| 3.4 Dividends paid  |                    | (435,865)                                       | (440,351)                                     |
| 3.5 Payments for financial leases   |                    | (7,861)   | -   |
| 3.6 Others  |                    | -   | -   |
| <b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>             |                    | <b>-</b>  | <b>-</b>                                      |
| <b>V. Net increase/(decrease) in cash and cash equivalents</b>                                |                    | <b>(785,310)</b>                                | <b>(911,807)</b>                              |
| <b>VI. Cash and cash equivalents at the beginning of the period</b>                           |                    | <b>5,888,998</b>                                | <b>6,386,863</b>                              |
| <b>VII. Cash and cash equivalents at the end of the period</b>                                |                    | <b>5,103,688</b>                                | <b>5,475,056</b>                              |

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

## **SECTION THREE**

### **Accounting Policies**

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

As per the Article 37 of “Accounting and Recording Rules” of the Turkish Banking Law no.5411 published on the Official Gazette no.25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated 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 Bank has prepared the unconsolidated financial statements as of 31 December 2006 in compliance with Reporting Standards for the first time and the effects of the related adjustments to the previous periods were restated in the previous periods in accordance with the “Turkish Financial Reporting Standard related to the First-Time Adaptation of Turkish Financial Reporting Standards”; the effects of Reporting Standards on the balance sheet of 1 January 2006 that is the opening of the financial statements as of 30 September 2006 and on the financial statements as of 30 September 2006 are presented in the disclosure XXII of this section.

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

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

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

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

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

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

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

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

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

The Bank takes position against short-term foreign exchange risk, interest rate risk and market risk in money and capital markets, by considering market conditions, within specified limits set by regulations. The Bank hedges itself and controls its position against the foreign exchange risk being exposed due to foreign currency available-for-sale investments, investments in other portfolios and other foreign currency transactions by various derivative transactions and setting the equilibrium of foreign currency denominated assets and liabilities. The Bank also hedges itself against the risk exposed due to net investment in foreign operations by the same manner.

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

The foreign currency position is monitored within the legal limitations set by the regulators and the internal control regulations and foreign currency position is controlled by the equilibrium of a currency basket to eliminate the foreign exchange risk by considering the market conditions.

#### **Information on foreign currency transactions**

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

If the investment 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.

### **III. Information on forwards, options and other derivative transactions**

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

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

### **IV. Information on interest income and expenses**

Interest income and expense are recognized according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) based on accrual basis..

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

## **V. Information on Fees and Commissions**

Fees and commissions are recorded based on accrual basis. Financial service fees that are an integral part of the effective yield of an instrument are recognized as an adjustment to the effective interest rate of the instrument. Some fees are related to the execution of a significant act, rather than to the effective interest rate of an associated financial instrument or to a specific service period. Such fees are earned when the related significant act has been completed.

## **VI. Financial assets**

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity. Financial assets are classified in four categories; as financial assets at fair value through profit or loss, investment securities available-for-sale, investment securities held-to-maturity, and loans and receivables.

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

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

Such assets are valued at their fair values and gain/loss arising is recorded in the 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 income statement. In case of sales of such securities before their maturity, the gains/losses on such sales are recorded under trading income/losses.

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

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

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

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

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

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

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

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

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



### **Associates and subsidiaries**

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

Associates, which are traded in an active market or whose fair value can be reliably measured, recorded at fair value. Associates 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.

## **VII. Impairment of financial assets**

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

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

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

## **VIII. 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.

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

Securities sold under repurchase agreements 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.

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

The Bank has no assets held for sale and discontinued operations.

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

The Bank's intangible assets consist of software and rights.

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

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

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

## **XII. Tangible assets**

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

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

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

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

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

Tangible assets are depreciated based on the straight line method.

Depreciation rates and estimated useful lives are:

| <b>Tangible assets</b>                                      | <b>Estimated useful lives<br/>(years)</b> | <b>Depreciation<br/>Rates (%)</b> |
|---|---|-----------------------------------|
| Buildings   | 50  | 2                                 |
| Office equipment, furniture and fixture, and motor vehicles | 5-10                                      | 10-20                             |
| Assets obtained through finance leases                      | 8   | 12.5                              |

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

## **XIII. Leasing activities**

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

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

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

#### **XIV. Provisions and contingent liabilities**

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

#### **XV. Obligations of the Bank concerning employee rights**

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

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

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

|  | <b>Current Period</b> | <b>Previous Period</b> |
|--|-----------------------|------------------------|
| Discount Rate                          | 5.71%                 | 5.49%                  |
| Expected Rate of Salary/Limit Increase | 5.00%                 | 6.175%                 |
| Estimated Employee Turnover Rate       | 0.51%                 | 0.51%                  |

The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with TAS 19.

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.

As per the letter of the Ministry of Employment and Social Security no.55723 dated 9 November 2006, the temporary Article no.23 of the Turkish Banking Law no.5411 and the temporary Article no.6 of the Law no.5502 dated 16 May 2006, the Board of Ministry of Turkey has agreed on 30 November 2006 by the Decree of Board of Ministries no. 2006/11345 that the Decree on the transfer of pension funds similar foundations subject to the temporary article no.20 of the Social Security Law no.506 together with their members and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to Social Security Foundation (SSF) will take place.

As per the Article no.9 of the related Decision of Board of Ministries;

The discounted liability for each fund in terms of the persons transferred as of the transfer date, including the contributors left the fund, should be calculated by taking the revenues and expenditures of funds into account under the Law no.506 as follows;

a) The technical interest rate to be used for the actuarial calculation is 10.24% calculated as the nominal interest rate at the issue date of the longest-maturity discounted New Turkish Lira-denominated government bonds as of 30 June 2005, as adjusted to real interest rate using the year-end inflation target based on the consumer price index declared in the Medium-Term Program of the Turkish Government.

- b) Mortality table “CSO 1980 female and male lifetime tables” will be used for death-age assumptions.
- c) Estimated premium payments (including insurance premiums for illness) made by contributors of the fund after the date of transfer of the fund (i.e. active members and persons making voluntary premium payments) up to the date they are entitled to receive salary or income as per the Law no.506 are taken into account as revenue in the calculation of discounted value of the fund.

The technical financial statements of the Fund are audited by the certified actuary according to the Article no.38 of the Insurance Law and the “Actuaries Regulation” issued as per this Article. As per the actuarial report dated February 2007 and prepared in compliance with the principles explained above, there is no technical or actual deficit determined which requires provision against.

On 2 November 2005 the President has applied to the Constitutional Court for annulment of certain statements of the Article of the Turkish Banking Law no.5411 related with the transfer of funds to SSF. Regarding the application, the related statement has been cancelled by the Constitutional Court’s decision No. E. 2005/39, K. 2007/33 dated 22 March 2007. The decision is published in the Official Gazette No. 26479 on 31 March 2007.

On the other hand, the BRSA stated his opinion by issuing No. BDDK.DZM.8/5532 dated 25 April 2007 declaration that it will be useful to keep the provision amount calculated at the end of the year 2006 in accordance with the council of minister decision published in the Official Gazette No. 26377 on 15 December 2006.

## **XVI. Taxation**

### **Corporate tax**

In accordance with Article No. 32 of the new Corporate Tax Law no.5520 published in the Official Gazette no.26205 dated 21 June 2006, the corporate tax rate is reduced from 30% to 20%. Accordingly, effective from 1 January 2006, 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. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident 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 nonresident 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.

### **Deferred taxes**

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

The deferred tax assets and liabilities are reported as net in the financial statements.

If transactions and events are recorded in the income statement, then the related tax effects are also recognized in the 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.

### **XVII. Funds borrowed**

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

There are no convertible bonds or any other securities issued.

### **XVIII. 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.

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

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

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

### **XX. Government incentives**

As of 30 September 2007, the Bank does not have any government incentives.

### **XXI. Segment reporting**

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

## XXII. Other disclosures

### Disclosures for the first-time adoption of Reporting Standards

The accounting principles and valuation methods used in the preparation of the prior period financial statements are revised as explained in Note 1 of this section in compliance with Turkish Accounting Standards and Turkish Financial Reporting Standards as per the communiqué no.1 “Frame for Preparation and Presentation of Financial Statements” of the Turkish Accounting Standards Board published on the Official Gazette no.25702 dated 16 January 2005. In compliance with the Communiqué, the adjustments made to the financial statements of the prior period are summarized below. The errors made in the reported financial statement in prior periods are also corrected in accordance with Turkish Accounting Standard (“TAS 8”) “Accounting policies, changes in accounting estimates and errors” and corrections made to the previous periods’ financial statements are also summarized below.

|   | Securities<br>Value Increase<br>Fund | Current<br>Period<br>Profit/Loss | Other<br>Profit<br>Reserves | Prior<br>Periods’<br>Profit/Loss | Shareholders’<br>Equity |
|---|--------------------------------------|----------------------------------|-----------------------------|----------------------------------|-------------------------|
| <b>Reported Balances as at 31 December 2005</b>   |                                      |                                  |                             |                                  |                         |
| <b>Before Reporting Standards</b>   | <b>332,592</b>                       | <b>535,170</b>                   | <b>127,352</b>              | <b>-</b>                         | <b>4,261,408</b>        |
| <i>Adjustments in accordance with TFRS 1:</i>   |                                      |                                  |                             |                                  |                         |
| Reserve for Employee Severance Indemnities  | -                                    | (8,982)                          | -                           | (59,799)                         | (68,781)                |
| Financial assets valuation differences  | 66,734                               | 1,385                            | -                           | 106,625                          | 174,744                 |
| <b>Reported Balances as at 31 December 2005</b>   |                                      |                                  |                             |                                  |                         |
| <b>After Reporting Standards</b>  | <b>399,326</b>                       | <b>527,573</b>                   | <b>127,352</b>              | <b>46,826</b>                    | <b>4,367,371</b>        |
| <i>Adjustments in accordance with TAS 8:</i>  |                                      |                                  |                             |                                  |                         |
| <i>Valuation adjustments for the equity securities classified as financial assets available-for-sale, associates and subsidiaries</i> | (22,334)                             | -                                | -                           | -                                | (22,334)                |
| <i>Exchange rate difference on investments in foreign subsidiaries (*)</i>  | -                                    | 4,320                            | -                           | 8,198                            | 12,518                  |
| <i>Adjustments to deferred taxes</i>  | (7,577)                              | -                                | (10,000)                    | -                                | (17,577)                |
| <b>Restated Balances as at 31 December 2005</b>   | <b>369,415</b>                       | <b>531,893</b>                   | <b>117,352</b>              | <b>55,024</b>                    | <b>4,339,978</b>        |

|   | Securities<br>Value Increase<br>Fund | Current<br>Period<br>Profit/Loss | Other<br>Profit<br>Reserves | Prior<br>Periods’<br>Profit/Loss | Shareholders’<br>Equity |
|---|--------------------------------------|----------------------------------|-----------------------------|----------------------------------|-------------------------|
| <b>Reported Balances as at 31 December 2006</b>   | <b>154,778</b>                       | <b>769,730</b>                   | <b>161,974</b>              | <b>39,229</b>                    | <b>4,487,429</b>        |
| <i>Adjustments in accordance with TAS 8:</i>  |                                      |                                  |                             |                                  |                         |
| <i>Valuation adjustments for the equity securities classified as financial assets available-for-sale, associates and subsidiaries</i> | (15,134)                             | -                                | -                           | -                                | (15,134)                |
| <i>Exchange rate difference on investments in foreign subsidiaries (*)</i>  | -                                    | (4,632)                          | -                           | 12,518                           | 7,886                   |
| <i>Adjustments to deferred taxes</i>  | (3,258)                              | (3,522)                          | (10,000)                    | -                                | (16,780)                |
| <b>Restated Balances as at 31 December 2006</b>   | <b>136,386</b>                       | <b>761,576</b>                   | <b>151,974</b>              | <b>51,747</b>                    | <b>4,463,401</b>        |

|   | Securities<br>Value Increase<br>Fund | Current<br>Period<br>Profit/Loss | Other<br>Profit<br>Reserves | Prior<br>Periods’<br>Profit/Loss | Shareholders’<br>Equity |
|---|--------------------------------------|----------------------------------|-----------------------------|----------------------------------|-------------------------|
| <b>Reported Balances as at 30 September 2006</b>  |                                      |                                  |                             |                                  |                         |
| <b>Before the Reporting Standards</b>   | <b>36,875</b>                        | <b>609,290</b>                   | <b>423,870</b>              | <b>-</b>                         | <b>4,169,857</b>        |
| <i>Adjustments in accordance with TFRS 1:</i>   |                                      |                                  |                             |                                  |                         |
| Reserve for Employee Severance Indemnities  | -                                    | (13,478)                         | -                           | (68,781)                         | (82,259)                |
| Financial assets valuation differences  | 40,207                               | (43,653)                         | -                           | 108,010                          | 104,564                 |
| <i>Adjustments in accordance with TAS 8:</i>  |                                      |                                  |                             |                                  |                         |
| <i>Valuation adjustments for the equity securities classified as financial assets available-for-sale, associates and subsidiaries</i> | (48,362)                             | -                                | -                           | -                                | (48,362)                |
| <i>Exchange rate difference on investments in foreign subsidiaries (*)</i>  | -                                    | (5,850)                          | -                           | 12,518                           | 6,668                   |
| <i>Adjustments to deferred taxes</i>  | (20,172)                             | 9,354                            | (10,000)                    | -                                | (20,818)                |
| <b>Restated Balances as at 30 September 2006</b>  | <b>8,548</b>                         | <b>555,663</b>                   | <b>413,870</b>              | <b>51,747</b>                    | <b>4,129,650</b>        |

(\*) As of 31 December 2006 and before, net investments in foreign operations are translated in YTL by the rates prevailing on the balance sheet date, and the foreign exchange differences arising from change in exchange rates are reported in “securities value increase funds” under the shareholder’s equity, in accordance with the communiqué of BRSA dated 18 January 2007 and numbered BDDK.DZM.2/13/1-a 610. In accordance with the communiqué of BRSA numbered BDDK.DZM.2/13/1-a 2007/2, net investments in foreign operations are translated into YTL by the rates at transactions dates, and reported accordingly. The effects of related change in accounting principles are also presented in the above tables.

In addition to the corrections shown on the tables above, the following reclassifications and net-offs have been recorded in the comparative financial statements as at 31 December 2006.

- Eurobonds issued by Turkish Treasury which were previously presented as “other marketable securities” under financial assets held for trading, financial assets available-for-sale and investment securities held to maturity amounting to YTL 462,055, YTL 1,315,619, and YTL 6,072, respectively, has been reclassified as “Public Sector Debt Securities”.
- Interest rate swaps which were presented as “derivative transactions held for risk management” in prior year’s statement of off-balance sheet items amounting to YTL 375,131 has been reclassified as “trading derivatives” in the comparative financial statements. In the same manner, “derivative financial liabilities held for risk management” amounting to YTL 3,707 has been reclassified as “derivative financial liabilities held for trading” and “derivative financial assets held for risk management” amounting to YTL 9,993, has been reclassified as “Derivative Financial Assets Held for Trading”.
- The provision for the bonuses that will be paid to the employees amounting to YTL 14,500, that was previously presented under “other external resources payable” has been reclassified as “reserve for employee benefits” in compliance with TAS 19 in the comparative financial statements.
- “Deferred tax liabilities” amounting to YTL 31,914 presented gross in prior year financial statements, has been netted-off with “deferred tax asset” in accordance with TAS 12 in the comparative financial statements.
- “Prepaid taxes” amounting to YTL 93,614 is netted off with “current tax liabilities” in comparative financial statements.

After above corrections, capital adequacy ratio has been recalculated as 20.73 as at 31 December 2006, which was previously reported as 19.72.

### **Earnings per shares**

As of and for the nine-month period ended 30 September 2007, earnings per share is YTL 0.3235 (30 September 2006: YTL 0.4345).

### **Related Parties**

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

### **Cash and Cash Equivalents**

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

## **SECTION FOUR**

### **Information Related to Financial Position of the Bank**

#### **I. Capital adequacy ratio**

The Bank's unconsolidated capital adequacy ratio is 16.55. (31 December 2006: 20.73)

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

Capital adequacy ratio is calculated within the scope of the "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006 and "Regulation regarding to 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 amortisation, 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".



**Unconsolidated capital adequacy ratio**

|  | 30 September 2007 |                  |                  |                   |
|--|-------------------|------------------|------------------|-------------------|
|  | Risk Weights      |                  |                  |                   |
|  | 0%                | 20%              | 50%              | 100%              |
| <b>Value at Credit Risk</b>                                      |                   |                  |                  |                   |
| <b>Balance Sheet Items (Net)</b>                                 | <b>14,892,128</b> | <b>1,896,933</b> | <b>4,621,818</b> | <b>17,751,018</b> |
| Cash on Hand   | 268,864           | 429              | -                | -                 |
| Securities in Redemption   | -                 | -                | -                | -                 |
| Balances with the Central Bank of Turkey                         | 688,608           | -                | -                | -                 |
| Domestic and Foreign Banks, Foreign Head Offices and Branches    | -                 | 1,758,159        | -                | 87,628            |
| Interbank Money Market Placements                                | 2,300,000         | -                | -                | -                 |
| Receivables from Reverse Repurchase Agreements                   | -                 | -                | -                | -                 |
| Reserve Deposits   | 583,601           | -                | -                | -                 |
| Loans  | 119,394           | 220              | 4,542,410        | 15,812,563        |
| Loans under Follow-Up (Net)                                      | -                 | -                | -                | -                 |
| Lease Receivables  | -                 | -                | -                | -                 |
| Financial Assets Available-for-Sale                              | 9,271,619         | 84,125           | -                | 7,594             |
| Investments Held-to-Maturity                                     | 1,049,358         | 36,084           | -                | -                 |
| Receivables from Term Sale of Assets                             | -                 | -                | -                | 135,813           |
| Miscellaneous Receivables  | -                 | -                | -                | 166,614           |
| Accrued Interest and Income                                      | 553,702           | 17,916           | 79,408           | 276,853           |
| Investments in Associates, Subsidiaries and Joint-Ventures (Net) | -                 | -                | -                | 537,590           |
| Tangible Assets (Net)  | -                 | -                | -                | 651,518           |
| Other Assets   | 56,982            | -                | -                | 74,845            |
| <b>Off-Balance Sheet Items</b>                                   | <b>-</b>          | <b>1,530,215</b> | <b>306,064</b>   | <b>2,502,273</b>  |
| Non-Cash Loans and Commitments                                   | -                 | 1,517,065        | 306,064          | 2,502,273         |
| Derivative Financial Instruments                                 | -                 | 13,150           | -                | -                 |
| <b>Non-Risk-Weighted Accounts</b>                                | <b>-</b>          | <b>-</b>         | <b>-</b>         | <b>-</b>          |
| <b>Total Risk-Weighted Assets</b>                                | <b>14,892,128</b> | <b>3,427,148</b> | <b>4,927,882</b> | <b>20,253,291</b> |

**Summary information related to capital adequacy ratio**

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Value at Credit Risk                       | 23,402,662     | 20,625,699   |
| Value at Market Risk (**)                  | 542,575        | 215,125      |
| Value at Operational Risk (*)              | 3,642,163      | -            |
| Shareholders' Equity                       | 4,565,552      | 4,320,483    |
| Shareholders' Equity/ (VaCR+VaMR+VaOR)*100 | 16.55          | 20.73        |

(\*) Calculation of Operational Risk is started to be calculated after 1 June 2007 for the first time, in accordance with the article 24 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks". Therefore operational risk was not included in the calculation of capital adequacy standard ratio as of 31 December 2006.

(\*\*) In accordance with the BRSA circular numbered BDDK.DZM.2.13/1-e/3874 and dated 19 March 2007, value at market risk is recalculated as of 31 December 2006 and represented above.

**Components of shareholders' equity items**

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| <b>CORE CAPITAL</b>   |                       |                     |
| Paid-in Capital   | 2,500,000             | 2,500,000           |
| Nominal Capital   | 2,500,000             | 2,500,000           |
| Capital Commitments (-)   | -                     | -                   |
| Capital Reserves from Inflation Adjustments to Paid-in Capital  | -                     | -                   |
| Share Premium   | 723,918               | 723,918             |
| Share Cancellation Profits  | -                     | -                   |
| Legal Reserves  | 179,631               | 102,658             |
| I. Legal Reserve (Turkish Commercial Code 466/1)  | 89,816                | 51,329              |
| II. Legal Reserve (Turkish Commercial Code 466/2)   | -                     | -                   |
| Reserves allocated as per Special Legislations  | 89,815                | 51,329              |
| Status Reserves   | -                     | -                   |
| Extraordinary Reserves  | 444,573               | 151,974             |
| Reserve allocated as per the Decision held by the General Assembly  | 296,122               | -                   |
| Retained Earnings   | 148,451               | 151,974             |
| Accumulated Losses  | -                     | -                   |
| Exchange Rate Differences on Foreign Currency Capital   | -                     | -                   |
| Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves   | -                     | -                   |
| Profit  | 816,567               | 813,323             |
| Current Period Profit   | 808,681               | 761,576             |
| Prior Periods Profit  | 7,886                 | 51,747              |
| Provision for Possible Losses (upto 25% of Core Capital)  | 1,000                 | 21,000              |
| Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase   | -                     | -                   |
| Primary Subordinated Debt (upto 15% of Core Capital)  | -                     | -                   |
| Loss excess of Reserves (-)   | -                     | -                   |
| Current Period Loss   | -                     | -                   |
| Prior Periods Loss  | -                     | -                   |
| Leasehold Improvements (-)  | 40,048                | 28,320              |
| Prepaid Expenses (-)  | 199,500               | 48,733              |
| Intangible Assets (-)   | 13,421                | 4,975               |
| Deferred Tax Asset excess of 10% of Core Capital (-)  | -                     | -                   |
| Limit excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)  | -                     | -                   |
| <b>Total Core Capital</b>   | <b>4,665,689</b>      | <b>4,312,873</b>    |
| <b>SUPPLEMENTARY CAPITAL</b>  |                       |                     |
| General Provisions  | 143,397               | 130,463             |
| 45% of Revaluation Surplus on Immovables  | -                     | -                   |
| Bonus shares of Associates, Subsidiaries and Joint-Ventures   | 64,119                | 35,142              |
| Primary Subordinated Debt excluding the Portion included in Core Capital  | -                     | -                   |
| Secondary Subordinated Debt   | -                     | -                   |
| 45% of Securities Value Increase Fund   | 118,826               | 61,374              |
| Associates and Subsidiaries   | 83,532                | 37,491              |
| Investment Securities Available for Sale  | 35,294                | 23,883              |
| Other Profit Reserves   | -                     | -                   |
| <b>Total Supplementary Capital</b>  | <b>326,342</b>        | <b>226,979</b>      |
| <b>TIER III CAPITAL</b>   |                       |                     |
| <b>CAPITAL</b>  | <b>4,992,031</b>      | <b>4,539,852</b>    |
| <b>DEDUCTIONS FROM CAPITAL</b>  | <b>426,479</b>        | <b>219,369</b>      |
| Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership   | 3,281                 | 2,669               |
| 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   | -                     | -                   |
| 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                            | 170,229               | 134,672             |
| Others  | -                     | -                   |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>   | <b>4,565,552</b>      | <b>4,320,483</b>    |

## II. Market risk

The 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.

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

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

### Value at market risk

|   | <b>Amount</b>  |
|---|----------------|
| (I) Capital Obligation against General Market Risk - Standard Method                    | 24,933         |
| (II) Capital Obligation against Specific Risks - Standard Method                        | -              |
| (III) Capital Obligation against Currency Risk - Standard Method                        | 18,473         |
| (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)                 | 43,406         |
| <b>(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))</b>                            | <b>542,575</b> |

## III. Operational risk

The Bank calculated the value at operational risk in accordance with the fourth section related to the “Computation of Value of Operational Risk” of the circular, “Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette dated 1 November 2006, using gross profit of the last three years 2004, 2005 and 2006. The amount calculated as YTL 291,373 as of 30 September 2007 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 3,642,163 presented in the table included in the note number I of this section is calculated as 12.5 times of the operational risk.

#### **IV. Foreign currency exchange risk**

##### **Foreign exchange risk that the 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. The net long and short positions are calculated in New Turkish Lira equivalent of the each currency. The position with the biggest absolute value is determined as the base amount for the capital obligation. The capital obligation is calculated at that amount.

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

As of 30 September 2007 the Bank does not have derivate financial instruments held for risk management.

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

Risk policy of the Bank is based on the transactions within the limits and keeping the currency position well-balanced.

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

The 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:

|   | <b>US DOLLAR</b> | <b>EURO</b> |
|---|------------------|-------------|
| The Bank's foreign currency purchase rate at the balance sheet date | 1.2100           | 1.7175      |
| Foreign currency rates for the days before balance sheet date;      |                  |             |
| Day 1   | 1.1700           | 1.6541      |
| Day 2   | 1.1700           | 1.6546      |
| Day 3   | 1.1800           | 1.6617      |
| Day 4   | 1.1800           | 1.6666      |
| Day 5   | 1.1900           | 1.6773      |
|   |                  |             |
|   | <b>US DOLLAR</b> | <b>EURO</b> |
| Last 30-days arithmetical average rate                              | 1.2404           | 1.7079      |

### Information on currency risk

| <b>Current Period</b>                                     | <b>Euro</b>      | <b>US Dollar</b> | <b>Yen</b>   | <b>Other FCs</b> | <b>Total</b>      |
|---|------------------|------------------|--------------|------------------|-------------------|
| <b>Assets</b>   |                  |                  |              |                  |                   |
| Cash and Central Banks                                    | 831,957          | 16,291           | 17           | 2,745            | <b>851,010</b>    |
| Banks and Other Financial Institutions                    | 521,716          | 1,255,448        | 3,892        | 35,486           | <b>1,816,542</b>  |
| Financial Assets at Fair Value through Profit/Loss (*)    | 132,688          | 235,690          | -            | -                | <b>368,378</b>    |
| Interbank Money Market Placements                         | -                | -                | -            | -                | -                 |
| Financial Assets Available-for-Sale                       | 594,317          | 2,532,330        | -            | -                | <b>3,126,647</b>  |
| Loans (**)  | 1,777,820        | 4,291,220        | 2,170        | 48,179           | <b>6,119,389</b>  |
| Investments Held-to-Maturity                              | -                | 41,584           | -            | -                | <b>41,584</b>     |
| Derivative Financial Assets Held for Risk Management      | -                | -                | -            | -                | -                 |
| Tangible Assets   | -                | 460              | -            | -                | <b>460</b>        |
| Intangible Assets   | -                | -                | -            | -                | -                 |
| Other Assets (***)  | 20,189           | 219,933          | -            | 1,590            | <b>241,712</b>    |
| <b>Total Assets</b>                                       | <b>3,878,687</b> | <b>8,592,956</b> | <b>6,079</b> | <b>88,000</b>    | <b>12,565,722</b> |
| <b>Liabilities</b>  |                  |                  |              |                  |                   |
| Bank Deposits   | 484              | 79,719           | -            | 5,484            | <b>85,687</b>     |
| Foreign Currency Deposits                                 | 3,101,086        | 2,843,776        | 1,284        | 37,284           | <b>5,983,430</b>  |
| Interbank Money Market Takings                            | -                | 1,190,884        | -            | -                | <b>1,190,884</b>  |
| Other Funding   | 797,001          | 3,915,898        | -            | 31,237           | <b>4,744,136</b>  |
| Securities Issued   | -                | -                | -            | -                | -                 |
| Miscellaneous Payables                                    | 16,653           | 58,141           | 1            | 163              | <b>74,958</b>     |
| Derivative Financial Liabilities Held for Risk Management | -                | -                | -            | -                | -                 |
| Other Liabilities (*)                                     | 54,052           | 88,272           | 1            | 3,207            | <b>145,532</b>    |
| <b>Total Liabilities</b>                                  | <b>3,969,276</b> | <b>8,176,690</b> | <b>1,286</b> | <b>77,375</b>    | <b>12,224,627</b> |
| <b>Net 'On Balance Sheet' Position</b>                    | <b>(90,589)</b>  | <b>416,266</b>   | <b>4,793</b> | <b>10,625</b>    | <b>341,095</b>    |
| <b>Net 'Off-Balance Sheet' Position</b>                   | <b>1,228</b>     | <b>(122,141)</b> | <b>-</b>     | <b>-</b>         | <b>(120,913)</b>  |
| Derivative Assets   | 53,066           | 175,409          | -            | -                | <b>228,475</b>    |
| Derivative Liabilities                                    | 51,838           | 297,550          | -            | -                | <b>349,388</b>    |
| Non-Cash Loans  | 1,076,763        | 1,860,349        | 9,079        | 88,723           | <b>3,034,914</b>  |
| <b>Prior Period</b>                                       |                  |                  |              |                  |                   |
| Total Assets  | 3,667,579        | 10,266,335       | 2,219        | 74,845           | <b>14,010,978</b> |
| Total Liabilities   | 3,612,455        | 10,170,591       | 2,901        | 69,127           | <b>13,855,074</b> |
| <b>Net 'On Balance Sheet' Position</b>                    | <b>55,124</b>    | <b>95,744</b>    | <b>(682)</b> | <b>5,718</b>     | <b>155,904</b>    |
| <b>Net 'Off-Balance Sheet' Position</b>                   | <b>1,245</b>     | <b>(79,772)</b>  | <b>-</b>     | <b>1</b>         | <b>(78,526)</b>   |
| Derivative Assets   | 30,744           | 78,414           | -            | 2,483            | <b>111,641</b>    |
| Derivative Liabilities                                    | 29,499           | 158,186          | -            | 2,482            | <b>190,167</b>    |
|   | 1,039,545        | 1,859,327        | 24,241       | 91,254           | <b>3,014,367</b>  |

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

(\*\*) Foreign currency indexed loans amounting to YTL 442,847 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 442,847 results position for the Bank when foreign exchange rates increase.

(\*\*\*) Foreign subsidiaries are not included.

**V. 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 Bank "Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates"**

| <b>Current Period</b>                              | <b>Up to 1 Month</b> | <b>1-3 Months</b>  | <b>3-6 Months</b> | <b>6-12 Months</b> | <b>1 Year and Over</b> | <b>Non-Interest Bearing (*)</b> | <b>Total</b>       |
|--|----------------------|--------------------|-------------------|--------------------|------------------------|---------------------------------|--------------------|
| <i>Assets:</i>                                     |                      |                    |                   |                    |                        |                                 |                    |
| Cash and Central Banks                             | 1,315,644            | -                  | -                 | -                  | -                      | 269,293                         | <b>1,584,937</b>   |
| Banks and Other Financial Institutions             | 1,704,285            | -                  | -                 | -                  | -                      | 142,743                         | <b>1,847,028</b>   |
| Financial Assets at Fair Value through Profit/Loss | 44,417               | 5,845              | 33,116            | 3,453              | 309,062                | -                               | <b>395,893</b>     |
| Interbank Money Market Placements                  | 2,303,306            | -                  | -                 | -                  | -                      | -                               | <b>2,303,306</b>   |
| Financial Assets Available-for-Sale                | 1,074,412            | 927,639            | 3,124,575         | 1,814,103          | 2,919,445              | 91,719                          | <b>9,951,893</b>   |
| Loans  | 7,830,480            | 4,797,697          | 2,958,263         | 534,600            | 4,711,468              | -                               | <b>20,832,508</b>  |
| Investments Held-to-Maturity                       | -                    | 36,336             | 481,606           | 191,589            | 406,515                | -                               | <b>1,116,046</b>   |
| Other Assets (*)                                   | 18,601               | 7,915              | 5,695             | 15,398             | 164,826                | 1,837,407                       | <b>2,049,842</b>   |
| <b>Total Assets</b>                                | <b>14,291,145</b>    | <b>5,775,432</b>   | <b>6,603,255</b>  | <b>2,559,143</b>   | <b>8,511,316</b>       | <b>2,341,162</b>                | <b>40,081,453</b>  |
| <i>Liabilities:</i>                                |                      |                    |                   |                    |                        |                                 |                    |
| Bank Deposits                                      | 256,207              | 151,995            | -                 | -                  | -                      | 1,869                           | <b>410,071</b>     |
| Other Deposits                                     | 14,222,522           | 6,533,722          | 1,445,317         | 353,465            | 579,152                | 3,392,053                       | <b>26,526,231</b>  |
| Interbank Money Market Takings                     | 46,223               | 303,738            | 47,582            | 467,829            | 1,065,823              | -                               | <b>1,931,195</b>   |
| Miscellaneous Payables                             | -                    | 53,073             | 15,267            | -                  | -                      | 364,441                         | <b>432,781</b>     |
| Securities Issued                                  | -                    | -                  | -                 | -                  | -                      | -                               | <b>-</b>           |
| Other Funding                                      | 146,072              | 473,299            | 1,773,750         | 1,032,098          | 1,372,038              | -                               | <b>4,797,257</b>   |
| Other Liabilities (**)                             | 682                  | 5,625              | 129,921           | -                  | 14,515                 | 5,833,175                       | <b>5,983,918</b>   |
| <b>Total Liabilities</b>                           | <b>14,671,706</b>    | <b>7,521,452</b>   | <b>3,411,837</b>  | <b>1,853,392</b>   | <b>3,031,528</b>       | <b>9,591,538</b>                | <b>40,081,453</b>  |
| On Balance Sheet Long Position                     | -                    | -                  | 3,191,418         | 705,751            | 5,479,788              | -                               | <b>9,376,957</b>   |
| On Balance Sheet Short Position                    | (380,561)            | (1,746,020)        | -                 | -                  | -                      | (7,250,376)                     | <b>(9,376,957)</b> |
| Off-Balance Sheet Long Position                    | -                    | 89,500             | 83,160            | -                  | 76,622                 | -                               | <b>249,282</b>     |
| Off-Balance Sheet Short Position                   | -                    | (53,075)           | (91,497)          | -                  | (96,301)               | -                               | <b>(240,873)</b>   |
| <b>Total Position</b>                              | <b>(380,561)</b>     | <b>(1,709,595)</b> | <b>3,183,081</b>  | <b>705,751</b>     | <b>5,460,109</b>       | <b>(7,250,376)</b>              | <b>8,409</b>       |

(\*) 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.

| <b>Prior Period</b>                                   | <b>Up to 1<br/>Month</b> | <b>1-3<br/>Months</b> | <b>3-6<br/>Months</b> | <b>6-12<br/>Months</b> | <b>1 Year<br/>and Over</b> | <b>Non-<br/>Interest<br/>Bearing (*)</b> | <b>Total</b>        |
|---|--------------------------|-----------------------|-----------------------|------------------------|----------------------------|--|---------------------|
| <i>Assets:</i>  |                          |                       |                       |                        |                            |  |                     |
| Cash and Central Bank                                 | 2,373,446                | -                     | -                     | -                      | -                          | 409,737                                  | <b>2,783,183</b>    |
| Banks and Other Financial<br>Institutions             | 2,947,756                | -                     | -                     | -                      | -                          | 115,735                                  | <b>3,063,491</b>    |
| Financial Assets at Fair Value<br>through Profit/Loss | 154,191                  | -                     | 9,197                 | 90,108                 | 218,138                    | 8,842                                    | <b>480,476</b>      |
| Interbank Money Market<br>Placements                  | 871,800                  | -                     | -                     | -                      | -                          | -  | <b>871,800</b>      |
| Financial Assets Available-for-<br>Sale               | 1,567,840                | 2,817,850             | 2,796,425             | 979,569                | 1,652,712                  | 91,649                                   | <b>9,906,045</b>    |
| Loans   | 9,135,331                | 3,562,523             | 1,282,551             | 497,667                | 3,565,168                  | -  | <b>18,043,240</b>   |
| Investments Held-to-Maturity                          | 43,979                   | 4,412                 | -                     | -                      | -                          | -  | <b>48,391</b>       |
| Other Assets (*)                                      | 39,557                   | -                     | -                     | 2,037                  | -                          | 1,646,187                                | <b>1,687,781</b>    |
| <b>Total Assets</b>                                   | <b>17,133,900</b>        | <b>6,384,785</b>      | <b>4,088,173</b>      | <b>1,569,381</b>       | <b>5,436,018</b>           | <b>2,272,150</b>                         | <b>36,884,407</b>   |
| <i>Liabilities:</i>                                   |                          |                       |                       |                        |                            |  |                     |
| Bank Deposits   | 423,889                  | 131,304               | -                     | -                      | -                          | 3,129                                    | <b>558,322</b>      |
| Other Deposits  | 3,394,995                | 13,420,571            | 2,196,647             | 318,234                | 660,112                    | 4,293,179                                | <b>24,283,738</b>   |
| Interbank Money Market Takings                        | 244,078                  | 158,901               | 381,785               | 317,226                | 268,104                    | -  | <b>1,370,094</b>    |
| Miscellaneous Payables                                | -                        | -                     | -                     | -                      | -                          | 318,360                                  | <b>318,360</b>      |
| Securities Issued                                     | -                        | -                     | -                     | -                      | -                          | -  | <b>-</b>            |
| Other Funding   | 1,173,410                | 2,584,286             | 1,215,833             | 23,607                 | -                          | -  | <b>4,997,136</b>    |
| Other Liabilities (**)                                | 33,555                   | 5,201                 | 7,878                 | 15,546                 | 108,689                    | 5,185,888                                | <b>5,356,757</b>    |
| <b>Total Liabilities</b>                              | <b>5,269,927</b>         | <b>16,300,263</b>     | <b>3,802,143</b>      | <b>674,613</b>         | <b>1,036,905</b>           | <b>9,800,556</b>                         | <b>36,884,407</b>   |
| On Balance Sheet Long Position                        | 11,863,973               | -                     | 286,030               | 894,768                | 4,399,113                  | -  | <b>17,443,884</b>   |
| On Balance Sheet Short Position                       | -                        | (9,915,478)           | -                     | -                      | -                          | (7,528,406)                              | <b>(17,443,884)</b> |
| Off-Balance Sheet Long Position                       | -                        | 1                     | -                     | -                      | 4,633                      | -  | <b>4,634</b>        |
| Off-Balance Sheet Short Position                      | -                        | -                     | -                     | -                      | -                          | -  | <b>-</b>            |
| <b>Total Position</b>                                 | <b>11,863,973</b>        | <b>(9,915,477)</b>    | <b>286,030</b>        | <b>894,768</b>         | <b>4,403,746</b>           | <b>(7,528,406)</b>                       | <b>4,634</b>        |

(\*) 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**

| <b>Current Period</b>                              | <b>Euro<br/>%</b> | <b>US Dollar<br/>%</b> | <b>Yen<br/>%</b> | <b>YTL<br/>%</b> |
|--|-------------------|------------------------|------------------|------------------|
| <b>Assets</b>                                      |                   |                        |                  |                  |
| Cash and Central Bank                              | 1.70              | 2.33                   | -                | 12.93            |
| Banks and Other Financial Institutions             | 4.15              | 5.27                   | -                | 17.78            |
| Financial Assets at Fair Value through Profit/Loss | 8.98              | 11.65                  | -                | 17.11            |
| Interbank Money Market Placements                  | -                 | -                      | -                | 17.25            |
| Financial Assets Available-for-Sale                | 6.02              | 7.17                   | -                | 18.23            |
| Loans  | 6.09              | 7.32                   | -                | 20.45            |
| Investments Held-to-Maturity                       | -                 | 5.89                   | -                | 18.97            |
| <b>Liabilities</b>                                 |                   |                        |                  |                  |
| Bank Deposits                                      | 2.50              | 5.59                   | -                | 18.83            |
| Other Deposits                                     | 3.08              | 3.84                   | -                | 15.53            |
| Interbank Money Market Takings                     | -                 | 5.44                   | -                | 18.39            |
| Miscellaneous Payables                             | -                 | -                      | -                | -                |
| Securities Issued                                  | -                 | -                      | -                | -                |
| Other Funding                                      | 4.43              | 6.28                   | -                | 15.14            |
| <b>Prior Period</b>                                |                   |                        |                  |                  |
| <b>Prior Period</b>                                | <b>Euro<br/>%</b> | <b>US Dollar<br/>%</b> | <b>Yen<br/>%</b> | <b>YTL<br/>%</b> |
| <b>Assets</b>                                      |                   |                        |                  |                  |
| Cash and Central Bank                              | 1.73              | 2.52                   | -                | 13.12            |
| Banks and Other Financial Institutions             | 3.63              | 5.26                   | -                | 18.97            |
| Financial Assets at Fair Value through Profit/Loss | 9.03              | 11.44                  | -                | -                |
| Interbank Money Market Placements                  | -                 | -                      | -                | 17.62            |
| Financial Assets Available-for-Sale                | 6.03              | 7.21                   | -                | 21.03            |
| Loans  | 5.44              | 7.59                   | -                | 20.59            |
| Investments Held-to-Maturity                       | -                 | 5.80                   | -                | -                |
| <b>Liabilities</b>                                 |                   |                        |                  |                  |
| Bank Deposits                                      | -                 | 5.50                   | -                | 21.05            |
| Other Deposits                                     | 2.87              | 3.82                   | -                | 15.57            |
| Interbank Money Market Takings                     | -                 | 5.46                   | -                | 11.65            |
| Miscellaneous Payables                             | -                 | -                      | -                | -                |
| Securities Issued                                  | -                 | -                      | -                | -                |
| Other Funding                                      | 3.43              | 5.76                   | -                | 15.22            |



## VI. 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 securitisation transactions. There are no significant idle liquidity resources.

Maturity analysis of assets and liabilities according to remaining maturities:

| Current Period                                     | Demand             | Up to 1 Month      | 1-3 Months         | 3-6 Months       | 6-12 Months      | 1 Year and Over   | Undistributed (*)  | Total             |
|--|--------------------|--------------------|--------------------|------------------|------------------|-------------------|--------------------|-------------------|
| <b>Assets</b>                                      |                    |                    |                    |                  |                  |                   |                    |                   |
| Cash and Central Bank                              | 1,584,937          | -                  | -                  | -                | -                | -                 | -                  | 1,584,937         |
| Banks and Other Financial Institutions             | 142,743            | 1,704,285          | -                  | -                | -                | -                 | -                  | 1,847,028         |
| Financial Assets at Fair Value through Profit/Loss | -                  | 44,417             | 5,535              | 22,751           | 3,453            | 319,737           | -                  | 395,893           |
| Interbank Money Market Placements                  | -                  | 2,303,306          | -                  | -                | -                | -                 | -                  | 2,303,306         |
| Financial Assets Available-for-Sale                | 91,719             | 505,356            | 606,284            | 83,017           | 2,791,376        | 5,874,141         | -                  | 9,951,893         |
| Loans  | -                  | 2,970,395          | 1,671,157          | 1,548,051        | 3,012,340        | 11,630,565        | -                  | 20,832,508        |
| Investments Held-to-Maturity                       | -                  | -                  | 36,336             | 3,937            | 191,589          | 884,184           | -                  | 1,116,046         |
| Other Assets (*)                                   | -                  | 159,138            | 19,934             | 57,551           | 21,129           | 324,981           | 1,467,109          | 2,049,842         |
| <b>Total Assets</b>                                | <b>1,819,399</b>   | <b>7,686,897</b>   | <b>2,339,246</b>   | <b>1,715,307</b> | <b>6,019,887</b> | <b>19,033,608</b> | <b>1,467,109</b>   | <b>40,081,453</b> |
| <b>Liabilities</b>                                 |                    |                    |                    |                  |                  |                   |                    |                   |
| Bank Deposits                                      | 1,869              | 256,207            | 151,995            | -                | -                | -                 | -                  | 410,071           |
| Other Deposits                                     | 3,392,053          | 14,222,522         | 6,533,722          | 1,445,317        | 353,465          | 579,152           | -                  | 26,526,231        |
| Other Funding                                      | -                  | 6,678              | 481,528            | 51,126           | 1,032,098        | 3,225,827         | -                  | 4,797,257         |
| Interbank Money Market Takings                     | -                  | 46,223             | 303,738            | 47,582           | 467,829          | 1,065,823         | -                  | 1,931,195         |
| Securities Issued                                  | -                  | -                  | -                  | -                | -                | -                 | -                  | -                 |
| Miscellaneous Payables                             | -                  | 288,764            | 17,714             | -                | -                | 68,342            | 57,961             | 432,781           |
| Other Liabilities (*)                              | -                  | 23,484             | 13,196             | 193,179          | 13,727           | 146,227           | 5,594,105          | 5,983,918         |
| <b>Total Liabilities</b>                           | <b>3,393,922</b>   | <b>14,843,878</b>  | <b>7,501,893</b>   | <b>1,737,204</b> | <b>1,867,119</b> | <b>5,085,371</b>  | <b>5,652,066</b>   | <b>40,081,453</b> |
| <b>Liquidity Gap</b>                               | <b>(1,574,523)</b> | <b>(7,156,981)</b> | <b>(5,162,647)</b> | <b>(21,897)</b>  | <b>4,152,768</b> | <b>13,948,237</b> | <b>(4,184,957)</b> | <b>-</b>          |
| <b>Prior Period</b>                                |                    |                    |                    |                  |                  |                   |                    |                   |
| Total Assets                                       | 2,182,942          | 7,738,085          | 1,516,709          | 2,131,466        | 4,645,445        | 16,999,465        | 1,670,295          | 36,884,407        |
| Total Liabilities                                  | 4,296,310          | 13,973,334         | 5,889,089          | 1,605,524        | 2,020,136        | 3,665,183         | 5,434,831          | 36,884,407        |
| <b>Liquidity Gap</b>                               | <b>(2,113,368)</b> | <b>(6,235,249)</b> | <b>(4,372,380)</b> | <b>525,942</b>   | <b>2,625,309</b> | <b>13,334,282</b> | <b>(3,764,536)</b> | <b>-</b>          |

(\*) 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.

## VII. Segment reporting

The 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 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 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:*

| <b>Current Period</b>                             | <b>Retail Banking</b> | <b>Corporate Banking</b> | <b>Investment Banking</b> | <b>Other</b>       | <b>Total Operations</b> |
|---|-----------------------|--------------------------|---------------------------|--------------------|-------------------------|
| Operating profit                                  | 597,466               | 1,254,321                | 84,674                    | -                  | 1,936,461               |
| Undistributed expenses                            | -                     | -                        | -                         | (1,001,618)        | (1,001,618)             |
| <b>Operating profit</b>                           | <b>597,466</b>        | <b>1,254,321</b>         | <b>84,674</b>             | <b>(1,001,618)</b> | <b>934,843</b>          |
| Income from associates                            | -                     | -                        | -                         | -                  | 34,718                  |
| Income before taxes                               | -                     | -                        | -                         | -                  | 969,561                 |
| Provision for taxes                               | -                     | -                        | -                         | -                  | (160,880)               |
| <b>Net profit</b>                                 | <b>-</b>              | <b>-</b>                 | <b>-</b>                  | <b>-</b>           | <b>808,681</b>          |
| Segment assets                                    | 5,816,967             | 18,926,352               | 13,873,064                | -                  | 38,616,383              |
| Investments in associates and subsidiaries        | -                     | -                        | -                         | 540,872            | 540,872                 |
| Undistributed assets                              | -                     | -                        | -                         | 924,198            | 924,198                 |
| <b>Total assets</b>                               | <b>5,816,967</b>      | <b>18,926,352</b>        | <b>13,873,064</b>         | <b>1,465,070</b>   | <b>40,081,453</b>       |
| Segment liabilities                               | 10,452,053            | 21,943,033               | 2,065,562                 | -                  | 34,460,648              |
| Shareholders' equity                              | -                     | -                        | -                         | 4,992,865          | 4,992,865               |
| Undistributed liabilities                         | -                     | -                        | -                         | 627,940            | 627,940                 |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>10,452,053</b>     | <b>21,943,033</b>        | <b>2,065,562</b>          | <b>5,620,805</b>   | <b>40,081,453</b>       |

## SECTION FIVE

### Disclosure and Footnotes on Unconsolidated Financial Statements

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

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

|                        | Current Period |                | Prior Period     |                  |
|------------------------|----------------|----------------|------------------|------------------|
|                        | YTL            | FC             | YTL              | FC               |
| Cash                   | 225,907        | 42,481         | 365,660          | 43,764           |
| Central Bank of Turkey | 507,990        | 219,863        | -                | 295,923          |
| Reserve deposits       | -              | 587,791        | 1,286,484        | 791,039          |
| Others                 | 30             | 875            | 20               | 293              |
| <b>Total</b>           | <b>733,927</b> | <b>851,010</b> | <b>1,652,164</b> | <b>1,131,019</b> |

According to the no. 2005/1 announcement of the Central Bank of Turkey, “Announcement on Reserve Deposits”, all banks operating in Turkey should provide a reserve amounting to 6% of the liabilities in Turkish Lira and 11% of the liabilities in foreign currencies. The interest rates given by the Central Bank of Turkey are 12.93% for YTL, 2.325% for US Dollar and 1.7% for Euro as of 30 September 2007.

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

|                              | Current Period |                | Prior Period |                |
|------------------------------|----------------|----------------|--------------|----------------|
|                              | YTL            | FC             | YTL          | FC             |
| Unrestricted Demand Deposits | 507,990        | 219,863        | -            | 295,923        |
| Unrestricted Time Deposits   | -              | -              | -            | -              |
| Restricted Time Deposits     | -              | -              | -            | -              |
| <b>Total</b>                 | <b>507,990</b> | <b>219,863</b> | <b>-</b>     | <b>295,923</b> |

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

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

None.

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

|                                     | Current Period |                | Prior Period |                |
|-------------------------------------|----------------|----------------|--------------|----------------|
|                                     | YTL            | FC             | YTL          | FC             |
| Government Bonds                    | -              | -              | -            | -              |
| Treasury Bills                      | -              | -              | -            | -              |
| Other Debt Securities               | -              | 112,485        | -            | 198,472        |
| Bonds Issued or Guaranteed by Banks | -              | -              | -            | -              |
| Asset Backed Securities             | -              | -              | -            | -              |
| Other                               | -              | -              | -            | -              |
| <b>Total</b>                        | <b>-</b>       | <b>112,485</b> | <b>-</b>     | <b>198,472</b> |

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

|                      | Current Period |              | Prior Period |           |
|----------------------|----------------|--------------|--------------|-----------|
|                      | YTL            | FC           | YTL          | FC        |
| Forward Transactions | 3,602          | 17           | -            | 36        |
| Swap Transactions    | 10,406         | 5,895        | 9,969        | 24        |
| Futures              | -              | -            | -            | -         |
| Options              | -              | -            | -            | -         |
| Other                | -              | -            | -            | -         |
| <b>Total</b>         | <b>14,008</b>  | <b>5,912</b> | <b>9,969</b> | <b>60</b> |

**3. Banks and other financial institutions**

***Banks and other financial institutions***

|                                   | Current Period |                  | Prior Period   |                  |
|-----------------------------------|----------------|------------------|----------------|------------------|
|                                   | YTL            | FC               | YTL            | FC               |
| Banks                             | 30,486         | 1,816,542        | 512,809        | 2,550,682        |
| Domestic                          | 30,486         | 20,815           | 283,945        | 14,006           |
| Foreign                           | -              | 1,795,727        | 228,864        | 2,536,676        |
| Foreign Head Offices and Branches | -              | -                | -              | -                |
| Other Financial Institutions      | -              | -                | -              | -                |
| <b>Total</b>                      | <b>30,486</b>  | <b>1,816,542</b> | <b>512,809</b> | <b>2,550,682</b> |

**4. Information on investment securities available-for-sale**

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

|   | Current Period |          | Prior Period     |                |
|---|----------------|----------|------------------|----------------|
|   | YTL            | FC       | YTL              | FC             |
| Share Certificates                                      | -              | -        | -                | -              |
| Bonds, Treasury Bills and Similar Marketable Securities | 992,811        | -        | 2,134,808        | 319,308        |
| Others  | -              | -        | -                | -              |
| <b>Total</b>  | <b>992,811</b> | <b>-</b> | <b>2,134,808</b> | <b>319,308</b> |

*Investment securities available-for-sale subject to repurchase agreements*

|                                     | Current Period |                  | Prior Period |                  |
|-------------------------------------|----------------|------------------|--------------|------------------|
|                                     | YTL            | FC               | YTL          | FC               |
| Government Bonds                    | 860,890        | 1,060,665        | 911          | 1,114,622        |
| Treasury Bills                      | -              | -                | -            | -                |
| Other Debt Securities               | -              | 300,632          | -            | 450,447          |
| Bonds Issued or Guaranteed by Banks | -              | -                | -            | -                |
| Asset Backed Securities             | -              | -                | -            | -                |
| Other                               | -              | -                | -            | -                |
| <b>Total</b>                        | <b>860,890</b> | <b>1,361,297</b> | <b>911</b>   | <b>1,565,069</b> |

*Information related with available for sale assets*

|                                 | Current Period   | Prior Period     |
|---------------------------------|------------------|------------------|
| <b>Debt instruments</b>         | <b>9,907,816</b> | <b>9,864,051</b> |
| Quoted                          | 8,542,292        | 8,539,422        |
| Unquoted                        | 1,365,524        | 1,324,629        |
| <b>Equity instruments</b>       | <b>98,166</b>    | <b>91,829</b>    |
| Quoted                          | 71,913           | 65,770           |
| Unquoted                        | 26,253           | 26,059           |
| <b>Impairment provision (-)</b> | <b>54,089</b>    | <b>49,835</b>    |
| <b>Total</b>                    | <b>9,951,893</b> | <b>9,906,045</b> |

Equity shares having a carrying value of YTL 84, 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 periods, were sold at a price of YTL 102 on 6 June 2007. The Bank has recorded gain on sale of equity shares amounting to YTL 18 in its financial statements.

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

**5. Information related to loans**

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

|   | Current Period |            | Prior Period  |            |
|---|----------------|------------|---------------|------------|
|   | Cash           | Non-Cash   | Cash          | Non-Cash   |
| <b>Direct Loans Granted to Shareholders</b>   | -              | 660        | -             | 451        |
| Corporate Shareholders                        | -              | 660        | -             | 451        |
| Individual Shareholders                       | -              | -          | -             | -          |
| <b>Indirect Loans Granted to Shareholders</b> | 60             | 68         | -             | 117        |
| <b>Loans Granted to Employees</b>             | 29,461         | -          | 25,163        | -          |
| <b>Total</b>                                  | <b>29,521</b>  | <b>728</b> | <b>25,163</b> | <b>568</b> |

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

|                             | Performing Loans and Other Receivables |                             | Loans under Follow-Up and Other Receivables |                             |
|-----------------------------|--|-----------------------------|---|-----------------------------|
|                             | Loans and Other Receivables            | Restructured or Rescheduled | Loans and Other Receivables                 | Restructured or Rescheduled |
|                             |  | Loans and Other Receivables |   | Loans and Other Receivables |
| <b>Cash Loans</b>           |  |                             |   |                             |
| <b>Loans</b>                | <b>19,562,949</b>                      | -                           | <b>889,758</b>                              | <b>266,433</b>              |
| Discounted Bills            | 111,720                                | -                           | -   | 22                          |
| Export Loans                | 1,402,858                              | -                           | 15,187                                      | 187,104                     |
| Import Loans                | -                                      | -                           | -   | -                           |
| Loans to Financial Sector   | 455,678                                | -                           | -   | -                           |
| Foreign Loans               | 6,945                                  | -                           | -   | -                           |
| Consumer Loans              | 4,635,869                              | -                           | 143,653                                     | 765                         |
| Credit Cards                | 557,773                                | -                           | 10,167                                      | 337                         |
| Precious Metal Loans        | -                                      | -                           | -   | -                           |
| Other                       | 12,392,106                             | -                           | 720,751                                     | 78,205                      |
| <b>Specialization Loans</b> | <b>113,368</b>                         | -                           | -   | -                           |
| <b>Other Receivables</b>    | -                                      | -                           | -   | -                           |
| <b>Total</b>                | <b>19,676,317</b>                      | -                           | <b>889,758</b>                              | <b>266,433</b>              |

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

|   | <b>Short-Term</b> | <b>Medium and<br/>Long-Term</b> | <b>Total</b>     |
|---|-------------------|---------------------------------|------------------|
| <b>Consumer Loans – YTL</b>                 | <b>1,026,907</b>  | <b>3,732,330</b>                | <b>4,759,237</b> |
| Housing Loans                               | 61,389            | 2,103,411                       | 2,164,800        |
| Automobile Loans                            | 18,407            | 131,785                         | 150,192          |
| General Purpose Loans                       | 851,241           | 1,497,132                       | 2,348,373        |
| Other                                       | 95,870            | 2                               | 95,872           |
| <b>Consumer Loans – FC-indexed</b>          | -                 | -                               | -                |
| Housing Loans                               | -                 | -                               | -                |
| Automobile Loans                            | -                 | -                               | -                |
| General Purpose Loans                       | -                 | -                               | -                |
| Other                                       | -                 | -                               | -                |
| <b>Consumer Loans – FC</b>                  | -                 | -                               | -                |
| Housing Loans                               | -                 | -                               | -                |
| Automobile Loans                            | -                 | -                               | -                |
| General Purpose Loans                       | -                 | -                               | -                |
| Other                                       | -                 | -                               | -                |
| <b>Retail Credit Cards – YTL</b>            | <b>532,033</b>    | -                               | <b>532,033</b>   |
| With Installment                            | 98,489            | -                               | 98,489           |
| Without Installment                         | 433,544           | -                               | 433,544          |
| <b>Retail Credit Cards – FC</b>             | <b>1,337</b>      | -                               | <b>1,337</b>     |
| With Installment                            | -                 | -                               | -                |
| Without Installment                         | 1,337             | -                               | 1,337            |
| <b>Personnel Loans – YTL</b>                | <b>731</b>        | <b>20,319</b>                   | <b>21,050</b>    |
| Housing Loan                                | -                 | -                               | -                |
| Automobile Loans                            | -                 | -                               | -                |
| General Purpose Loans                       | 731               | 20,319                          | 21,050           |
| Other                                       | -                 | -                               | -                |
| <b>Personnel Loans - FC-indexed</b>         | -                 | -                               | -                |
| Housing Loans                               | -                 | -                               | -                |
| Automobile Loans                            | -                 | -                               | -                |
| General Purpose Loans                       | -                 | -                               | -                |
| Other                                       | -                 | -                               | -                |
| <b>Personnel Loans – FC</b>                 | -                 | -                               | -                |
| Housing Loans                               | -                 | -                               | -                |
| Automobile Loans                            | -                 | -                               | -                |
| General Purpose Loans                       | -                 | -                               | -                |
| Other                                       | -                 | -                               | -                |
| <b>Personnel Credit Cards – YTL</b>         | <b>9,448</b>      | -                               | <b>9,448</b>     |
| With Installment                            | 1,566             | -                               | 1,566            |
| Without Installment                         | 7,882             | -                               | 7,882            |
| <b>Personnel Credit Cards – FC</b>          | <b>14</b>         | -                               | <b>14</b>        |
| With Installment                            | -                 | -                               | -                |
| Without Installment                         | 14                | -                               | 14               |
| <b>Deposit Accounts– YTL (real persons)</b> | <b>493,848</b>    | -                               | <b>493,848</b>   |
| <b>Deposit Accounts– FC (real persons)</b>  | -                 | -                               | -                |
| <b>Total</b>                                | <b>2,064,318</b>  | <b>3,752,649</b>                | <b>5,816,967</b> |

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

|  | <b>Short-Term</b> | <b>Medium and Long-Term</b> | <b>Total</b>     |
|--|-------------------|-----------------------------|------------------|
| <b>Installment-based Commercial Loans – YTL</b>        | <b>1,266,485</b>  | <b>2,588,442</b>            | <b>3,854,927</b> |
| Real Estate Loans                                      | 3,978             | 103,664                     | 107,642          |
| Automobile Loans                                       | 151,376           | 671,244                     | 822,620          |
| General Purpose Loans                                  | 1,111,131         | 1,813,534                   | 2,924,665        |
| Other  | -                 | -                           | -                |
| <b>Installment-based Commercial Loans - FC-indexed</b> | <b>-</b>          | <b>-</b>                    | <b>-</b>         |
| Real Estate Loans                                      | -                 | -                           | -                |
| Automobile Loans                                       | -                 | -                           | -                |
| General Purpose Loans                                  | -                 | -                           | -                |
| Other  | -                 | -                           | -                |
| <b>Installment-based Commercial Loans – FC</b>         | <b>-</b>          | <b>34,842</b>               | <b>34,842</b>    |
| Real Estate Loans                                      | -                 | -                           | -                |
| Automobile Loans                                       | -                 | -                           | -                |
| General Purpose Loans                                  | -                 | -                           | -                |
| Other  | -                 | 34,842                      | 34,842           |
| <b>Corporate Credit Cards – YTL</b>                    | <b>25,260</b>     | <b>-</b>                    | <b>25,260</b>    |
| With Installment                                       | 2,089             | -                           | 2,089            |
| Without Installment                                    | 23,171            | -                           | 23,171           |
| <b>Corporate Credit Cards – FC</b>                     | <b>185</b>        | <b>-</b>                    | <b>185</b>       |
| With Installment                                       | -                 | -                           | -                |
| Without Installment                                    | 185               | -                           | 185              |
| <b>Overdraft Accounts– YTL (corporate)</b>             | <b>23,163</b>     | <b>-</b>                    | <b>23,163</b>    |
| <b>Overdraft Accounts– FC (corporate)</b>              | <b>-</b>          | <b>-</b>                    | <b>-</b>         |
| <b>Total</b>   | <b>1,315,093</b>  | <b>2,623,284</b>            | <b>3,938,377</b> |

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

|                | <b>Current Period</b> | <b>Prior Period</b> |
|----------------|-----------------------|---------------------|
| Domestic Loans | 20,825,563            | 17,949,581          |
| Foreign Loans  | 6,945                 | 93,659              |
| <b>Total</b>   | <b>20,832,508</b>     | <b>18,043,240</b>   |

***Loans to associates and subsidiaries***

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Direct Loans Granted to Subsidiaries and Investments   | 28,198                | 12,752              |
| Indirect Loans Granted to Subsidiaries and Investments | 3,933                 | -                   |
| <b>Total</b>   | <b>32,131</b>         | <b>12,752</b>       |

***Specific provisions for loans***

| <b>Specific Provisions</b>                         | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Loans and Receivables with Limited Collectibility  | 384,994               | 196,943             |
| Loans and Receivables with Doubtful Collectibility | 28,655                | 30,429              |
| Uncollectible Loans and Receivables                | 717,509               | 774,675             |
| <b>Total</b>                                       | <b>1,131,158</b>      | <b>1,002,047</b>    |



**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<br>receivables with<br>limited<br>collectibility | Loans and<br>receivables with<br>doubtful<br>collectibility | Uncollectible<br>loans and<br>receivables |
| <b>Current period</b>                              | <b>2,573</b>   | -   | <b>125,391</b>                            |
| (Gross amounts before the specific reserves)       | -  | -   | -   |
| Loans and other receivables which are restructured | -  | -   | -   |
| Rescheduled loans and other receivables            | 2,573  | -   | 125,391                                   |
| <b>Prior period</b>                                | <b>22</b>  | -   | <b>170,431</b>                            |
| (Gross amounts before the specific reserves)       | -  | -   | -   |
| Loans and other receivables which are restructured | -  | -   | -   |
| Rescheduled loans and other receivables            | 22   | -   | 170,431                                   |

**Movements in non-performing loan groups:**

|  | III. Group   | IV. Group   | V. Group                                  |
|--|--|---|---|
|  | Loans and<br>receivables with<br>limited<br>collectibility | Loans and<br>receivables with<br>doubtful<br>collectibility | Uncollectible<br>loans and<br>receivables |
| <b>Prior period end balance</b>                              | <b>196,943</b>   | <b>30,429</b>   | <b>774,675</b>                            |
| Additions (+)  | 304,997  | 17  | 5,492                                     |
| Transfers from other categories of loans under follow-up (+) | 22,347   | 289   | 15,484                                    |
| Transfers to other categories of loans under follow-up (-)   | 20,605   | 555   | 42,899                                    |
| Collections (-)  | 118,688  | 1,525   | 35,243                                    |
| Write-offs (-)   | -  | -   | -   |
| <b>Current period end balance</b>                            | <b>384,994</b>   | <b>28,655</b>   | <b>717,509</b>                            |
| Specific provision (-)                                       | 384,994  | 28,655  | 717,509                                   |
| <b>Net Balance on balance sheet</b>                          | <b>-</b>   | <b>-</b>  | <b>-</b>                                  |

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

None

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

**Public sector debt securities held-to-maturity**

|                             | Current Period   |              | Prior Period |              |
|-----------------------------|------------------|--------------|--------------|--------------|
|                             | YTL              | FC           | YTL          | FC           |
| Government Bonds            | 1,074,462        | -            | -            | -            |
| Treasury Bills              | -                | -            | -            | -            |
| Other Government Securities | -                | 5,248        | -            | 6,072        |
| <b>Total</b>                | <b>1,074,462</b> | <b>5,248</b> | <b>-</b>     | <b>6,072</b> |

**Information on investments held to maturity**

|                              | Current Period   | Prior Period  |
|------------------------------|------------------|---------------|
| <b>Debt Securities</b>       | <b>1,116,562</b> | <b>48,870</b> |
| Quoted at Stock Exchange     | 1,074,462        | -             |
| Unquoted at Stock Exchange   | 42,100           | 48,870        |
| <b>Impairment Losses (-)</b> | <b>516</b>       | <b>479</b>    |
| <b>Total</b>                 | <b>1,116,046</b> | <b>48,391</b> |

**The movement of investments held to maturity**

|   | Current Period   | Prior Period   |
|---|------------------|----------------|
| <b>Balances at Beginning of Period</b>          | <b>48,391</b>    | <b>371,574</b> |
| Foreign Currency Differences On Monetary Assets | (4,679)          | (22,693)       |
| Purchases during the Period                     | 1,274,949        | 446,020        |
| Disposals through Sales/Redemptions             | (232,690)        | (736,020)      |
| Impairment Losses (-)                           | (37)             | (175)          |
| Change in Redeemed Costs (*)                    | 30,112           | (10,315)       |
| <b>Balances at End of Period</b>                | <b>1,116,046</b> | <b>48,391</b>  |

(\*) Accrual differences on marketable securities for redeemed costs are included in this column.

The Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of YTL 700,000 and YTL 410,000 to its investment securities held-to-maturity portfolio at their fair values of YTL 704,709 and YTL 384,977 as of their reclassification dates, in the second and third quarter, respectively. These reclassifications are presented in “purchases during the period” line in the movement table of investments held-to-maturity. The value increases of such securities amounting YTL 2,066 and YTL 2,563, respectively, are recorded under the shareholders’ equity and will be amortized through the income statement until their maturities.

**Information about held-to-maturity securities**

| Current Period                               | Cost             |               | Carrying Value   |               |
|--|------------------|---------------|------------------|---------------|
|  | YTL              | FC            | YTL              | FC            |
| Collateralized / Blocked Investments         | 1,044,146        | -             | 1,074,462        | -             |
| Investments subject to Repurchase Agreements | -                | -             | -                | -             |
| Held for structural position                 | -                | -             | -                | -             |
| Receivable from Security Borrowing Market    | -                | -             | -                | -             |
| Collateral For Security Borrowing Market     | -                | -             | -                | -             |
| Other (*)                                    | -                | 41,296        | -                | 41,584        |
| <b>Total</b>                                 | <b>1,044,146</b> | <b>41,296</b> | <b>1,074,462</b> | <b>41,584</b> |

| Prior Period                                 | Cost     |               | Carrying Value |               |
|--|----------|---------------|----------------|---------------|
|  | YTL      | FC            | YTL            | FC            |
| Collateralized / Blocked Investments         | -        | 42,000        | -              | 42,319        |
| Investments subject to Repurchase Agreements | -        | -             | -              | -             |
| Held for structural position                 | -        | -             | -              | -             |
| Receivable from Security Borrowing Market    | -        | -             | -              | -             |
| Collateral For Security Borrowing Market     | -        | -             | -              | -             |
| Other (*)                                    | -        | 6,378         | -              | 6,072         |
| <b>Total</b>                                 | <b>-</b> | <b>48,378</b> | <b>-</b>       | <b>48,391</b> |

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

## 7. Investments in associates

| Associate  | Address (City/<br>Country) | Bank's Share –<br>If Different,<br>Voting Rights<br>(%) | Bank's<br>Risk<br>Group<br>Share (%) |
|--|----------------------------|---|--------------------------------------|
| 1 Kıbrıs Vakıflar Bankası Ltd. (**)                        | Lefkosa/NCTR               | 15.00%  | 15.00%                               |
| 2 İşkur İşçi İşadamı Kimya Kuruluşları AŞ (in liquidation) | In liquidation             | 25.00%  | 25.13%                               |
| 3 Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ              | Istanbul/Turkey            | 11.75%  | 21.63%                               |
| 4 Vakıf Gayrimenkul Yatırım Ortaklığı AŞ                   | Ankara/Turkey              | 27.63%  | 29.45%                               |
| 5 Vakıf Gayrimenkul Ekspertiz ve Değ.AŞ (*)                | Ankara/Turkey              | 20.00%  | 27.44%                               |

|   | Total<br>Assets | Shareholders'<br>Equity | Tangible and<br>Intangible<br>Assets | Interest<br>Income | Income on<br>Securities<br>Portfolio | Current<br>Period<br>Profit/Loss | Prior<br>Period<br>Profit/Loss | Company's<br>Fair Value |
|---|-----------------|-------------------------|--------------------------------------|--------------------|--------------------------------------|----------------------------------|--------------------------------|-------------------------|
| 1 | 562,958         | 38,364                  | 2,569                                | 59,425             | 5,157                                | 9,496                            | 3,328                          | -                       |
| 2 | -               | -                       | -                                    | -                  | -                                    | -                                | -                              | -                       |
| 3 | 14,503          | 13,970                  | 95                                   | -                  | -                                    | 2,094                            | (651)                          | 1,049                   |
| 4 | 61,554          | 61,249                  | 39,198                               | -                  | 2,661                                | 3,745                            | 2,668                          | 14,609                  |
| 5 | 6,845           | 6,899                   | 194                                  | 420                | 72                                   | 2,496                            | 2,528                          | -                       |

(\*) The unaudited financial statements as of and for the six-month period ended 30 June 2007

(\*\*) The financial statements as of and for the nine-month period ended 30 September 2007

### Movement of investments in associates

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| <b>Balance at Beginning of Period</b>   | <b>17,381</b>  | <b>26,454</b>  |
| <b>Movements during the Period</b>  | <b>1,982</b>   | <b>(9,073)</b> |
| Acquisitions and capital increases  | -              | 915            |
| Bonus shares received   | 914            | 170            |
| Dividends from current year profit  | -              | -              |
| Sales/liquidations (-)  | (752)          | (6,327)        |
| Revaluation increase, inflation correction difference and currency difference on foreign subsidiaries | 1,820          | (3,757)        |
| Impairment losses (-)   | -              | (74)           |
| <b>Balance at End of Period</b>   | <b>19,363</b>  | <b>17,381</b>  |

In the current period, 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 bonus shares received in the movement of investments in associated table.

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 amounting to YTL 450 are disclosed under the section of bonus shares received, in the table above.

### Sectoral distribution of investments and associates

|                     | Current Period | Prior Period  |
|---------------------|----------------|---------------|
| Banks               | 3,119          | 2,669         |
| Insurance Companies | -              | -             |
| Factoring Companies | -              | -             |
| Leasing Companies   | -              | -             |
| Finance Companies   | -              | -             |
| Other Associates    | 15,658         | 13,374        |
| <b>Total</b>        | <b>18,777</b>  | <b>16,043</b> |

***Quoted associates***

|   | Current Period | Prior Period  |
|---|----------------|---------------|
| Quoted to domestic stock exchanges      | 15,658         | 13,374        |
| Quoted to international stock exchanges | -              | -             |
| <b>Total</b>                            | <b>15,658</b>  | <b>13,374</b> |

As per the resolution no.74887 of the Board of Directors of Vakıflar Bankası T.A.O on 22 August 2006, it is decided to increase the share of the Bank in Kıbrıs Vakıflar Bankası Ltd.

***Investments in associates sold during 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 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 Bank has recorded gain on sale of associates amounting to YTL 166.

20% of outstanding shares of Banque Du Bosphore with a nominal value of EUR 3,200,000 were sold to Financiere De Paris at a total price of EUR 4,402,000 on 10 March 2006. Total sale price was collected in cash.

***Investments in associates acquired during the current period***

None

**8. Investments in subsidiaries**

***Investments in subsidiaries***

|    | Subsidiary   | 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%  | 74.93%                      |
| 3  | Vakıf Enerji ve Madencilik AŞ (**)                       | Ankara/ Turkey           | 65.50%  | 84.87%                      |
| 4  | Ataköy Mağazacılık Ticaret AŞ (in liquidation)           | In Liquidation           | 45.79%  | 45.79%                      |
| 5  | Taksim Otelcilik A.Ş. (*)                                | Istanbul/ Turkey         | 51.00%  | 51.51%                      |
| 6  | Vakıf Finans Factoring Hizmetleri AŞ (**)                | Istanbul/ Turkey         | 78.39%  | 86.53%                      |
| 7  | Vakıf Finansal Kiralama AŞ (**)                          | Istanbul/ Turkey         | 58.71%  | 64.24%                      |
| 8  | Vakıf Deniz Finansal Kiralama AŞ (**)                    | Istanbul/ Turkey         | 68.55%  | 73.85%                      |
| 9  | Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ (**)        | Ankara/ Turkey           | 31.00%  | 31.09%                      |
| 10 | Vakıf Yatırım Menkul Değerler AŞ (**)                    | Istanbul/ Turkey         | 99.00%  | 99.42%                      |
| 11 | Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret AŞ (**) | Ankara/ Turkey           | 73.00%  | 79.75%                      |
| 12 | Vakıfbank International AG (**)                          | Vienna/Austria           | 90.00%  | 90.00%                      |
| 13 | World Vakıf Offshore Banking Ltd. (**)                   | Lefkosa/NCTR             | 82.00%  | 84.92%                      |
| 14 | Vakıf Portföy Yönetimi AŞ (**)                           | Istanbul/ Turkey         | 99.99%  | 99.99%                      |

|    | <b>Total<br/>Assets</b> | <b>Shareholder's<br/>Equity</b> | <b>Tangible<br/>and<br/>Intangible<br/>Assets</b> | <b>Interest<br/>Income</b> | <b>Income<br/>on<br/>Securities<br/>Portfolio</b> | <b>Current<br/>Period<br/>Profit/(Loss)</b> | <b>Prior Period<br/>Profit/(Loss)</b> | <b>Company's<br/>Fair Value</b> |
|----|-------------------------|---------------------------------|---|----------------------------|---|---|---------------------------------------|---------------------------------|
| 1  | 475,824                 | 195,632                         | 68,602  | 813                        | 11,700  | 5,992                                       | 3,963                                 | 130,312                         |
| 2  | 708,226                 | 101,377                         | 36,798  | 1,469                      | 19,293  | 19,090                                      | 12,714                                | 73,223                          |
| 3  | 268,468                 | 255,513                         | 1,103   | 684                        | -   | 1,532                                       | (39,456)                              | 21,722                          |
| 4  | -                       | -                               | -   | -                          | -   | -   | -                                     | -                               |
| 5  | 208,387                 | 206,262                         | 79,576  | 3,661                      | -   | (5,853)                                     | 12,474                                | -                               |
| 6  | 61,756                  | 42,985                          | 121   | 7,413                      | -   | (32,229)                                    | 3,731                                 | 24,301                          |
| 7  | 185,700                 | 32,431                          | 3,905   | 11,804                     | -   | (4,072)                                     | 4,570                                 | 83,547                          |
| 8  | 138,652                 | 2,039                           | 57  | 9,260                      | -   | (592)                                       | (257)                                 | -                               |
| 9  | 4,181                   | 4,155                           | 17  | -                          | -   | (34)  | (59)                                  | 3,281                           |
| 10 | 67,670                  | 47,649                          | 250   | 6,718                      | -   | 4,015                                       | 3,594                                 | -                               |
| 11 | 11,630                  | 9,019                           | 338   | 474                        | 196   | 2,578                                       | 1,889                                 | -                               |
| 12 | 700,772                 | 74,954                          | 1,248   | 19,654                     | 9,595   | 5,953                                       | 8,010                                 | -                               |
| 13 | 44,536                  | (8,874)                         | -   | 2,229                      | -   | (13,542)                                    | 1,911                                 | -                               |
| 14 | 3,916                   | 3,710                           | 41  | 1,267                      | -   | 616   | 177                                   | -                               |

(\*) Financial Statements are as of and for the six-month period ended 30 June 2007

(\*\*) Un-audited financial statements are as of and for the nine-month period ended 30 September 2007

#### **Movement of investments in subsidiaries**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| <b>Balance at the beginning of the period</b>  | <b>391,459</b>        | <b>585,282</b>      |
| <b>Movements during the period</b>   | <b>130,050</b>        | <b>(193,823)</b>    |
| Acquisitions and Capital Increases   | 5,685                 | 6,775               |
| Bonus Shares Received  | 29,378                | 27,533              |
| Dividends from Current Year Profit   | -                     | -                   |
| Sales and Liquidations   | -                     | (273)               |
| Revaluation increase, inflation correction difference and currency<br>difference on Foreign Subsidiaries | 94,987                | 33,386              |
| Impairment Losses (+)  | -                     | (261,244)           |
| <b>Balance at the End of Period</b>  | <b>521,509</b>        | <b>391,459</b>      |
| <b>Capital Commitments</b>   | -                     | -                   |
| <b>Share percentage at the End of Period (%)</b>   | -                     | -                   |

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

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

As per the resolution no.74887 of the Board of Directors of Vakıflar Bankası T.A.O on 22 August 2006, it is decided to merge Vakıf Deniz Finansal Kiralama AŞ and Vakıf Finansal Kiralama AŞ.

***Valuation methods of investments in subsidiaries***

|                                       | <b>Current Period</b> | <b>Prior Period</b> |
|---------------------------------------|-----------------------|---------------------|
| Valued at Cost                        | 185,124               | 177,320             |
| Valued at Fair Value                  | 336,385               | 214,139             |
| Valued by Equity Method of Accounting | -                     | -                   |
| <b>Total</b>                          | <b>521,509</b>        | <b>391,459</b>      |

***Sectoral distribution of investments in subsidiaries***

|                              | <b>Current Period</b> | <b>Prior Period</b> |
|------------------------------|-----------------------|---------------------|
| Banks                        | 41,073                | 41,073              |
| Insurance Companies          | 203,535               | 141,271             |
| Factoring Companies          | 24,301                | 24,301              |
| Leasing Companies            | 83,547                | 23,555              |
| Finance Companies            | -                     | -                   |
| Other Financial Subsidiaries | 43,615                | 37,938              |
| <b>Total</b>                 | <b>396,071</b>        | <b>268,138</b>      |

***Quoted subsidiaries***

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Quoted at Domestic Stock Exchanges      | 217,140               | 98,183              |
| Quoted at International Stock Exchanges | -                     | -                   |
| <b>Total</b>                            | <b>217,140</b>        | <b>98,183</b>       |

***Investments in subsidiaries disposed during the current period***

None.

***Investments in subsidiaries purchased during the current period***

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.

The Board of Directors of the Bank has also decided to purchase the 6% shares of the Vadeli İşlem ve Opsiyon Borsası AŞ, which has a nominal paid in capital of YTL 9,000 from Vakıf Yatırım Menkul Değerler AŞ by paying YTL 150, equal to nominal value of those shares.

**9. Investments in joint-ventures**

None.

**10. Information on finance lease receivables**

None

**11. Information on hedging purpose derivatives**

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

None.

**12. Information on deferred tax asset**

Items generating deferred tax assets or liabilities are listed below as of 30 September 2007 and 31 December 2006:

|   | <b>Current period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| <b>Deferred tax assets</b>                                | <b>80,593</b>         | <b>73,090</b>       |
| BRSA - Tax Code depreciation differences                  | 28,852                | 27,937              |
| ETI and vacation pay provisions                           | 26,032                | 22,737              |
| Valuation difference for associates and subsidiaries      | 21,273                | 18,216              |
| Other provisions  | 1,491                 | 4,200               |
| Tax reduction exception                                   | 2,222                 | -                   |
| Valuation differences of financial assets and liabilities | 723                   | -                   |
| <b>Deferred tax liabilities</b>                           | <b>(31,611)</b>       | <b>(31,979)</b>     |
| Valuation differences of financial assets and liabilities | (24,665)              | (28,721)            |
| Valuation difference for associates and subsidiaries      | (6,946)               | (3,258)             |
| <b>Deferred tax assets, net</b>                           | <b>48,982</b>         | <b>41,111</b>       |

**13. Information on other assets**

Other asset amount on the balance sheet does not exceed 10% of total assets except for commitments stated on the off-balance sheet.

## II. Information and disclosures related to liabilities

### 1. Information on maturity profile of deposits

| <i>Current Period</i>            | Demand           | 7 Days Notice | Up to 1 Month    | 1-3 Months        | 3-6 Months       | 6-12 months    | 1 Year and Over | Accumulating Deposit Accounts | Total             |
|----------------------------------|------------------|---------------|------------------|-------------------|------------------|----------------|-----------------|-------------------------------|-------------------|
| <b>Saving Deposits</b>           | 704,253          | -             | 221,148          | 5,385,237         | 345,593          | 31,633         | 27,619          | -                             | 6,715,483         |
| <b>Foreign Currency Deposits</b> | 838,757          | -             | 1,654,990        | 2,045,698         | 628,670          | 236,679        | 578,636         | -                             | 5,983,430         |
| Residents in Turkey              | 822,910          | -             | 1,648,305        | 1,946,019         | 621,648          | 234,891        | 550,871         | -                             | 5,824,644         |
| Residents in Abroad              | 15,847           | -             | 6,685            | 99,679            | 7,022            | 1,788          | 27,765          | -                             | 158,786           |
| <b>Public Sector Deposits</b>    | 690,686          | -             | 670,238          | 1,634,792         | 168,389          | 172,655        | 236             | -                             | 3,336,996         |
| <b>Commercial Deposits</b>       | 594,591          | -             | 948,488          | 1,736,856         | 45,675           | 424            | 24,620          | -                             | 3,350,654         |
| <b>Other</b>                     | 563,766          | -             | 593,541          | 5,047,580         | 687,086          | 232,960        | 14,735          | -                             | 7,139,668         |
| <b>Precious Metal Deposits</b>   | -                | -             | -                | -                 | -                | -              | -               | -                             | -                 |
| <b>Bank Deposits</b>             | 1,869            | -             | 39,963           | 240,477           | 127,762          | -              | -               | -                             | 410,071           |
| Central Bank                     | 737              | -             | -                | -                 | -                | -              | -               | -                             | 737               |
| Domestic Banks                   | 614              | -             | 26,033           | 236,450           | 108,555          | -              | -               | -                             | 371,652           |
| Foreign Banks                    | 313              | -             | 13,930           | 4,027             | 19,207           | -              | -               | -                             | 37,477            |
| Participation Banks              | 205              | -             | -                | -                 | -                | -              | -               | -                             | 205               |
| Other                            | -                | -             | -                | -                 | -                | -              | -               | -                             | -                 |
| <b>Total</b>                     | <b>3,393,922</b> | <b>-</b>      | <b>4,128,368</b> | <b>16,090,640</b> | <b>2,003,175</b> | <b>674,351</b> | <b>645,846</b>  | <b>-</b>                      | <b>26,936,302</b> |

| <i>Prior Period</i>              | Demand           | 7 Days Notice | Up to 1 Month    | 1-3 Months        | 3-6 Months       | 6-12 months    | 1 Year and Over | Accumulating Deposit Accounts | Total             |
|----------------------------------|------------------|---------------|------------------|-------------------|------------------|----------------|-----------------|-------------------------------|-------------------|
| <b>Saving Deposits</b>           | 729,350          | -             | 153,455          | 4,527,173         | 517,966          | 28,364         | 31,950          | -                             | 5,988,258         |
| <b>Foreign Currency Deposits</b> | 1,306,176        | -             | 1,749,104        | 2,883,608         | 577,655          | 64,941         | 590,812         | -                             | 7,172,296         |
| Residents in Turkey              | 1,276,877        | -             | 1,736,060        | 2,763,791         | 565,357          | 63,305         | 553,882         | -                             | 6,959,272         |
| Residents in Abroad              | 29,299           | -             | 13,044           | 119,817           | 12,298           | 1,636          | 36,930          | -                             | 213,024           |
| <b>Public Sector Deposits</b>    | 1,037,666        | -             | 368,103          | 1,257,913         | 54,168           | 368            | 3,185           | -                             | 2,721,403         |
| <b>Commercial Deposits</b>       | 666,345          | -             | 748,511          | 1,823,193         | 272,308          | 145,590        | 2,652           | -                             | 3,658,599         |
| <b>Other</b>                     | 553,642          | -             | 377,096          | 2,928,225         | 773,806          | 78,904         | 31,509          | -                             | 4,743,182         |
| <b>Precious Metal Deposits</b>   | -                | -             | -                | -                 | -                | -              | -               | -                             | -                 |
| <b>Bank Deposits</b>             | 3,129            | -             | 423,893          | 131,300           | -                | -              | -               | -                             | 558,322           |
| Central Bank                     | 480              | -             | -                | -                 | -                | -              | -               | -                             | 480               |
| Domestic Banks                   | 347              | -             | 421,311          | 131,300           | -                | -              | -               | -                             | 552,958           |
| Foreign Banks                    | 1,425            | -             | 2,581            | -                 | -                | -              | -               | -                             | 4,006             |
| Participation Banks              | -                | -             | -                | -                 | -                | -              | -               | -                             | -                 |
| Other                            | 877              | -             | 1                | -                 | -                | -              | -               | -                             | 878               |
| <b>Total</b>                     | <b>4,296,308</b> | <b>-</b>      | <b>3,820,162</b> | <b>13,551,412</b> | <b>2,195,903</b> | <b>318,167</b> | <b>660,108</b>  | <b>-</b>                      | <b>24,842,060</b> |



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

|  | Covered by<br>Deposit Insurance<br>Fund |                  | Exceeding the<br>Deposit Insurance<br>Limit |                  |
|--|---|------------------|---|------------------|
|  | Current<br>Period                       | Prior<br>Period  | Current<br>Period                           | Prior<br>Period  |
| Saving Deposits  | 3,567,220                               | 3,100,191        | 3,137,652                                   | 2,828,939        |
| Foreign Currency Saving Deposits                               | 1,290,999                               | 1,298,659        | 1,904,674                                   | 2,144,796        |
| Other Saving Deposits  | -                                       | -                | -   | -                |
| Foreign branches' Deposits Under Foreign<br>Insurance Coverage | -                                       | -                | -   | -                |
| Off-Shore Deposits Under Foreign Insurance Coverage            | -                                       | -                | -   | -                |
| <b>Total</b>   | <b>4,858,219</b>                        | <b>4,398,850</b> | <b>5,042,326</b>                            | <b>4,973,735</b> |

***Savings deposits that are not covered under the guarantee of deposit insurance fund***

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Savings Deposits at Foreign Branches   | 442            | 133          |
| Savings Deposits at Off-shore Branches | -              | -            |

**2. Information on trading derivatives**

***Negative value of trading purpose derivatives***

|              | Current Period |              | Prior Period |              |
|--------------|----------------|--------------|--------------|--------------|
|              | YTL            | FC           | YTL          | FC           |
| Forwards     | 3,576          | 17           | -            | 35           |
| Swaps        | 9,864          | 2,303        | -            | 3,707        |
| Futures      | -              | -            | -            | -            |
| Options      | -              | -            | -            | -            |
| Other        | -              | -            | -            | -            |
| <b>Total</b> | <b>13,440</b>  | <b>2,320</b> | <b>-</b>     | <b>3,742</b> |

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

|                                      | Current Period |                  | Prior Period  |                  |
|--------------------------------------|----------------|------------------|---------------|------------------|
|                                      | YTL            | FC               | YTL           | FC               |
| Central Bank of Turkey               | -              | -                | -             | -                |
| Domestic Bank and Institutions       | 53,121         | 257,607          | 61,991        | 310,536          |
| Foreign Bank, Institutions and Funds | -              | 4,486,529        | -             | 4,624,609        |
| <b>Total</b>                         | <b>53,121</b>  | <b>4,744,136</b> | <b>61,991</b> | <b>4,935,145</b> |

***Maturity information of funds borrowed***

|                      | Current period |                  | Prior period  |                  |
|----------------------|----------------|------------------|---------------|------------------|
|                      | YTL            | FC               | YTL           | FC               |
| Short-term           | 53,121         | 1,379,571        | 61,991        | 1,800,619        |
| Medium and Long term | -              | 3,364,565        | -             | 3,134,526        |
| <b>Total</b>         | <b>53,121</b>  | <b>4,744,136</b> | <b>61,991</b> | <b>4,935,145</b> |

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 13.67 % of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

On 19 July 2006, the Bank has obtained syndication loan of US Dollar 700 million having one year maturity and Libor+0.525% interest rate, with the participation of 22 international banks through club deal.

On 20 December 2006, the Bank has obtained syndication loan of US Dollar 700 million comprised of three tranches having 1, 2 and 3 years of maturity and interest rate Libor+0.525%, Libor+0.626% and Libor+0.826%, respectively, with the participation of 26 international banks through club deal.

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

On 13 July 2007, the Bank has obtained syndication loan of US Dollar 700 million having one year maturity and Libor+0.475% interest rate, with the participation of 29 international banks through club deal.

**4. Components of other liabilities, those that exceed 10% of total liabilities or those that exceed 20% of the individual liability items in the unconsolidated 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 financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts**

*Obligations under financial leases*

|                   | Current Period |              | Prior Period  |               |
|-------------------|----------------|--------------|---------------|---------------|
|                   | Gross          | Net          | Gross         | Net           |
| Up to 1 year      | -              | -            | -             | -             |
| 1-4 Years         | 4,916          | 4,633        | 13,422        | 12,494        |
| More than 4 Years | -              | -            | -             | -             |
| <b>Total</b>      | <b>4,916</b>   | <b>4,633</b> | <b>13,422</b> | <b>12,494</b> |

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

*Negative value of hedging purpose derivatives*

None.

**7. Information on provisions**

*Information on general provisions*

|  | Current Period | Prior period   |
|--|----------------|----------------|
| Provisions for Loans and Receivables in Group I  | 132,492        | 118,857        |
| Provisions for Loans and Receivables in Group II | 1,235          | 2,000          |
| Provisions for Non Cash Loans                    | 9,390          | 9,606          |
| Other  | 280            | -              |
| <b>Total</b>                                     | <b>143,397</b> | <b>130,463</b> |

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

None.

*Information on other provisions*

|   | Current Period | Prior Period |
|---|----------------|--------------|
| General Reserves for Possible Loan Losses | 1,000          | 21,000       |

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

None.

## 8. Taxation

### *Current Taxes*

#### *Tax provision*

As of 30 September 2007, Bank has tax liabilities of YTL 60,338, after deducting prepaid taxes.

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, and the Bank has applied to the tax authority to correct its tax returns for 2002, 2003, and 2004, which has been previously submitted with a condition stating that such losses should have been deducted from tax base for the effect of application of inflation accounting and refund of taxes paid previously. However the tax authority has not accepted Bank's application. Then the Bank appealed to the tax court on 22 February 2007 and tax court has decided in favour of the Bank and YTL 125,187 was transferred to the Bank's accounts on 5 September 2007.

#### *Information on taxes payable*

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Corporate taxes payable                      | 60,338                | 85,640              |
| Taxation on securities                       | 97,573                | 41,138              |
| Capital gains tax on property                | 502                   | 380                 |
| Banking and Insurance Transaction Tax (BITT) | 16,081                | 16,455              |
| Taxes on foreign exchange transactions       | 1,063                 | 2,463               |
| Value added tax payable                      | 533                   | 437                 |
| Other  | 9,134                 | 7,944               |
| <b>Total</b>                                 | <b>185,224</b>        | <b>154,457</b>      |

#### *Information on premiums payable*

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Social security premiums- employee share                    | -                     | -                   |
| Social security premiums- employer share                    | -                     | -                   |
| 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                      | 260                   | 222                 |
| Unemployment insurance- employer share                      | 454                   | 379                 |
| Other   | 7                     | -                   |
| <b>Total</b>  | <b>721</b>            | <b>601</b>          |

#### *Information on deferred tax liability*

Disclosed in Note 12 of information and disclosures for assets.

**9. Information on shareholders' equity**

***Paid-in capital***

|                 | <b>Current Period</b> | <b>Prior Period</b> |
|-----------------|-----------------------|---------------------|
| 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), 15.6 % Group (B), 16.2% Group (C) and 25.2% Group (D).

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

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

| <b>Capital System</b> | <b>Paid-in Capital</b> | <b>Ceiling per Registered Share Capital</b> |
|-----------------------|------------------------|---|
| 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 period***

There is no share capital increase in the current period.

On 19 December 2006, the paid-in capital of the Bank has been increased to YTL 2,500,000 by YTL 1,221,000 from YTL 1,279,000. YTL 605,763 of the total increase was provided from other capital reserves, YTL 448,205 from share premiums, YTL 154,500 from extraordinary reserves, YTL 7,795 from revaluation fund and YTL 4,737 from other profit reserves. This capital is divided into 2.500.000.000 shares and each share's value is equal to 1 New Turkish Lira.

| <b>Increment Date</b> | <b>Increment Amount</b> | <b>Cash</b> | <b>Increment from Profit Reserves</b> | <b>Increment from Supplementary Capital</b> |
|-----------------------|-------------------------|-------------|---------------------------------------|---|
| 19 December 2006      | 1,221,000               | -           | 167,032                               | 1,053,968                                   |

***Information on share capital increases from revaluation funds***

None.

***Capital commitments for current financial year and following period***

None.

***Prior period 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.

***Securities value increase fund***

|                                   | Current Period |               | Prior Period  |               |
|-----------------------------------|----------------|---------------|---------------|---------------|
|                                   | YTL            | FC            | YTL           | FC            |
| Associates, subsidiaries and JV's | 185,626        | -             | 92,422        | -             |
| FV differences                    | 43,295         | 35,136        | (11,857)      | 55,821        |
| Foreign exchange differences      | -              | -             | -             | -             |
| <b>Total</b>                      | <b>228,921</b> | <b>35,136</b> | <b>80,565</b> | <b>55,821</b> |

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

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

*Type and amount of irrevocable commitments*

|  | <b>Current Period</b> | <b>Prior period</b> |
|--|-----------------------|---------------------|
| Letters of Guarantee in Foreign Currency | 1,473,159             | 1,423,832           |
| Letters of Guarantee in YTL              | 2,346,267             | 1,857,461           |
| Letters of Credit                        | 1,089,979             | 1,225,892           |
| Bills of Exchange and Acceptances        | 468,235               | 354,923             |
| Other Guarantees and Warranties          | 3,541                 | 9,814               |
| <b>Total</b>                             | <b>5,381,181</b>      | <b>4,871,922</b>    |

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

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

The Bank provided 100% specific provision for unliquidated non-cash loans amounted to YTL 86,214 recorded under off-balance sheet items.

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

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Provisional Letters of Guarantee              | 148,919               | 78,522              |
| Final Letters of Guarantee                    | 2,964,519             | 2,700,200           |
| Letters of Guarantee for advances             | 525,055               | 301,306             |
| Letters of Guarantee given to Customs Offices | 72,503                | 60,465              |
| Other Letters of Guarantee                    | 108,430               | 140,800             |
| <b>Total</b>                                  | <b>3,819,426</b>      | <b>3,281,293</b>    |

#### 2. Non-cash Loans

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Non-Cash Loans Given for Cash Loan Risks   | 404,055               | 444,043             |
| With Original Maturity of 1 Year or Less   | 159,490               | 154,617             |
| With Original Maturity of More Than 1 Year | 244,565               | 289,426             |
| Other Non-Cash Loans                       | 4,977,126             | 4,427,879           |
| <b>Total</b>                               | <b>5,381,181</b>      | <b>4,871,922</b>    |

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

|                                      | Current Period   |               |                  |               | Prior Period     |               |                  |               |
|--------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
|                                      | YTL              | %             | FC               | %             | YTL              | %             | FC               | %             |
| <b>Agricultural</b>                  | <b>21,962</b>    | <b>0.94</b>   | <b>50,224</b>    | <b>1.66</b>   | <b>21,224</b>    | <b>1.14</b>   | <b>7,652</b>     | <b>0.25</b>   |
| Farming and Cattle                   | 17,064           | 0.73          | 39,009           | 1.29          | 17,295           | 0.93          | 4,918            | 0.16          |
| Forestry                             | 3,682            | 0.16          | 94               | -             | 3,316            | 0.18          | -                | -             |
| Fishing                              | 1,216            | 0.05          | 11,121           | 0.37          | 613              | 0.03          | 2,734            | 0.09          |
| <b>Manufacturing</b>                 | <b>876,302</b>   | <b>37.35</b>  | <b>1,436,175</b> | <b>47.32</b>  | <b>722,417</b>   | <b>38.89</b>  | <b>1,300,730</b> | <b>43.15</b>  |
| Mining                               | 21,489           | 0.91          | 115,457          | 3.80          | 23,407           | 1.26          | 65,849           | 2.18          |
| Production                           | 688,986          | 29.37         | 1,144,807        | 37.72         | 567,105          | 30.53         | 1,073,679        | 35.62         |
| Electric, gas and water              | 165,827          | 7.07          | 175,911          | 5.80          | 131,905          | 7.10          | 161,202          | 5.35          |
| <b>Construction</b>                  | <b>365,396</b>   | <b>15.57</b>  | <b>607,690</b>   | <b>20.02</b>  | <b>259,075</b>   | <b>13.95</b>  | <b>510,489</b>   | <b>16.94</b>  |
| <b>Services</b>                      | <b>788,751</b>   | <b>33.62</b>  | <b>439,132</b>   | <b>14.47</b>  | <b>570,590</b>   | <b>30.72</b>  | <b>552,833</b>   | <b>18.34</b>  |
| Wholesale and retail trade           | 389,265          | 16.59         | 184,835          | 6.09          | 265,392          | 14.29         | 129,123          | 4.29          |
| Hotel, food and beverage services    | 27,349           | 1.17          | 7,430            | 0.24          | 26,555           | 1.44          | 1,877            | 0.06          |
| Transportation and telecommunication | 138,337          | 5.90          | 65,742           | 2.17          | 116,618          | 6.28          | 196,338          | 6.51          |
| Financial institutions               | 207,417          | 8.84          | 165,563          | 5.46          | 141,936          | 7.64          | 201,496          | 6.68          |
| Real estate and renting services     | 2,345            | 0.10          | -                | -             | 1,189            | 0.06          | -                | -             |
| Self-employment services             | -                | -             | -                | -             | -                | -             | -                | -             |
| Education services                   | 5,686            | 0.24          | 4,816            | 0.16          | 2,122            | 0.11          | 10,279           | 0.34          |
| Health and social services           | 18,352           | 0.78          | 10,746           | 0.35          | 16,778           | 0.90          | 13,720           | 0.46          |
| <b>Other</b>                         | <b>293,856</b>   | <b>12.52</b>  | <b>501,693</b>   | <b>16.53</b>  | <b>284,249</b>   | <b>15.30</b>  | <b>642,663</b>   | <b>21.32</b>  |
| <b>Total</b>                         | <b>2,346,267</b> | <b>100.00</b> | <b>3,034,914</b> | <b>100.00</b> | <b>1,857,555</b> | <b>100.00</b> | <b>3,014,367</b> | <b>100.00</b> |

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

|   | I. Group         |                  | II. Group     |                |
|---|------------------|------------------|---------------|----------------|
|   | YTL              | FC               | YTL           | FC             |
| Letters of Guarantee                        | 2,255,569        | 1,361,057        | 53,456        | 64,228         |
| Confirmed Bills of exchange and Acceptances | -                | 458,920          | -             | 9,180          |
| Letters of Credit                           | -                | 1,043,701        | -             | 45,316         |
| Endorsements                                | -                | -                | -             | -              |
| Purchase Guarantees for Securities Issued   | -                | -                | -             | -              |
| Factoring Guarantees                        | -                | -                | -             | -              |
| Other Guarantees and Sureties               | -                | 3,541            | -             | -              |
| <b>Total</b>                                | <b>2,255,569</b> | <b>2,867,219</b> | <b>53,456</b> | <b>118,724</b> |

### 5. Contingent assets and liabilities

None.

#### **IV. Information on disclosures related to the income statement**

##### **1. Interest income**

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

|  | <b>Current Period</b> |                | <b>Prior Period</b> |                |
|--|-----------------------|----------------|---------------------|----------------|
|  | <b>YTL</b>            | <b>FC</b>      | <b>YTL</b>          | <b>FC</b>      |
| Short-term Loans   | 1,232,006             | 104,828        | 942,665             | 190,802        |
| Medium and Long-term Loans                               | 787,025               | 168,171        | 546,179             | 61,892         |
| Loans under follow-up                                    | 37,369                | 32             | 37,331              | -              |
| Premiums received from Resource Utilization Support Fund | -                     | -              | -                   | -              |
| <b>Total</b>   | <b>2,056,400</b>      | <b>273,031</b> | <b>1,526,175</b>    | <b>252,694</b> |

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

|                                  | <b>Current Period</b> |               | <b>Prior Period</b> |               |
|----------------------------------|-----------------------|---------------|---------------------|---------------|
|                                  | <b>YTL</b>            | <b>FC</b>     | <b>YTL</b>          | <b>FC</b>     |
| Central Bank of Turkey           | -                     | 3,645         | -                   | 2,654         |
| Domestic Banks                   | 15,549                | 489           | 17,631              | 2,535         |
| Foreign Banks                    | 62,185                | 73,061        | 11,709              | 46,175        |
| Foreign Head Office and Branches | -                     | -             | -                   | -             |
| <b>Total</b>                     | <b>77,734</b>         | <b>77,195</b> | <b>29,340</b>       | <b>51,364</b> |

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

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Interest Received from Associates and Subsidiaries | 586                   | 348                 |

##### **2. Interest Expense**

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

|                                   | <b>Current Period</b> |                | <b>Prior Period</b> |                |
|-----------------------------------|-----------------------|----------------|---------------------|----------------|
|                                   | <b>YTL</b>            | <b>FC</b>      | <b>YTL</b>          | <b>FC</b>      |
| <b>Banks</b>                      | <b>6,131</b>          | <b>185,305</b> | <b>3,309</b>        | <b>145,369</b> |
| Central Bank of Turkey            | -                     | -              | -                   | -              |
| Domestic Banks                    | 6,131                 | 1,928          | 3,184               | 2,299          |
| Foreign Banks                     | -                     | 183,377        | 125                 | 143,070        |
| Foreign Head Offices and Branches | -                     | -              | -                   | -              |
| <b>Other Institutions</b>         | <b>-</b>              | <b>12</b>      | <b>30</b>           | <b>101</b>     |
| <b>Total</b>                      | <b>6,131</b>          | <b>185,317</b> | <b>3,339</b>        | <b>145,470</b> |

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

None.



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

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| <b>Income</b>                           | <b>473,797</b>        | <b>821,565</b>      |
| Trading Account Income                  | 69,030                | 76,571              |
| <i>Derivative financial instruments</i> | 37,202                | 5,567               |
| <i>Others</i>                           | 31,828                | 71,004              |
| Foreign Exchange Gain                   | 404,767               | 744,994             |
| <b>Losses (-)</b>                       | <b>313,732</b>        | <b>832,519</b>      |
| Trading Account Losses                  | 25,824                | 48,943              |
| <i>Derivative financial instruments</i> | 22,856                | 8,055               |
| <i>Others</i>                           | 2,968                 | 40,888              |
| Foreign Exchange Losses                 | 287,908               | 783,576             |
| <b>Income</b>                           | <b>160,065</b>        | <b>(10,954)</b>     |

**4. Other operating income**

As mentioned in detail in the footnote 8, “information and disclosures related to liabilities”, the Bank has recorded tax refund amounting to YTL 125,187 as other operating income, as a result of the tax court decision about the deduction of monetary losses incurred in the financial year 2001 resulting from inflation accounting.

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

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Specific Provisions on Loans and Other Receivables | 188,051               | 117,867             |
| <i>Loans and Receivables in Group III</i>          | 188,051               | 82,132              |
| <i>Loans and Receivables in Group IV</i>           | -                     | 23,864              |
| <i>Loans and Receivables in Group V</i>            | -                     | 11,871              |
| Non-performing commissions and other receivables   | -                     | -                   |
| General Provision Expenses                         | 13,334                | 29,000              |
| Provision for Possible Losses                      | 1,000                 | -                   |
| Impairment Losses on Securities:                   | 14,208                | 8,564               |
| <i>Trading securities</i>                          | 912                   | 1,192               |
| <i>Investment Securities Available-for-Sale</i>    | 13,296                | 7,372               |
| Other Impairment Losses:                           | 516                   | 473                 |
| <i>Associates</i>                                  | -                     | -                   |
| <i>Subsidiaries</i>                                | -                     | -                   |
| <i>Joint Ventures</i>                              | -                     | -                   |
| <i>Investment Securities Held-to-Maturity</i>      | 516                   | 473                 |
| Other  | 65,269                | 23,372              |
| <b>Total</b>                                       | <b>282,378</b>        | <b>179,276</b>      |

**6. Other operating expenses**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Personnel Costs                                | 333,614               | 268,060             |
| Reserve for Employee Termination Benefits      | 16,473                | 14,456              |
| Deficit Provision for Pension Funds            | -                     | -                   |
| Impairment Losses on Tangible Assets           | -                     | -                   |
| Depreciation Expenses on Tangible Assets       | 49,302                | 46,031              |
| Impairment Losses on Intangible Assets         | -                     | -                   |
| Amortization Expenses on Intangible Assets     | 1,721                 | 1,125               |
| Impairment Losses on Assets to be Disposed     | -                     | -                   |
| Depreciation Expenses on Assets to be Disposed | 5,662                 | -                   |
| Impairment Losses on Assets Held for Sale      | -                     | -                   |
| Other Operating Expenses                       | 232,464               | 190,708             |
| <i>Operational lease related expenses</i>      | 35,790                | 29,897              |
| <i>Repair and maintenance expenses</i>         | 8,080                 | 7,533               |
| <i>Advertisement expenses</i>                  | 20,812                | 19,883              |
| <i>Other expenses</i>                          | 167,782               | 133,395             |
| Loss on sale of assets                         | 6,330                 | 6,381               |
| Other  | 73,674                | 82,616              |
| <b>Total</b>                                   | <b>719,240</b>        | <b>609,377</b>      |

**7. Provision for taxes on income**

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

In the current period, the Bank recorded a tax provision of YTL 179,312 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***

| <b>Sources of deferred tax benefit/charge</b>                                  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences | 7,503                 | (97,275)            |
| Arising from Origination (+)/ Reversal (-) of Taxable Temporary Differences    | 10,929                | -                   |
| Arising from Origination (+)/ Reversal (-) of Tax Losses                       | -                     | -                   |
| Arising from tax rate change   | -                     | -                   |
| <b>Total</b>   | <b>18,432</b>         | <b>(97,275)</b>     |

**8. Net profit and loss**

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

None.

**9. 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**

None.

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

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

| Current Period                          | Associates and Subsidiaries |          | Bank's Direct and Indirect Shareholders |          | Other Components in Risk Group |          |
|---|-----------------------------|----------|---|----------|--------------------------------|----------|
|   | Cash                        | Non-Cash | Cash                                    | Non-Cash | Cash                           | Non-Cash |
| Loans and Other Receivables             |                             |          |   |          |                                |          |
| Balance at the Beginning of the Period  | 12,752                      | 219,239  | -                                       | 568      | -                              | -        |
| Balance at the End of the Period        | 28,198                      | 170,252  | 60                                      | 728      | 3,933                          | -        |
| Interest and Commission Income Received | 586                         | 806      | -                                       | -        | 95                             | -        |

  

| Prior Period                            | 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 Period  | 28,062                      | 189,533  | -                                       | 950  | -                              | -    |
| Balance at the End of the Period        | 12,752                      | 219,239  | -                                       | 568  | -                              | -    |
| Interest and Commission Income Received | 17                          | 83       | -                                       | -    | -                              | -    |

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

| Bank's Risk Group                      | Associates and Subsidiaries |              | Bank's Direct and Indirect Shareholders |              | Other Components in Risk Group |              |
|--|-----------------------------|--------------|---|--------------|--------------------------------|--------------|
|  | Current Period              | Prior Period | Current Period                          | Prior Period | Current Period                 | Prior Period |
| Deposits                               |                             |              |   |              |                                |              |
| Balance at the Beginning of the Period | 120,261                     | 86,210       | -                                       | -            | -                              | -            |
| Balance at the End of the Period       | 179,145                     | 120,261      | -                                       | -            | -                              | -            |
| Interest on Deposits                   | 9,478                       | 8,715        | -                                       | -            | -                              | -            |

**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 0.15% and 3.18%.

| <b>Current Period</b>         | <b>Amount</b> | <b>Compared With the<br/>Financial Statement<br/>Amount %</b> |
|-------------------------------|---------------|---|
| Cash Loans                    | 32,191        | 0.15  |
| Non-Cash Loans                | 170,980       | 3.18  |
| Deposits                      | 179,145       | 0.67  |
| Forward and Option Agreements | -             | -   |

| <b>Prior Period</b>           | <b>Amount</b> | <b>Compared With the<br/>Financial Statement<br/>Amount %</b> |
|-------------------------------|---------------|---|
| Cash Loans                    | 12,752        | 0.07  |
| Non-Cash Loans                | 219,807       | 4.51  |
| Deposits                      | 120,261       | 0.48  |
| Forward and Option Agreements | -             | -   |

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

None

## SECTION SIX

### I. Other Disclosures and Footnotes

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

- Based on the resolution of 53rd Annual General Assembly held on 30 March 2007, net profit of the year 2006 amounting to YTL 769,730 is decided to be distributed as legal reserves in the amount of YTL 76,973, as extraordinary reserves in the amount of YTL 256,892 and as dividend in the amount of YTL 435,865 and distributed in the reporting period.
- The Bank's management has decided to implement growth strategy in credit card business with brand sharing with an existing brand in the market and decided to collaborate with Yapı Kredi Bankası AŞ in World credit card program. The Bank has nominated Bank's general manager for signing and preparation of the agreement.

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

| June 2007 <sup>(*)</sup>       | Standard Poors    |
|--------------------------------|-------------------|
| Foreign Currency Credit Rating | BB- / Stable / B  |
| Local Currency Credit Rating   | BB / Stable / B   |
| National                       | trA+ / -- / trA-1 |

  

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

  

| January 2007 <sup>(*)</sup> | 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            |

  

| May 2006 <sup>(*)</sup>     | Capital Intelligence |
|-----------------------------|----------------------|
| Financial Strength Rate     | BBB-                 |
| Short Term Foreign Currency | B                    |
| Long Term Foreign Currency  | BB-                  |
| Support Rating              | 2                    |
| Outlook                     | Stable               |

<sup>(\*)</sup> 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**

None.

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

None.

## **SECTION SEVEN**

### **I. Independent Auditors' Review Report**

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

The Bank's unconsolidated financial statements and footnotes as of 30 September 2007, have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the member firm of KPMG International). It was noted in their review report dated 13 November 2007 that nothing material has come to their attention that caused them to believe that the accompanying unconsolidated interim financial statements do not give a true and fair view of the Bank's financial position and results of its operations as of and for the nine-month period ended 30 September 2007.

#### **2. Explanations and disclosures by Independent Auditors**

None.