

Annual Report 2007


VakıfBank

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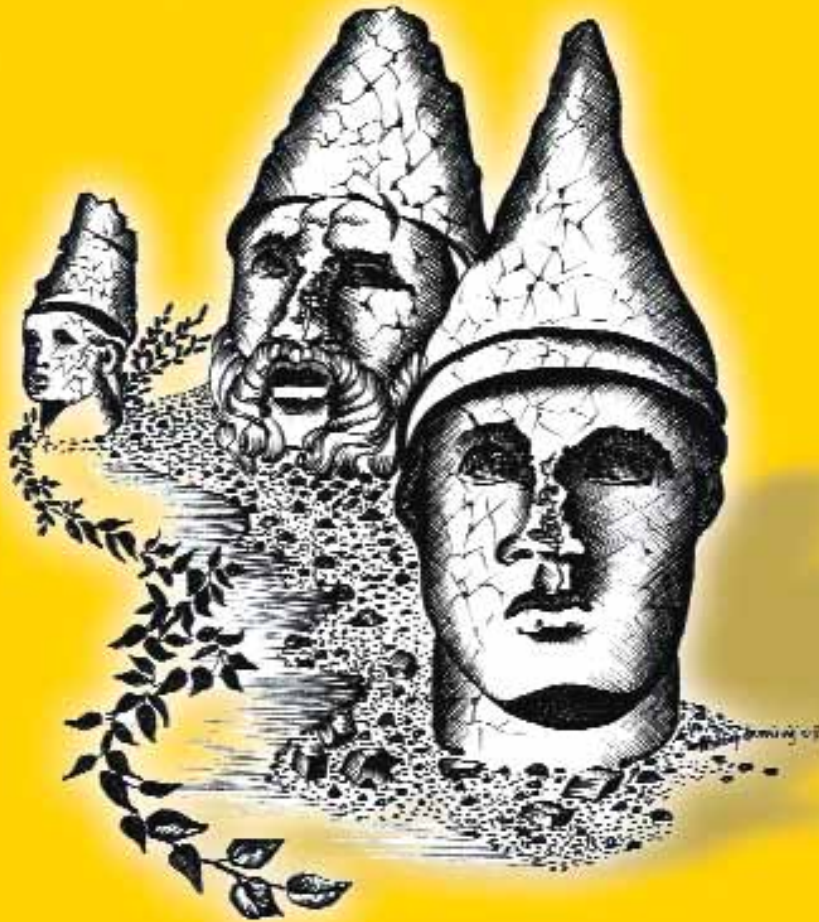
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Mountain of Nemrut (ADIYAMAN)

Date of Inscription: 11.12.1987
Ref: 448
Criteria: Cultural

CONSIDERATIONS ABOUT THE GENERAL ASSEMBLY

Agenda Of The 54th Annual Meeting Of The General Assembly Of Türkiye Vakıflar Bankası T.A.O

1. Opening ceremony and the formation of the Presidential Board,
2. Authorization of the President and the Vote collectors for signing the minutes of the meeting of General Assembly,
3. Reading and discussion of the reports of Board of Directors, the Auditors and the Report of the Superior Supervisory Board on 2007 financials,
4. Reading, discussion and approval of audited financial reports for year 2007,
5. Discharge of the Members of the Board of Directors and the Auditors regarding 2007 financials,
6. Determination of a resolution on dividend policy for 2007 financial year profit,
7. Presentation for information to the General Assembly of our Bank's profit distribution policies for 2008 and the following years,
8. Approval of assignments to the Board of Directors for places which became vacant during the year,
9. The renewal of elections for the Board of Directors,
10. The renewal of elections for the Auditors,
11. Determination of the compensation of the Chairman, the Board of Directors and as well as the Auditors,
12. The approval of the selection of Independent Auditors in accordance with the Capital Markets Board regulation,
13. Submission of changes made in Personnel Regulations to the approval of General Assembly,
14. The presentation of reports on donations made throughout year 2007,
15. Wishes and requests,
16. Closing.

Summary Of The Board Of Directors' Report Submitted To The General Assembly

Dear Shareholders;

The improvement achieved in the macroeconomic indicators as a result of the efficient application of financial discipline and structural reforms in our country in the last five-year period contributed in the protection of the main balances in the financing program for 2007 despite the fluctuations experienced in the global markets in the months of June and July in 2006 and in the last quarter of 2007 and minimized the impact of such fluctuations on Turkish Economy. The borrowing policies followed within the limits of strategic measures in order to ensure that borrowing is realized with minimum costs and reasonable risks have been continued in 2007 like in the previous years. The cost of TRY zero coupon bonds which was at the rate of 21,5% in December 2006 continued its decreasing trend in 2007 and dropped to 17,6% in July 2007. However, due to the ongoing concerns about the growth and inflation since the beginning of the year and the impact on the internal markets resulting from the significant risks in the US housing finance market especially after the month of August, the cost of TRY zero coupon bonds realized with an average rate of 18,4% for the entire year of 2007. The Monetary Policy Committee started interest rate cuts in September 2007 and decreased the interest rate for the short-term borrowing to 15,25% by the month of February in 2008. The New Turkish Lira appreciated by %17,2 against USD and by 7,6% against Euro by the end of the year 2007. As a conclusion, the ratio of the central government total debt stock to GNP decreased from 60% to 53% in 2007.

The oil prices that displayed a decreasing trend in the beginning of 2007 exceeded USD 100 in parallel to depreciation of USD resulting from the turbulence in the financial markets in the second half of the year and led to an inflationist pressure throughout the world since it is a very important raw material used in various sectors. Similarly, the gold prices also increased beyond its historical record levels due to the changing risk perception and exceeded USD 900 by January 2008.

The changes in the global risk perception and the contraction in the liquidity led to some negative impacts on the inflation, interest and foreign exchange rates in our country. The Turkish economy that displayed a continuous growth at high rates since the first quarter of 2002 slowed down upon the additional impact of draught. The inflation rate remained over the target due to the increases in food prices resulting from draught and global conjuncture and adjustments made in energy and taxes.

Despite the continued strong outlook of exports in 2007 and the recovery in the services account, the increases in the demand for imported by-products and the energy prices led to an increase in imports and prevented the permanent decline in the current account deficit.

The banking sector, which has a quite stronger structure compared to the years before 2002 displayed a successful performance also in 2007 despite the fluctuations experienced in the international markets since August 2007 and asset size of the sector increased by 16,3%. The relative slowdown in the growth rate in the second half of 2006 was reflected especially in the volume of retail loans and rate of growth slowed down in the beginning of 2007. Despite the acceleration in the growth rate of loan volume the interest rate cuts by CBTR (Central Bank of Turkish Republic) reflected into the bank loan interest rates since the month of September, the loan growth on annual basis excised as 30% compared to 40% achieved in 2006. Upon the decrease in the borrowing requirement of the government, the share of securities portfolio in the balance sheet of the banking sector continued to decrease. On

liabilities side, while the total deposits grew by 16%; the share of FX deposits within the total deposits decreased to 35%. The increase in the volume of syndicated loans and securitisation loans received from international markets slowed down in 2007. While the equities were up by 27% in 2007, the increase in the net profits was 31%.

Targeting a marketing-oriented structure with the restructuring program initiated in 2005, Vakıfbank also displayed a progress in parallel to the sector; its assets reached TRY 42.4 billion up by 15%, its loans reached TRY 23.5 billion up by 30%, its deposits reached TRY 28.9 billion up by 16%, and its equities reached TRY 5.2 billion up by 17% and it achieved a net profit of TRY 1.031 million in 2007. Vakıfbank achieved its targets determined for the year 2007 by 96% in total assets, 100% in equities, 98% in total deposits, 104% in loans, and 112% in the net profits. As a conclusion, the Bank's loan/deposit ratio increased from 72,6% to 81,3%. In the year of 2007 in which ROA rose from 2,1% to 2,4%, and ROE increased from 17,1% to 19,7%, the capital adequacy ratio was 15,35%, above the statutory limit.

Providing modern banking services by means of 360 domestic branches and 2 foreign branches located in New York and Bahrain and 106 affiliated branches and contributing to the national economy with its 26 participations operating in various sectors by the end of the year 2007, Vakıfbank will continue to be productive and efficient as much as this year at minimum through its policies targeting to increase customer satisfaction with its future activities and providing the most rational profit to its shareholders.

Yours sincerely,

TÜRKİYE VAKIFLAR BANKASI T.A.O.
BOARD OF DIRECTORS

Auditors' Report

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To The General Assembly of Shareholders of Türkiye Vakıflar Bankası T.A.O.;

The accounts and activities for 2007 pertaining to Türkiye Vakıflar Bankası T.A.O. were audited in accordance with the provisions and practices specified in the Act of Foundation, Articles of Incorporation, Banking Law and the Turkish Commercial Law.

There has not been any change in the shareholding structure of the Bank throughout the year 2007. The paid-in capital of the Bank was increased by TRY 1.221 million by the date of December 19, 2006 and reached from TRY 1.279 million to TRY 2.500 million, totally covered from internal resources providing to be limited with the authorized capital limit of TRY 5 billion and there was not any change observed in the current period.

The Bank has started to calculate the operational risk since the date of June 1, 2007 as per the article 24 of the Regulation on the Measurement and Assessment of the Banks' Capital Adequacies and the capital adequacy ratio was 15,35% by the end of 2007.

In 2007, the Bank's size of assets reached TRY 42.408 million with an increase by 15% compared to the previous year. It was observed that the Bank displayed an increase by 30,1% in total loans and an increase by 16,2% in total deposits compared to the previous year; and that the ratio of the loans under follow-up to the total loans decreased from 13,8% to 4,6% in the last five years.

The restructuring and innovation activities started in 2005 were also continued in 2007. Within this scope, significant investments were initiated for the replacement of the data processing infrastructure.

The Bank's expansion activities were also reflected into the branch organisations and the Bank was in operation with 468 branches in total including 360 domestic branches, 2 foreign branches, and 106 affiliated branches by the end of 2007.

In parallel to the organisation structures developed, 1.385 new personnel in total were employed for positions such as assistant inspector, assistant specialist, assistant financial analyst, official, etc. for being assigned in various units and branches of the Bank by means of the examinations made in 2007. Within this framework, the number of the Bank's personnel that was 7.679 by the end of 2006 reached to 8.700 by the end of 2007. It was seen that great importance was attached for enabling the personnel to better know the institution and its targets and to be equipped with the required knowledge in respect of high-quality services by means of the in-service trainings; and that activities were oriented towards increasing the quality and productivity of the personnel through ensuring maximum participation in the training programs organised both in and out of the country.

It was observed that the audit mechanisms were functioning productively in the Bank, and that maximum efforts were endeavoured in order to manage any risky and irregular transactions under control by means of both continuous on-site inspections performed by the internal control unit, and the on-site and centralized inspections and audits performed by the inspectors of the Head of the Audit Board; and that the required mechanisms in respect of measurement, calculation and follow-up and reporting of market risk, credit risk and operational risks were created in accordance with Basel II criteria and rules determined by the Bank for International Settlements, the Committee on Banking Regulations and

Supervisory Practices; and in parallel, applications for assessment and rating of SMEs were put into implementation; and that

Of the participations, those that are productive and profitable and required to be retained and those required to be discharged were determined and the related activities were being continued in accordance with a road map adopted; and that

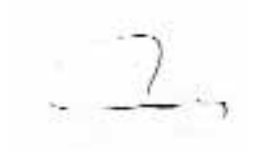
The sales of the real estates that were transferred to the Bank's assets under compulsory conditions were being continued; and that

Principle-based and efficient activities were being carried out for informing the shareholders, stakeholders and the public and receiving their requests, complaints and expectations.

The Bank's records and documents were arranged in compliance with the laws and regulations; therefore, you are kindly requested to take necessary action for the approval of the balance sheet and the profit and loss accounts for the previous year of 2007 passed from Independent Audit and the discharge of the Board of Directors.

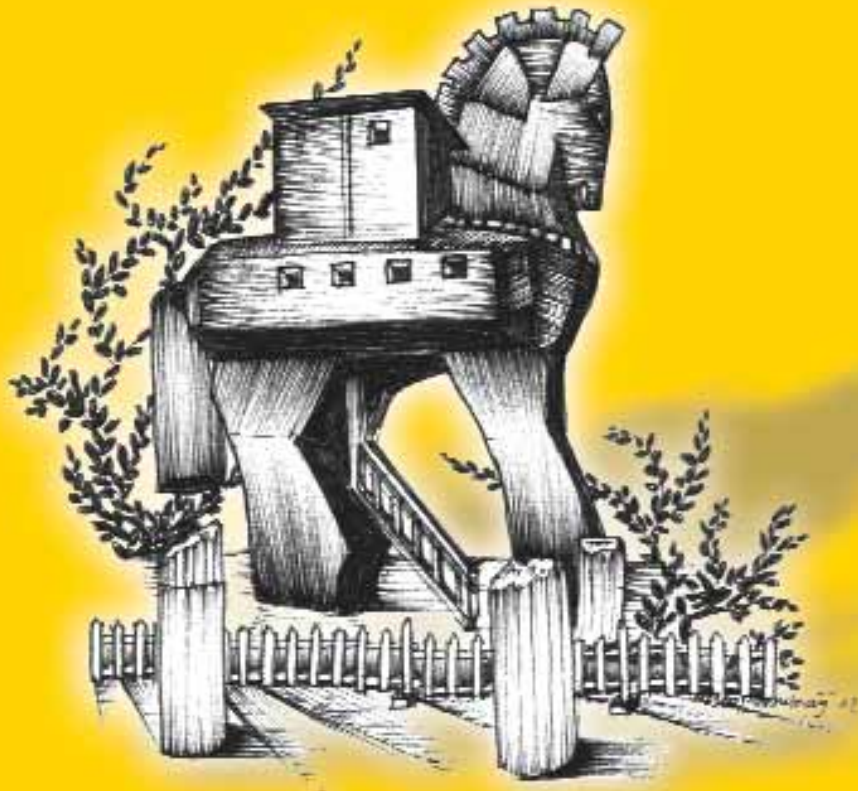
Yours sincerely,

Ahmet TANYOLAÇ
Auditor of Class (A) Group



Faruk EROĞLU
Auditor of Class (C) Group





Archaeological Site of Troy (ÇANAKKALE)

Date of Inscription: 2.12.1998
Ref: 849
Criteria: Cultural

GENERAL INFORMATION ABOUT THE BANK

Vakıfbank In Brief

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Start Date of Operation	: April 13, 1954
Head Office of the Bank	: Ankara
Paid-in Capital	: TRY 2.500.000.000
Number of Employees	: 8.700
Number of Domestic Branches	: 466 (360 branches, 106 affiliated branches)
Number of International Branches	: 2 (New York Branch, Bahrain Branch)
Number of Subsidiaries and Affiliated Companies	: 26
Independent Audit Company	: AKİS BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Address	: Türkiye Vakıflar Bankası T.A.O. Genel Müdürlüğü Atatürk Bulvarı No:207 06683 Kavaklıdere/ANKARA
Tel. No.	: (0312) 455 75 75
Fax No.	: (0312) 455 76 90-91-92
Telex	: 44428 (Vbum-Tr), 44429 (Vkfb-Tr)
Web-site	: http://www.vakifbank.com.tr

Shareholding Structure Of Vakifbank

Our Bank's shareholding structure and the related shares by the year of 2007 are shown in the table below; and there has not been any amendment made in our articles of incorporation in 2007.

CLASS	SHAREHOLDER'S NAME	CAPITAL	PERCENTAGE %	NUMBER OF PERSONS
A	RECORDED FOUNDATIONS MANAGED AND REPRESENTED BY GENERAL DIRECTORATE OF FOUNDATIONS	1.075.058.639,56	43,0023	1
B	NON-AFFILIATED FOUNDATIONS	386.224.346,10	15,4490	1
B	OTHER NON-AFFILIATED FOUNDATIONS	4.681.491,08	0,1873	484
C	VAKIFBANK EMPLOYEES PENSION AND HEALTH BENEFITS FUND	402.552.666,42	16,1021	1
C	GRAND TOTAL OF REAL AND LEGAL PERSONS AND ENTITIES	1.886.448,60	0,0755	463
D	PUBLICLY-HELD	629.596.408,24	25,1839	-
TOTAL		2.500.000.000,00	100	950

In the meeting of our Bank's Board of Directors held on the date of 01st.11.2006, it was resolved that the paid-in capital of our Bank would be increased from TRY 1.279.000.000 to TRY 2.500.000.000. The related applications were made after the resolution of the Board of Directors and the capital increase procedures were completed on the date of 30th.01.2007 upon recording of the aforesaid amounts into the capital account and transferring the shares representing the increased capital to the account of the shareholders on the date of 19th.12.2006 on the basis of the approval of the Banking Regulation and Supervising Agency dated 18th.12.2006 and numbered BDDK.UY1.21.1.01.14397.

The increased capital shares of our Bank's shareholders of Class A, B, C, and D were recorded into the accounts on the date of 30th.01.2007 simultaneously with the recording at the Central Registry Agency.

After public offering, the shares with the total nominal value of TRY 108.809,61 from the classes B and C were transformed into Class D shares until the date of 31st.12.2007.

Hasan Özer, member of the Board of Directors has a Class C share certificate of our Bank with an amount of TRY 0,60.
(Share ratio:0,00000002)

A. Atif Meydan, Assistant General Manager of our Bank has a Class C share certificate of our Bank with an amount of TRY 0,60.
(Share ratio: 0,00000002).

Vakıfbank In 54 Years Since 1954

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Vakıfbank was established on the date of January 11, 1954 with a Special Law No. 6219 for the purposes of best utilizing the foundational funds and incomes, contributing to the savings of the country with a management and working approach as required by the modern banking, and protecting the collected savings and utilizing them according to the requirements of the economic development. Having been established with an original capital of 50 million TL, Vakıfbank was put into operation on April 13, 1954. Since then, Vakıfbank has continued its activities directed towards the growth and development of the national economy and integration of it with the world economy and is subject to the provisions of special law.

Considering the important milestones of our Bank in its history of 54 years, it is seen that the number of its branches reached to 10 in 2 years as of the date of its foundation and it increased the number of its branches to 269 by the year 1984 through rapid expansion of its network of branches.

Our Bank increased its operations oriented towards personal banking in 1992 and started the applications of Credited Bankomat (Bankomat 7/24), Telephone Banking, POS, etc.

Vakıfbank offered a new perspective of banking in our country through opening its New York Branch in 1995 and establishing cooperation with Visa and MasterCard.

Having an important position in the finance market in 1998 under its capacity as the only bank extending long-term housing loans with a maturity up to 20 years, Vakıfbank put into application internet banking, one of the most important steps in the modern banking in 2001.

Having expanded the range of personal saving products and put into service alternative products in relation with mutual funds and foreign exchange market in 2003, Vakıfbank's credit rating was increased by the credit rating agencies such as Fitch and Moody's, etc. in this year and in the year 2004.

Our Bank offered to public 25,18% of its capital in 2005 and having added to its capital the incomes gained from this public offering, it has achieved a capital size that can finance its growth in the sector and provide more support for the real sector and started to share its financial successes with its new partners.

The establishment of "self-service banking" unit for the first time in Turkey, the "Finance Market" branches, the mobile branches, the "gold safekeeping account", long-term "housing loans", "Pool Account", "multi-currency system at ATMs", "mutual funds" developed to address any kind of investors, the "Remote Access (Ex-api)" system enabling connection to the stock exchange directly without any need for the mediation by a broker, and the implementation of various banking instruments for the first time in our country are the distinctive characteristics differentiating our Bank from the others.

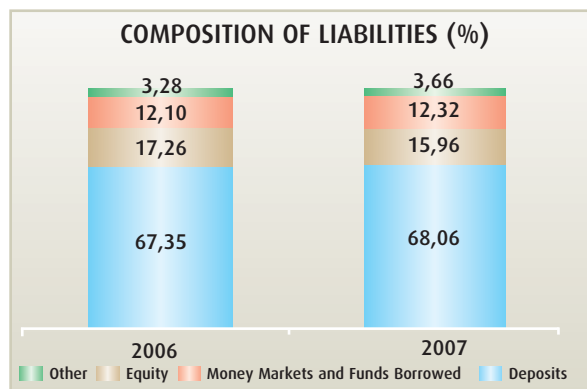
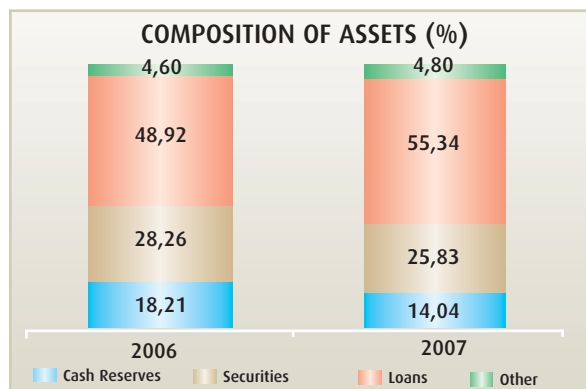
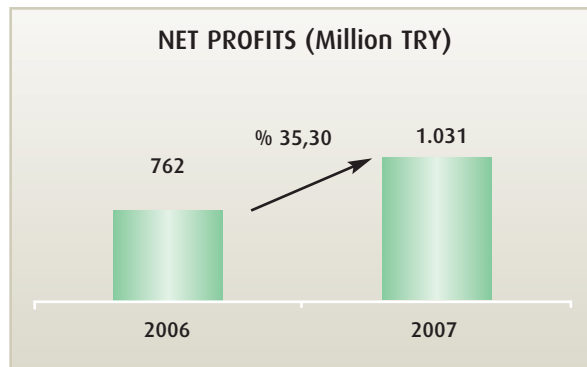
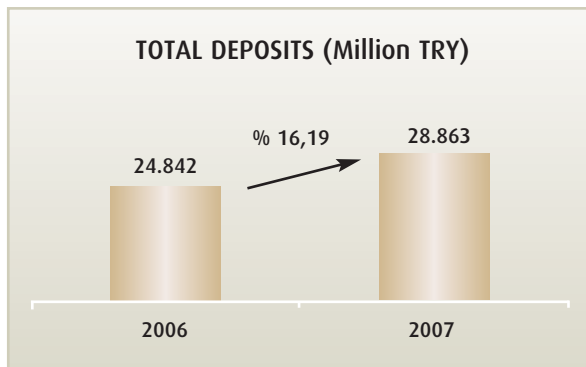
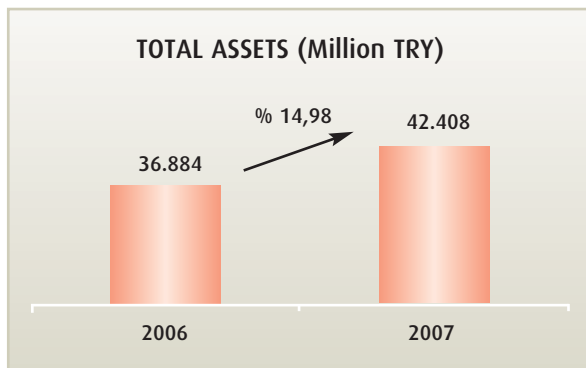
Offering any kind of banking services and products to any group of the society from a very wide range, Vakıfbank is considered as one of the leading banks of its sector in every field extending from retail banking to corporate, commercial and small enterprise banking. Performing investment banking and capital market operations in addition to fundamental banking products and services, our Bank offers to its customers the widest range of financial products with the state-of-the-art technologies by means of its financial participations extending from insurance to financial leasing, factoring and portfolio management services.

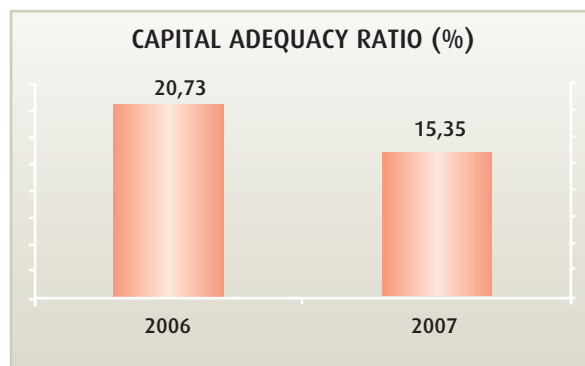
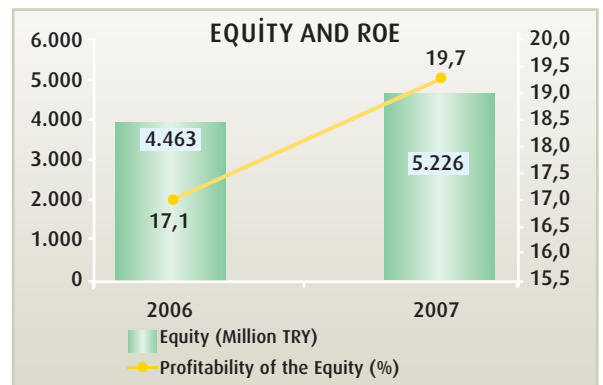
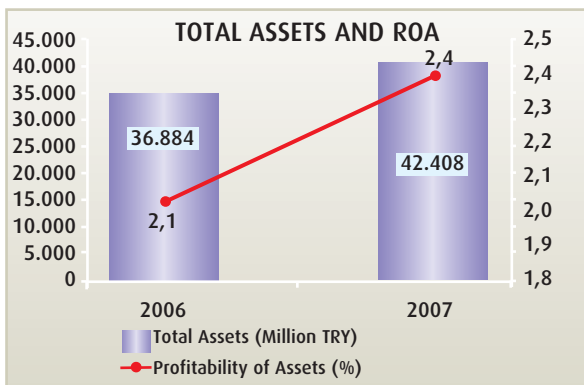
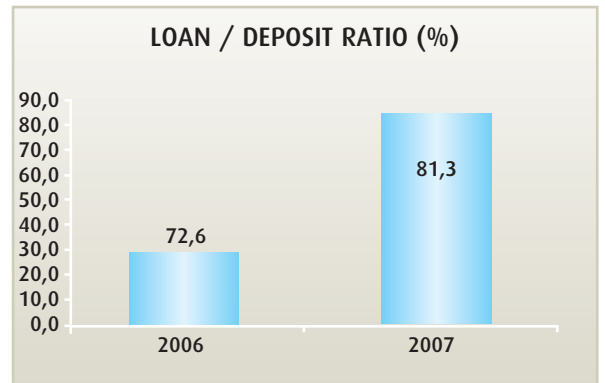
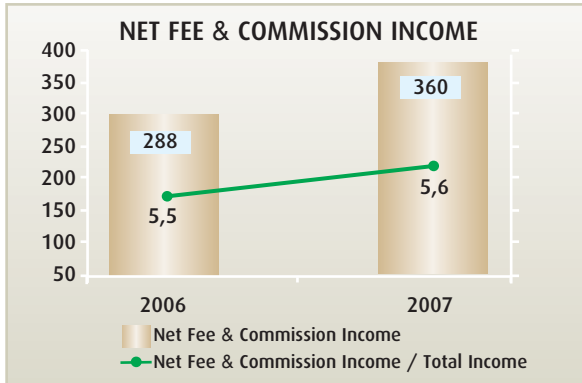
Summary Of Financial Data

KEY FINANCIAL HIGHLIGHTS

31.12.2007 (Unconsolidated, Million TRY)

TOTAL ASSETS	42.408
SECURITIES PORTFOLIO	10.952
LOANS (CASH)	23.470
DEPOSITS	28.863
FUNDS BORROWED	4.693
EQUITY	5.226
PAID-IN CAPITAL	2.500
PROFIT FOR THE PERIOD	1.031





Ratings

Moody's

Financial Strength	: D+
Outlook	: Stable
Long-Term TRY Deposits	: Baa1
Long-Term FX Deposits	: B1
Short-Term TRY Deposits	: P-2
Short-Term FX Deposits	: NP

Moody's has been rating our Bank since the year of 2001. The latest rating of Moody's was declared in the report dated July 2007.

The long-term TRY deposit rating of "Baa1" represents a low credit risk and a very high likelihood of systematic support in case of need. The long-term foreign exchange deposit rating of "B1" refers to the speculative investment score and is the highest credit rating that can be received due to the credit rating limit of the country. The short-term TRY deposit rating of P-2 indicates Vakıfbank's power and ability of fulfilling the short-term deposit liabilities.

The financial strength of the bank rated as "D+" was increased from "D-" to "D+" in April 2007. The "D+" rating refers to the increasing financial power of Vakıfbank and shows its strong structure in the banking sector with market shares of 7,6% in assets and 7,9% in deposits by the date of the report as well as its strong network of branches and its power in the credit cards segment.

Fitch Ratings

Foreign Exchange	
Long-Term	: BB-
Short-Term	: B
Outlook	: Stable
National Currency	
Long-Term	: BB
Short-Term	: B
Outlook	: Stable
National Currency Long-Term	: AA
Outlook	: Stable
Individual Rating	: C/D
Support Rating	: 4

Fitch Ratings has been rating our Bank since the year of 2001. The latest rating was declared in the report dated January 2007.

The credit rating of "BB-" for the long-term foreign exchange means that our Bank can fulfil its financial liabilities; but sometimes, a credit risk may occur as a result of the negative economic conditions.

The long-term national currency credit rating of "AA" is one point below the highest rating of "AAA" that can be reached by the institutions in the country. This rating shows that it has a strong credibility on national scale.

Standard and Poor's

Long Term Credit Rating : BB-

Short Term Credit Rating : B

Outlook : Stable

Survivability : BBB-

Standard and Poor's has been rating our Bank since 2005. The latest rating about our Bank's credibility given by Standard and Poor's was published in June 2007. The credit rating, which was stated as "BB-" in this report, indicates the other speculative investment degree and is limited with the maximum national credit rating. The rating of "BBB-" reflects that the bank has adequate likelihood of continuing its operations.

Message From The Chairman Of The Board Of Directors

Dear Shareholders,

In 2007, Turkish economy continued its stable and high growth performance achieved since the year of 2002. The crisis resulting from the mortgage market that broke out firstly in the United States of America and got expanded in various developed countries had limited impact on the developing countries and the Turkish economy. Inflation continued to remain with single-figure rates and the discipline established in the public finance was continued. Although the foreign trade and the current account deficit which were significantly affected by the globalisation, the increasing international competition and the rapid increase in the oil prices would pose a economical risk that would create vulnerability, they did not have any negative impacts on the risk perception of the foreign investors about our country and there was not any regression observed in the capital inflows.

Considering the Turkish banking sector, we see that the interest of the foreign banks in the sector continued. According to the current figures, including the banks of which the stock transfer process was completed by the end of November 2007, the share of foreign capital in the sector (ownership) has reached to 25,4% and adding to this figure the foreign shares of 16,4% within the publicly-held shares, the foreign shares has reached to the rate of 41,8% in respect of stock control.

The reason why foreign banks are interested in Turkey is that the economic growth in their countries has stopped and their profit margins have shrunken. Turkey is a country with a high potential of growth. The banking sector also has a significant potential. Nearly half of the population does not benefit from banking services yet. Therefore, the foreign capital following closely the growth potential of Turkey and the sector in the medium- and long-term will continue to make investments in this sector.

Considering the progress of Vakıfbank since its very first date of foundation, we see a unique history of success. All together, we have achieved numerous successes in Vakıfbank for 54 years. We have worked hard. We have also worked hard in 2007. Therefore, we are proud of standing in front of you as Vakıfbank that has experienced a good year and that looks ahead to the future with great hopes. I believe that our 54th operating year will be an important year that will be remembered with pride and set a good example for the next generations that will assume these tasks from us and maintain the mission of Vakıfbank.

In 54 years since 1954, Turkish economy has experienced several crises and the number of banks in the sector has decreased in such periods. Since the year of 2003 during which the foreign interest in the banks increased and a high competition was seen in the sector in respect of both service quality and technological availabilities, Vakıfbank was able to maintain its existence through the right policies and strategies followed and succeeded in not drawing apart from the market under the high competitive conditions experienced in all aspects.

The year of 2007 has been a good year for Vakıfbank although it was a year in which fluctuations were experienced in the economy. Acting with a culture of innovation throughout the year, our Board of Directors took important decisions and put into implementation important projects that would increase our competitive power and collected their positive results. We have prepared Vakıfbank of the future with our activities performed in 2007 through displaying strong determination for progress as required by our current banking since the year of 2005. In this preparatory stage, the Bank continued its growth and increased its assets to TRY 42.4 billion and its loans to TRY 23.5 billion in 2007. In this period, the Bank increased its net profit by 35,3% exceeding the average rate of the sector and reached to an amount of more than TRY 1 billion

I hereby present the Annual Report for 2007 showing our activities in 2007 in more details and I would like to express our gratitude to all of our personnel and employees for their contributions in our successes and their self-sacrificing works in achieving these perfect results and to our customers and shareholders who have always been our source of pride for their confidence in, support for, and preference of us.

Yours sincerely,

Yusuf BEYAZIT
Chairman of the Board of Directors



Message From The General Manager

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We have spent an extremely successful year for Vakıfbank. In 2007, our Bank not only displayed a top-level financial performance despite the fluctuations experienced in the national and global markets, but also covered a long distance in the restructuring activities continued since the year of 2005 and started to collect the fruits of such activities especially in the last quarter of the year.

The main purpose of our restructuring activities is to first determine our customers' requirements for any kind of banking products and then produce such products that will meet these needs and present them to our customers with an understanding of high-quality service; in other words, to institutionalise the customer-oriented marketing approach under the structure of Vakıfbank. To reach these objectives, we have assigned, in the first stage, our 1500 personnel to work only for sales-oriented tasks and physically separated our operational activities from marketing departments. We also created an organisation that will support this structure at the level of General Directorate and decreased and are still decreasing the work burden of the branches through centralization of some of the operational activities. Upon the completion of our restructuring, we aim to make the number of our personnel assigned with sales roles to reach half of our total number of personnel. We have started in 2007 the required investment activities for adaptation of the information technologies and systems used in our Bank to serve our new structure and this project will be put into implementation step by step after the second half of the year 2008.

While establishing a structure that will offer a competitive advantage in the sector through implementing all of these projects under our capacity as Vakıfbank's personnel and taking the steps that will build the future of Vakıfbank, we have strengthened our position in the sector through achieving our profitability and growth targets for the year 2007.

In this activity period, we displayed a growth by 30% in our loans and by 16% in our deposits. We achieved a growth by 56%¹ in the consumer loans on instalments and a growth by 29%² in the housing loans in 2007 under the impact of the new personal products put into implementation with the changing marketing approach of our Bank. While achieving such growth in loans, we also continued risk control and management and were able to decrease the share of loans under follow-up in our total loans from 5,3% to 4,6% in a period in which the rate increased gradually in the sector.

We have also completed our structuring required for better and more efficient use of the existing potential of our Bank and reaching new customers in both corporate and commercial banking fields. We believe that this structure will have very important contributions particularly in the expansion of our customer base in 2008 and the growth of our commercial demand deposit base and in the increase of our net fee and commission income through increasing our market share in the foreign trade by means of non-cash loans.

Considering the financial sectors in the developed economies, we see that the non-interest income gained from intermediation activities play an important role at least as much as the interest income in the financial performance of the banks. A similar trend is also observed in the rapidly developing Turkish banking sector. As a result of the increase in the cross-selling rates upon the adoption of the new roles by our sales personnel and the increase in the loans, we increased our net fee and commission income by 25% in 2007. Although this

¹Including retail overdraft loans

²Not including Housing Development Fund backed Loans (TOKİ)

increase pleases us, it is not satisfactory enough. It will be one of our objectives of high priority to move this increase up in 2008 with the positive contributions from the new marketing and customer-oriented service model that we have put into application and the cooperation that we will establish in relation with the credit cards.

As a result of our activities that I have mentioned above, we increased our net profit after tax by 35% in 2007 compared to the previous year and it reached to TRY 1.031 million . Through this increase, our ROE, which was 17,1% in 2006, reached to 19,7%. We will continue our great efforts in order to meet the expectations of our corporate investors that have confidence in us through increasing our profitability in a sustained manner after the public offering.

We have to benefit from the growth potential in the sector and Turkish economy in order to maintain our profitability with gradual increases. We think that our capital adequacy ratio that is still 15,35% would be satisfactory enough for healthy financing of our growth and especially for the harmonization with Basel II criteria expected to be put into application in 2009.

We are targeting stable and sustainable growth and profitability. We have never targeted short-term successes. In 2008, we are planning to open at least 50 new branches and to grow through putting under control our costs and reaching to more customers at more points with our new branches which will be of smaller scale compared to our existing branches and market mostly retail banking products. The only increase by 4,65% in our operational expenses despite the employment of new personnel and the establishment of 49 new branches in 2007 can be considered as the most important indicator of our success in respect of efficiency .

In 2008, our shareholders and business partners are expected to have continued confidence in Vakıfbank and to closely follow up the innovations that we will bring to the sector and the of our Bank in the following year. I would like to express my gratitude to our shareholders and business partners for their support, to my colleagues for their contribution in our success in 2007, and to our valuable customers for their preference of us.

Yours sincerely,

Bilal KARAMAN
General Manager



Economic Environment In 2007

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WORLD ECONOMY

The impacts of shock experienced in the world markets as a result of the crisis that broke out in the US mortgage market still continued in 2007. The depreciation in value of assets in the USA negatively affected the financial statements of the financial institutions and led them to declare losses. The gradual increase in the fluctuation within the markets necessitated the Central Bank to make an intervention. Within this framework, FED loosened its strict monetary policy applied in order to prevent the rapid increase in the short-term interest rates and to solve the short-term finance problems of the banks and started to decrease the lending rates in September 2007.

During the chaos in the markets, the significant regression in the activity indexes considered as the leading growth indicators in the USA increased the concerns about the possible recession of the US economy and made FED to accelerate the interest rate cuts. FED started to decrease the benchmark interest rate since the month of October 2007 in order to prevent any degradation in the market disorder. FED weakened the benchmark interest rate from 5.25% to 3% with an interest rate cut of 225 basis points in total in the period of October 2007 - January 2008.

The developing countries that constitute the segment most negatively affected in general by the disorders in the markets have not faced a very serious negativity due to the fluctuations in the markets. Furthermore, these countries were even perceived as "haven for rest" against the increase in the risk perception within the markets of the developed countries. China that has achieved double-figure growth rates on a continuous basis in the recent years has been started to be evaluated as a resource from which the US and European banks could meet their capital requirements. However, the brisk movements also observed in the markets of the developing countries have decreased the expectation that these countries could be a strong power preventing the slowdown in the global growth in case of a recession in the US economy.

The increase in the commodity prices was another important change observed in the world economy in 2007. Record-breaking increases were seen in the oil prices depending mostly on the increase in demand and partially on the speculative operations. The oil prices that displayed a trend of decrease in the beginning of the year exceeded the price of USD 100 in parallel to the depreciation in value of USD as a result of the disorder in the financial markets in the second half of the year. The price increase led to an inflationist pressure all around the world since oil is an important raw material used in various sectors. Furthermore, the gold prices also exceeded its historical record levels depending on the surge in the risk perception. The price of one-ounce gold reached to the level of USD 845 in the international market in November 2007; and it exceeded the price of USD 900 by the month of January 2008.

It was seen that the inflationist pressures prevailed all around the world throughout the year 2007 since the increase in the oil prices and the global warming increased the food prices. This situation may be expected to continue in 2008.

TURKISH ECONOMY

Having displayed a continuous and a high rate of growth since the first quarter of 2002 in which the country started to grow again after the economic crisis, Turkish economy

grew by 5,3% in parallel to the expectations in the first six-month period of 2007. However, as a result of the rough decline in the agriculture due to the impacts of the draught, the GNP displayed a growth by 1,5% in the third quarter which fell short to meet the expectations. Adding the growth figures of the third quarter that led to an impact of hard brake in economy, the growth rate in GNP by 3,8% observed in the nine-month period was a low rate compared to the previous years. But in the last quarter of the year, acceleration is expected in the growth rate in GNP in parallel to the recovery in the industrial sector and the booming signals in the domestic demand. If the growth rates of 5,5% and 6,0% which are generally expected can be achieved in the fourth quarter, it is estimated that the annual growth rate of 2007 would be within the range of 4%-4,5%. Thus, the Turkish economy that displayed growth for five successive years will have continued its growth also in 2007 even though it will be under the expectations. Therefore, it seems that the recession concerns resulting from the mortgage crisis in the USA do not affect Turkey for the time being.

Although the inflation remained within the range of uncertainty determined by the Central Bank in the first three quarters of 2007, it was 8,39% exceeding the range of uncertainty of 2%-6% and the target of 4% by the end of 2007 due to the increases in the food prices resulting from the draught and global conjuncture and the adjustments in the energy and taxes observed in the last quarter of the year.

The increase in interest rates initiated by the Central Bank in the beginning of 2006 was stopped in the month of July in the same year. Although the Monetary Policy Committee clearly declared interest rate cuts in the last quarter of 2007, the process of interest rate cuts was put into application in an earlier stage in the month of September 2007; and the short-term borrowing interest rate decreased to 15.75% and the lending interest rate dropped to the level of 20.00% by the end of 2007.

The TRY that lost value at a high rate upon the fluctuations observed in May and June 2006 and started to regain value afterwards continued its appreciation also in 2007. The TRY depreciating under the impact of the credit crisis that started abroad in August 2007 originating from the mortgage sector started to gain value again after the interest rate cuts implemented by the Central Bank of the USA. As a result, it was seen that TRY gained value by %17,2 against dollar and by 7,6% against Euro by the end of the year 2007. In 2008, it is expected that the TRY will continue to gain value against USD in parallel to the ongoing rate cuts by the Central Bank of the USA.

The volume of exports increased by 25,3% in 2007 compared to the previous year and reached to an amount of USD 107.2 billion ; and the volume of imports reached to an amount of USD 170 billion with an increase by 21,8%; and as for the foreign trade deficit, it increased by 16,3% compared to 2006 and reached to an amount of USD 62.8 billion .

Despite the slowdown seen in the current account deficit that has reached to an amount of USD 38 billion as a result of the continued strong outlook of exports in 2007 and the recovery in the services account compared to the previous year, the increase in the demand for imported by-products and energy prices led to an increase in imports and prevented the permanent decline in the current account deficit. As a conclusion, any regression is not expected in the foreign trade deficit under the impact of the high energy prices in 2008 and in parallel; the current account deficit is also expected to remain at high levels.

In 2007, the budget deficit increased by 200% and reached to TRY 13.9 billion compared to 2006 due to the fact that the budget expenses increased much above the budget incomes; the ratio of budget deficit to GNP which was 0,7% increased to 2,2%; and primary surplus decreased by 15,7% and was calculated as TRY 34.9 billion. Considering the budget projections for 2008 prepared by the Ministry of Finance, it can be seen that the share of the budget deficit within GNP was increased to 2,5% and the share of primary surplus within GNP was reduced to 5,3%.

The annual compound interest rates of Treasury zero coupon bond auctions that regressed from 20% to 17,6% in July 2006 increased to 18,6% under the influence of the subprime mortgage loan crisis originated in the USA and experienced in the foreign markets in August 2007, but it regressed again by the end of the year and fell to the level of 16,5%. This situation led to a regression in the domestic borrowing costs. Depending on both the decrease in the borrowing costs and the regression in the foreign exchange rate, the central government total debt stock which was TRY 345 billion at the end of 2006 fell to an amount of TRY 333.4 billion in 2007. Therefore, the share of the central government total debt stock within GNP, which was 60% at the end of 2006, regressed to 53% in 2007.

The ratio of the public net debt stock to GNP has continued to decrease. This rate that increased to 90,5% in 2001 fell to 45% at the end of 2006 and it is expected to fall to the rate of 41% by the end of 2007. Similarly, the real interests which were at the rate of 11% in the beginning of 2006 regressed to 8% at the end of 2007.

BANKING SECTOR

Turkish banking sector displayed a successful performance in 2007 despite the fluctuation experienced in the foreign markets in August 2007. The interest of the foreign investors in the banking sector has slowed down relatively in 2007 compared to the years of 2005 and 2006. The foreigners' share, which was 3,4% in 2004 reached to 39,4% by the end of 2007. In the banking sector in which 46 banks are operated, the total assets displayed a growth by 16,4% compared to the end of 2006 and reached to the amount of TRY 581.4 billion at the end of 2007. While the ratio of total assets to GNP was 86,7% in 2006, it is expected to increase to 92% in 2007.

The ratio of loan volume to the total assets has continued to increase also in 2007. However, the rate of increase in the loan volume has not yet caught the speed observed in the years of 2004 and 2005 after the fluctuation in May 2006. The fluctuation experienced in the financial markets and the high rate of inflation limited the rate of increase in the loans. The ratio of loan volume to the total assets, which was 43,8% at the end of 2006, increased to 49,1% by the month of December 2007. The loan volume of the sector increased by 30,4% in December 2007 and reached to an amount of TRY 285.7 billion. The ratio of the loans under follow-up to total loans which was 3,8% at the end of 2006 dropped to 3,5% by the end of 2007.

The continuous decrease in the public sector borrowing requirement declined the share of securities portfolio within the banking sector balance. The share of the securities portfolio within the total assets that was 31,8% at the end of 2006 decreased to 28,3% by the year of 2007. While the total deposits reached to an amount of TRY 356.9 billion with an increase by 16% in 2007, the ratio of securities to deposits was 46,2%.

The share of FX deposits in the total deposits that dropped to 34,4% by the month of April in 2006 increased up to 39% after the fluctuation in May 2006 and it was determined as 35,4% in December 2007.

The rate of increase in the syndicated loans and securitisation loans received from the international markets in 2007 decreased compared to 2006 and was realized as 15,3% and a loan amount of 26.4 billion dollars was received from the international markets in 2007.

The sectoral equities increased by 27,1% in 2007 and reached to TRY 75.7 billion.

The net profit of the period achieved in the sector in December 2007 increased by 31,3% compared to the same period of the previous year and reached to TRY 14.9 billion. The ROA in the banking sector was realized as 2,6% and the ROE was realized as 19,7%. In 2008, the most important item that will ensure the growth in the balance sheet will be the increase in the loan volume like in the previous years. However, the rate of increase is not expected to be as high as the levels in 2004 and 2005. The retail loans and SME loans will constitute the most important areas on which the banks will focus again in 2008. But the profitability of the sector is not expected to display a greater increase compared to 2007.

Our Activities In 2007

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TREASURY MANAGEMENT

Global Developments and Liquidity Management

In 2007, the Turkish economy which was influenced by numerous internal and external factors that did not exist in the previous years spent the previous year under the impacts of the developments such as the problems experienced in the mortgage market abroad, the brisk increase in the oil prices, the political developments within the country, the terrorist acts and the organisation of a cross-border operation to the northern part of Iraq.

Under the challenging conditions experienced especially in the finance sector that passed from a bumpy road as a result of all these events and the competitive conditions that became more difficult against the increasing costs in the banking sector attracting the interest of foreign banks, our Bank succeeded in continuing its development by means of its proactive treasury strategies followed, the well-defined risk-return targets and its liquidity structure.

Thanks to the dynamic structure that it owns, our Bank escaped the year without a scratch against the internal and external shocks despite all negative conditions experienced in the global markets and ended the year through reassuring the confidence of the foreign segment in our Bank considering the resource of USD 1.575 million provided from abroad within 2007.

High Volume of Transactions in Primary Dealing

In a period in which the international banking acquired a new dimension with the foreign investments made in the Turkish banking sector, our Bank continued to provide support and assistance to its customers in the traditional foreign trade finance transactions with the products developed by the treasury management of our Bank and created new options toward meeting the requirements of its customers with the alternative solutions keeping up with the changing market environment.

Having completely fulfilled all requirements of its capacity as the Primary Dealer Bank determined by the Undersecretariat of Treasury in relation with the transactions of fixed income securities, our Bank has also maintained its leading position in the markets in 2007 like in the previous years by means of the support of its highly experienced personnel in the field of treasury management and strong technological infrastructure.

Competitive Resource Management Policies

Our Bank's total deposits increased by 16,2% in 2007 compared to the year of 2006 within the framework of the efficient and competitive resource management policies developed according to the recent economical conditions. As a result of the analysis of the economic developments in and out of the country, the targets for 2007 were achieved and our Bank continued its efficiency in the sector through an increase by 35,3% in the time deposits in TRY and an increase by 17,6% in the time saving deposits compared to the previous years.

Reasonable Costs in the Securitisation and Syndicated loans

In 2007, a securitisation loan of USD 500 million with a seven-year maturity on average was received by our Bank on the basis of the transfer movements received from abroad. This transaction has been quite profitable for our Bank in respect of its timing and pricing since it was received one month before the fluctuations experienced in the international markets originating from the disorder in the US mortgage markets. The loan was received from conduits pertaining to three big international banks (special purpose investment funding institutions). Due to the global fluctuations, there is not any longer a possibility of borrowing under reasonable conditions from similar resources for several years in future. Our Bank has benefited from this opportunity through completing the borrowing transaction one month before the fluctuations.

The loan with an amount of USD 700 million received in July 2006 was renewed on July 12, 2007 and a syndicated loan with a 1-year maturity was received with the participation of 29 international banks. The said loan constitutes the syndicated loan bearing the lowest costs that has been received by our Bank so far.

Furthermore, of the syndicated loan with an amount of USD 700 million that we have received in three tranches in total in December 2006, the loan tranche of USD 375 million with a 1-year maturity was closed and settled one month before its date of maturity due to the crisis experienced in the international markets and it was renewed for the same amount with the participation of 23 international banks on December 3, 2007. This loan especially indicates the confidence in our Bank since it was received under the most distressed conditions of the international markets.

FOREIGN TRADE AND RELATIONS WITH THE CORRESPONDENT BANKS

Vakıfbank has adopted the principle of supporting the foreign trade-oriented corporations expected to contribute in the national economy and acts with the principle of helping our exporters to increase their competitive power, maintain their existing positions in the markets and enter into new markets. Having a wide network of correspondent banks all around the world, our Bank has mediated 6% of the total foreign trade volume of Turkey in 2007 and in a period in which the foreign investment increased rapidly, Vakıfbank made a name for itself in the sector through assuming the letter of guarantee transactions required by both the foreign companies for the tenders awarded in Turkey and the Turkish companies for the tenders awarded abroad.

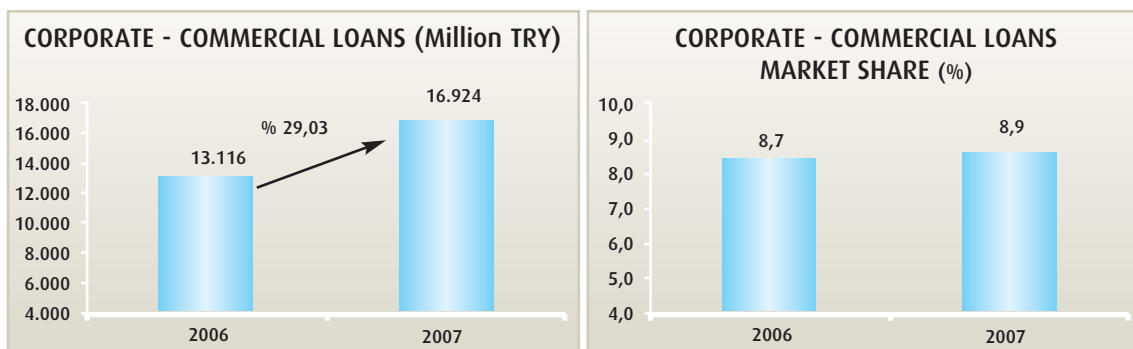
Having intermediated in the export and import transactions of the distinguished and leading companies of Turkey, performed their transfers, provided services in relation with FX letter of guarantees and performed acquisition and collection of cheques issued in foreign currencies by means of its three Foreign Operations Centres located in Ankara, Istanbul, and Izmir, our Bank was rewarded with the Active ACADEMY's Contribution to Foreign Trade Award in 2007.

CORPORATE AND COMMERCIAL BANKING

Stable and Sustainable Development in the Loan Portfolio

Our Bank offers various solutions oriented toward various financial needs extending from short-term operating loans to the foreign trade finance and cash management requirements of its customers within the scope of its corporate and commercial banking applications.

Having had great contributions in the national economy with its loan support provided for the industrialists, exporters and businessmen in Turkey as of the very first date of its foundation, our Bank has increased its cash corporate and commercial loans by 29% in 2007.



Our sector share of Commercial and Corporate Loans increased to 8,9%

By the end of 2007, our Bank's market share of cash commercial and corporate loans increased to 8,9%. In this period, our Bank have also provided support for all sectors extending from the Turkish industries to service sector, and from communications to trade, etc. and had great contribution in the economic development.

Sectoral Distribution Of Corporate And Commercial Loans

SECTOR	SHARE IN TOTAL LOANS (%)
MANUFACTURING INDUSTRY	25,48
TRANSPORTATION, STORAGE AND COMMUNICATION	14,48
WHOLESALE & RETAIL TRADING	12,92
OTHER	11,04
CONSTRUCTION	8,99
PUBLIC ADMINISTRATION, & DEFENCE COMP. SOC. INS. INSTITUTIONS	6,49
OTHER PUBLIC, SOCIAL AND PERSONAL SERVICES	4,73
FINANCIAL INTERMEDIATION	4,57
MINING AND QUARRYING	3,31
HOTELS AND RESTAURANTS (TOURISM)	2,23
AGRICULTURE, HUNTSMANSHIP, FORESTRY	1,89
REAL-ESTATE, COMMISSION. LEASIN AND OPER. ACTIVITIES	1,55
HEALTH AND SOCIAL SERVICES	1,24
ELECTRICITY GAS AND WATER RESOURCES	1,09
TOTAL	100.00

Active role was also played in Project Financing

Vakıfbank participated at various quantities in syndicated loans arranged under the leadership of various foreign banks and/or our Bank for significant public tenders and privatisations based on projects (investments subject to significant public tenders and privatisations such as dam, highway, railway, energy, airport, etc.). Within this context, in addition to the existing syndicated loans, Vakıfbank has signed 4 syndicated loan agreements in 2007. The total syndication agreement amount is USD 1.249 million and EUR 585 Million and our Bank's participation in these syndications amounts to USD 222 million and EUR 20 million.

Foreign Bank Sourced Loans were extended to the investors

In the year 2007, our Bank offered and extended to its investors, in addition to Loans Sourced by Our Bank, the foreign bank sourced loans such as EIB (European Investment Bank) SME Loans, ECDB (European Council Development Bank) Loan, Union Bank Of Switzerland (UBS AG), Dresdner Bank, Credit Suisse, Banco Bilbao Vizcaya Argentaria, Commerzbank, Deutschebank, Bank Brussels Lambert S. A. (BBL), Bayerische Landesbank ,etc.

Source	Risk
ECDB Sourced	139.282.682 TRY
Exim Loans	52.008.027 TRY
EIB Loans	573.755.272 TRY

SMEs have also been considered among the most important customer groups in 2007

In 2007, Vakıfbank continued to provide services to the Small and Medium Sized Enterprises constituting the building stone of Turkish economy with its different product types and wide product range. The credit products specially developed for the sectors and the requirements of the companies and providing the most suitable payment plan for the enterprises through consideration and analysis of the cash balance of the sectors were put into application.

A protocol was signed for the extension of loans oriented towards 109 Chambers of Trade and Industry in total, including 63 provincial centres and 46 district centres all around Turkey and their members.

Vakıfbank continued to extend loans supported by the Small and Medium Size Industry Development Organisation (KOSGEB) in order to meet the financing needs of the companies qualified as SMEs throughout the year of 2007.

Our principal loans extended to SMEs included “export loan with zero interest” extended to encourage export by SMEs and to support investments in this field, “Employment Support Credit” in order to encourage employment of registered labour and personnel by SMEs, food industry machinery-equipment support credit, leather sector movement to OIZ support credit, the “Licence-Plate Loan” for the Owners of Commercial Taxis, Minibuses and Buses used in Urban Public Transportation and the members of the Associations/Chambers/Foundations and Cooperative Unions established by them, the loans extended in order to support Organic Agriculture-Greenhouse Producers, “Elastic SME Loan”, Loan of Gesture, Pharmacist Support Package, and 53rd Year Operating Loan, etc.

The “GÜMKART” Credited Bankomat 7/24 product was put into application to enable the customs brokers and customs brokerage companies operating in the customs-related fields to make their tax payments by means of our Bank in 2007; and SMEs were also included within the scope of the “Win-Win Program” started in June 2007. Therefore, the commercial loans on instalment extended to SMEs in 2007 increased by 22% compared to the previous years and reached to the amount of TRY 4.482 million. Under these conditions, the commercial loans on instalment extended by our Bank to SMEs accounted for 13,2% of the loans extended to SMEs in the banking sector.

Furthermore, the final stage was reached in 2007 within the process related with the credit rating and decision models development projects (ScoreCard) oriented towards Small/Medium Sized Enterprises that will be put into application in 2008.

RETAIL BANKING

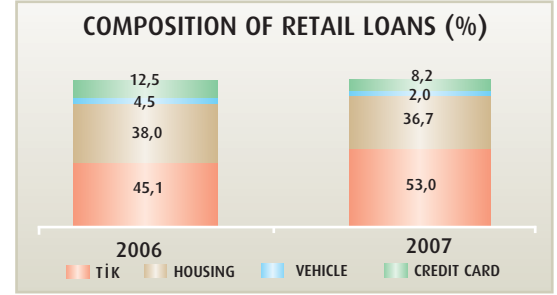
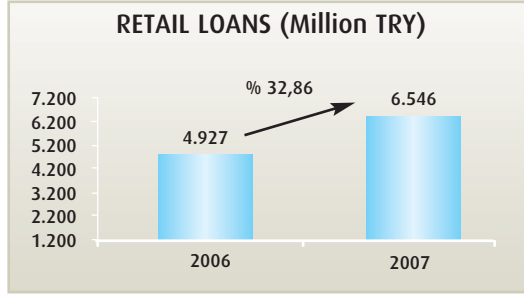
Volume of retail loans increased by 32,9%

While the retail loan interest rates remained at the same level of the previous year in the first two months of 2007, they displayed a trend of decrease after the month of March and this decline continued until the end of the year, but under expectations. Within this process, our Bank protected its position in the sector through adding new and unique products to its product range.

By the end of 2007, the total of our retail loans increased by 32,9% compared to the end of 2006 and reached from an amount of TRY 4.927 million to TRY 6.546 million¹. Our retail loans include consumer loans on instalments representing 53%, housing loans representing 36,7%, vehicle loans representing 2,1%, and credit cards representing 8,2% of the total loans. The share of our Bank in the sector was 6,9% in this period.

¹Not including Housing Development Fund backed Loans (TOKİ)

RETAIL BANKING		
(Million TRY)	2006	2007
TİK (Consumer Loans on Instalment)	2.221	3.471
HOUSING	1.870	2.404
VEHICLE	221	134
CREDIT CARD	615	537
	4.927	6.546



The consumer loans received the biggest share within the retail loans

There has been a rapid increase in the extension of consumer loans in 2007. In this period, the consumer loans reached to an amount of TRY 3.471 million with an increase by 56,3%². Our market share in the sector was realized as 11,9%.

²Including retail overdraft loans

Consumer loans oriented towards every group of the society were put into application

The start of extension of consumer loans by the Banks by means of their alternative distribution channels and the expansion of their branch networks accelerated competition in the sector. Our Bank has diversified its loan products in order to offer the best services to its customers and to increase its market share in the sector in this competitive environment.

TIK VAKIFBANK TAKSİTLİ İHTİYAÇ KREDİSİ

ELASTİK *
"Çok hesaplı kredi paketi"

ALFABETİK %1,50
"Eğitim kredisi"

ROMANTİK %1,55
"Evlilik kredisi"

TAKTİK %1,70
"Kredi kartı borç transfer kredisi"

* Kredinin vadesini ve faizini siz belirleyin

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The Opportunity Package, Win-Win, Elastic and Practical Loans that did not have any similar applications in the previous years have been incorporated into our product range.

In addition to the loan types and campaigns put into application, separate campaigns were organized with the cooperation established between our Bank and the companies operating in various business fields on regional basis or branch basis and thus, it was tried to increase the volume of our personal loans.

Furthermore, personal loans were extended to the employees of various public bodies, institutions, and banks on the basis of the protocols concluded. Our Bank have offered to its customers the following loan applications in order to get the maximum share from the personal loans market in the competition environment of 2007.

Win-Win Program

By means of this product provided under the name of "Win-Win" that makes our Bank to take a step ahead in international competition, additional interest rate is offered for the time deposit accounts opened in relation with any loans extended by our Bank to our customers.

Housing Loan Debt Transfer Credit

Housing Loan Debt Transfer Credit was put into application for the customers who have previously received housing loan on high interest and are willing to close and settle this loan through receiving a low-interest housing loan from another bank.



Taktik (Credit Card Debt Transfer Loan)

Taktik (Tactic) loan is a product of Consumer Loans on Instalment put into application for the redemption of credit card debts of the customers owed to the other banks.

Alfabetik (Education Loan)

A product of consumer loans on instalment was provided under the name of Alfabetik (Alphabetic) for financing the school fees of the students receiving education at private schools, universities, courses authorized by the Ministry of National Education, private training institutions, sport schools, summer schools and any similar institutions providing education and cultural services.



Romantik (Marriage and Honeymoon Loan)

It is a consumer loan on instalment put into application under the name of Romantik (Romantic) in order to provide financial support required by the couples soon to be married or newly married or their first-degree relatives.

Elastik (Very Economical Loan Package)

A product package was put into service of our customers offering alternative payment conditions to our customers for consumer loans on instalments, vehicle loans and housing loans, providing discount in the interest rates and amount of instalments through collection of a cash commission from the customers and presenting the capability of making the expenses and commission amounts payable on instalments through adding them to the loan amount if requested by the customer.



Pratik (Practical) Loan

By means of Practical Loan, the customers were allowed to receive loans by means of ATMs and branches in the quickest manner and under reasonable conditions through decreasing the operational processes, bureaucracy and documents related with the consumer loans on instalments.

Other campaigns organized in 2007

Opportunity Package Campaign

Consumer Loan on Instalment Campaign on the occasion of Bank's Foundation Anniversary (53rd Year Loan)

Traditional Religious Holiday Loan Campaigns

Traditional New Year Loan Campaign
Computer Campaign for the Personnel of the Ministry of Health
Personal Loan Campaign for the Personnel of the Ministry of Health
Consumer Loan on Instalment Campaign Extended Exclusively for the Employees of the Ministry of Justice of the Republic of Turkey
Police Week Campaign
Consumer Loan on Instalment Campaign for the Doctors
Foundations Week Loan Campaign for the Personnel of Foundations
"Special Salary Loan" Campaign for those receiving their Salaries from our Bank
Holiday Loan Campaign
VIP Loan

Housing loans are the second among the retail loans

Our housing loans that amounted to TRY 2.404 million with an increase by 28,6%¹ in 2007 had the second biggest share with the rate of 36,7% following the consumer loans among our retail loans. Our sectoral share in the housing loans was realized as 7,4% in 2007.

Our loans extended by means of the Housing Fund account for 5,3% of our housing loans. The joint activities between our Bank and the Republic of Turkey, Prime Ministry, Housing Development Administration started at first by means of a protocol signed in 1988 and were continued with the protocols signed in the following years. The protocols are essentially based on extending housing completion loans to the housing constructors (cooperatives, cooperative enterprises, social assistance and solidarity institutions and municipalities) from the resource of Collective Housing Fund by means of our Bank. Our Bank receives commissions from the extension and repayment of such loans for which it stands as the guarantor in consideration for the technical and banking services provided by it.

The "Law on Amendments in Various Laws Related with the Housing Finance System" expected in the sector and the markets was put into effect in 2007 and then, the related regulations made in connection with the said Law were issued. It is expected that it will take a period of 2-3 years on average for the complete functioning of the system and meeting of the expectations of all circles and groups providing that the economic and political stability would continue.

CREDIT CARDS

Structuring and Improvements

Our Bank has made significant modifications and improvements in respect of credit cards and member business activities throughout the year 2007 and thus, the quality of service provided to customers has increased.

By the end of the year 2007, our Bank has been listed as the 8th bank with its total card number of 1.967.699; and we have a market share of %5,27. Our market share in respect of credit card turnover is 2,41% and accordingly, our Bank was listed as the 7th bank in relation thereof. Our market share in respect of merchant businesses was realized as 5,37% (turnover of merchant businesses); and our Bank was listed as the 5th bank in the sector in respect of this size of merchant businesses.

¹Not including Housing Development Fund backed Loans (TOKI)

Chip & Pin adaptation was completed

Our Bank has a significant position in our country and in the world thanks to its card printing facility; and all of our existing credit cards were reprinted as chip credit cards in 2007 in accordance with the related laws and regulations; and nearly 90% of them were delivered to the customers and nearly all of our POS devices were made compatible with EMV (Chip & Pin).

It was made possible to receive the chip credit card passwords from the branches by means of SMS.

Toward cooperation with WorldCard in credit cards

In 2007, our Bank preferred to share its brand with World, the biggest credit card platform of Turkey and made an agreement for offering to its customers in a widespread merchant business network the possibilities of shopping on instalments, winning points and spending these points in the merchant businesses and planned to put this project into implementation after the first half of 2008.

Activities for ensuring continuous customer satisfaction are on progress

- The project related with printing and personalizing the contactless cards as Dual Interface, Dual interface with mi-fare emulator and Pure Mi-Fare cards was initiated in order to ensure the transition of the urban transportation into card system.
- The Rail & Miles named credit card was prepared as ready for printing including special loyalty applications and the related tests were started in 2007 within the scope of the rail train project signed between TCDD (Turkish State Railways) and our Bank in 2006; and it planned to be put into market and launched within 2008.
- The Multi Currency POS application was started enabling making transactions in the other currencies as well as TRY by means of our Bank's POS machines. An important advantage of our Bank' s Multi Currency POS application is the availability of making transactions in the currencies of British Pound and Japanese Yen that is not offered by the other banks.
- Safe Electronic Trade (GET 7/24) application was put into implementation in our Bank in order to make the e-trade transactions more secure and to decrease credit card fraud and forgeries.
- A new service was started under the name of VAKIFCARD 7/24 Assistance Services offered to our Bank's credit card customers by means of 444 0 724 Telephone Banking enabling the credit card holder to receive any help and assistance in respect of emergent or unforeseen cases or issues such as technical help, road help, reservations for any activities such as movies, theatres, concerts, etc., provision of tickets and health assistance, etc.
- Depending on the agreement concluded with TURKCELL, the infrastructure works related with the "mobile payment" system enabling our credit card customers to make shopping with the use of their cellular phones were completed; and it is planned to put it into implementation in 2008.
- Within the scope of the agreement concluded with VODAFONE A.Ş., our credit card and debit card customers were allowed to load prepaid minutes via Internet, ATMs and call

centers. A similar contract was concluded with TURKCELL and AVEA in relation with the said application and a decision was taken for starting the related infrastructure works within 2008.

- Specific features were made available for giving regular payment instructions via internet branch in relation with the payment of Credit Card Debts, warning the card holders not knowing their passwords via SMS that will be sent through follow-up from the centre at the time of transaction, and sending SMS warning the card holder at the time of transaction in order to determine and credit card fraud and forgery acts.

ALTERNATIVE DISTRIBUTION CHANNELS

Branch Network

Vakıfbank that continued to grow in parallel to the positive developments in the economy opened 49 branches in 2007 including the branches located at YUNUSEMRE, KONAKLI, İSTANBUL AVRUPA KURUMSAL MERKEZİ, PERGE BULVARI/ANTALYA, LARA/ANTALYA, ALTINOVA/ANTALYA, BUTTİM/BURSA, BUCA/İZMİR, GAZİEMİR/İZMİR, NİLÜFER/BURSA, TOROS/ADANA, DOKUMA, KONYAALTI, ÜMRANIYE SANAYİ/İSTANBUL, HADIMKÖY, KORDON/İZMİR, İSTOÇ, DÜNYA TİCARET MERKEZİ, KURTULUŞ/İSTANBUL, KÜÇÜKBAKKALKÖY, AFŞİN, ORHANGAZİ, SİLİVRİ, BURHANIYE, NOKTA/İZMİR, ÇAN/ÇANAKKALE, SAFRANBOLU, ÇINAR/DENİZLİ, SARIGAZİ/İSTANBUL, BUCAK/BURDUR, BARKAL, BEŞYÜZEVLER, KAĞITHANE, ŞAŞMAZ, İSKİLİP, BATIKENT/ANKARA, FLORYA, DAVUTPAŞA, ÇAĞLAYAN, AKÇAABAT, KIZILTOPRAK/İSTANBUL, UZUNKÖPRÜ/EDİRNE, E-5/İZMİR, SARAYBAHÇE/İZMİR, ATAKUM/SAMSUN, BAHÇEŞEHİR/İSTANBUL, MEZİTLİ/MERSİN, TURGUT ÖZAL BULVARI/ADANA, DİCLEKENT/DİYARBAKIR; and the total number of domestic branches of our Bank reached to 360. Furthermore, the registration and declaration activities related with 25 additional Branches were completed and thus, the number of our registered branches reached to 385. Similarly, we have 106 affiliated branches by this date.

ATM

Vakıfbank purchased 1000 units of new ATMs equipped with advanced technological features attaching high priority to the customers' security in order to renew and expand its ATM network in 2007; of these ATMs, 600 are equipped with Envelope-Free Cash-in and Coin-Out units.

Furthermore, our Bank started several technological infrastructure projects in order to increase the service quality of ATMs in addition to the operations of assembly of FDI (Fraudulent Device Inhibitor) kits at ATMs purchased and put into service in the previous years in order to ensure customers' security. The number of ATMs that was 1868 by the end of 2006 increased to 1953 by the end of 2007.

Bankomat 7/24

The number of our Bankomat customers that was 11.2 millions by the end of 2006 has increased by 13% and reached to 12.8 millions by the end of 2007.

The total of credited Bankomat 7/24 placement invested has amounted to approximately TRY 550 million by the end of 2007. 4,63% of these placements have been extended to commercial customers and 95,36% of them have been presented to personal customers.

Regular Payment

The number of customers using regular payment system which was 853 thousands in 2006 has reached to 903 thousands in 2007. The number of bills registered under the regular payment system has increased by 105 thousands compared to the previous year and reached to 2.2 millions.

Golden Point

The Golden Point application related with the common use of ATM devices with Akbank, Fortis Bank, Garanti Bank and Yapı Kredi and the common use of ATMs with Ziraat Bank have been continued.

Call Center

In our Call Centre providing services via the telephone number of 444 0 724, 1.8 millions of customer calls were answered in total and 370 thousand units of monetary transactions were performed by the end of 2007. The amount of transactions performed via our Call Center in the year of 2007 reached to TRY 364 million.

The activities about opening a second call center in Istanbul in addition to the call center in Ankara have reached to final stage; and it is planned that the said centre will be put into service in March 2008.

Internet Banking

The number of the customers using our Internet-724 branch that was put into service in 2000 increased by 16,5% compared to 2006 and reached to 969 thousands. Approximately, 44 million transactions were performed via the Internet-724 branch and the total amount of these transactions reached to TRY 33.5 billion.

INVESTMENT BANKING

Our Bank has an authorization certificate for intermediation for trading in securities in addition to stock exchange; and it also provides services under its capacity as the agency of Vakıf Yatırım Menkul Değerler A.Ş. Furthermore, our customers enjoy various investment instruments by means of rich alternative distribution channels such as our branches, infobank, call-center and Internet banking applications.

Trading of Share Certificates

The purchase and sale of shares can be actively performed within the session by means of all branches of our Bank, the Securities and Corporate Investments Directorate, Internet and Call centres; and 12 orders per second can be transmitted by means of the Remote Access Project.

Financial Engineering activities

The developments and the technological innovations in the national economy result in significant innovations in the supply segment of the capital markets. In the public offerings carried out in parallel to the trend of the companies having development potential toward acquiring funds via capital markets, the collection of demands and the selling transactions carried out under the capacity as the agency of Vakıf Yatırım Menkul Değerler A.Ş. can be performed by means of telephone, internet, call-center and WAP systems as well as all of our branches and the Securities Directorate. Furthermore, our Bank also provides services related with company valuation activities by means of its specialized staff.

Leading position in the Fixed-Income Securities market

Our investment banking applications include the trading of Government Debt Securities in TRY and FX over the prices created according to the market conditions, the performance of principal and coupon payments of such instruments, the performance of purchase and sale of such instruments throughout a day by means of branch and non-branch alternative channels.

The Mutual Funds portfolio value has exceeded USD 1 billion

Our Bank is one of the institutions establishing the first mutual fund in our country; and our Bank has 4 units of Type A and 6 units of Type B mutual funds. The Mutual Funds total portfolio value exceed USD 1 billion in 2007.

The mutual funds can be purchased and sold by means of all of the branches and the alternative distribution channels such as Internet, telephone banking, ATMs, etc. without any limitation of quantity.

Precious Metals are still in demand

Our country is considered among the countries with the highest demand for gold due to its importation of gold varying between 190 and 270 tons despite its annual gold production of merely 9 tons. Our Bank is a member of Istanbul Gold Exchange which was established to ensure the purchase and sale of gold considered as an investment instrument under the current market conditions, and the other precious metals and the capital market instruments related with such precious metals under free competition conditions and in a safe and stable environment.

Bullions of 995 and 999 fineness, and GAP, Sinan and Ottoman souvenir gold items issued by our Bank are considered among our important investment instruments that are in high demand by the investors.

Registration of Marketable Securities

Our Bank is a member of Central Registry Agency under its capacity as both the intermediary institution and the issuer for intermediation in the registration of capital market instruments. Our Bank's 10 units of Type A and B mutual funds were registered upon the start of registration application. 92% of the investment accounts were registered at the end of 2007 and the final target is to register 100% of the investment accounts.

COMMUNICATIONS AND MEDIA RELATIONS

We add value to the social life

A Strategic Communications Plan was prepared in accordance with our corporate and non-corporate communication targets in parallel to the "change and transformation" process that our Bank is exposed to. This plan was composed of three main items such as horizontal and vertical integration, social stakeholder approach and creative, continuous and consistent communication.

Our personal and commercial type products and services produced throughout the year were shared with our customers by means of the advertisements oriented towards strengthening our corporate image in the television, newspapers, magazines, radios, movie theatres, web sites and outdoor areas published with the slogan of "It's Your Place". The public was informed about our products and services by means of press conferences, press releases and interviews.

Our Bank has provided support and assistance for sports, various social aid and solidarity foundations and the organisations that will contribute in the financial and economic development of our country within the framework of its social responsibility understanding that it has assumed in accordance with our communication strategies. Furthermore, with an understanding of "serving for art and supporting the artists", modern and traditional works of art were brought together for meeting with the art-lovers in a distinguished environment by means of the art galleries located in Ankara and Istanbul.

OUR PARTICIPATIONS

Vakıfbank is contributing in economy with its participations

Vakıfbank has continued its contributions in the national economy through its participations operating in various sectors as well as modern banking services and the number of Vakıfbank's participations that was 27 by the end of 2006 decreased to 26 upon selling of 2 participations and partaking in 1 company by the end of 2007.

The number of the Bank's participations by their sectors in which they operate are 5 in banking, 2 in insurance, 17 in finance sector including 10 other financial partnerships; 1 in energy, 3 in tourism, 2 in manufacture, and 9 in non-financial sectors including 4 in other commercial sectors.

The total cost of subscription in these participations which amounted to TRY 331.2 million by the end of 2006 has increased by 12,2% compared to the previous year and reached to TRY 371.8 million in total by the end of 2007. Of this, the amount of TRY 279.5 million is paid in cash while the amount of TRY 92.3 million is in the form of bonus issues. The registered value of our participations increased by 27,4% and reached to TRY 521 million.

Financial participations

Vakıfbank International AG

Vakıfbank International A.G. was established in 1999 to enhance Vakıfbank's foreign activities in line with its geographic expansion strategy. Vakıfbank owns 90% of Vakıfbank International AG's share capital of 20 million Euros.

World Vakıf Offshore Banking Ltd.

It was established in 1993 with a capital of USD 500.000 in the Turkish Republic of Northern Cyprus to offer offshore banking services as well as to help Turkey to expand into international markets and to develop its foreign economic relations. Vakıfbank owns 82% of the share capital of World Vakıf Offshore Banking Ltd.

Kıbrıs Vakıflar Bankası Ltd.

It was established to provide any kind of banking services, to promote the utilisation of Visa and MasterCard/Eurocard credit cards issued by Vakıfbank and to increase the foreign currency inflows. Vakıfbank has a shareholding of 15% in the capital of Kıbrıs Vakıflar Bankası Ltd. amounting to TRY 20.000.000.

Güneş Sigorta A.Ş.

It was established by Vakıfbank in 1957 to offer insurance services under the leadership of Vakıfbank. Güneş Sigorta has a capital of TRY 150.000.000, 36.35% of which is owned by Vakıfbank. The premium production of the Company increased by 24% compared to the previous year and reached to TRY 638 million by the end of 2007. The company is listed as the 5th company having a market share of 5.80% in the sector. The Company was the first insurance company that was awarded with TS-EN ISO 9002 Quality Certificate.

Vakıf Emeklilik A.Ş.

Vakıf Emeklilik A.Ş. was established under the leadership of Güneş Sigorta A.Ş. in 1991 through receiving the required permit from the Undersecretariat of Treasury. With respect to the Law on Private Pension Savings and Investment System No. 4632, the Company acquired its operations licence on the date of 1st August 2003 and its licence for establishing funds on the date of 5th September 2003, after which it started offering private pension fund services. Vakıfbank has a share of 53.90% in the capital of the Company with the amount of 26.500.000 TRY.

Vakıf Finansal Kiralama A.Ş.

Established in 1988, Vakıf Finansal Kiralama A.Ş. was selected as one of the top 100 leasing companies in Europe in the year of its foundation. Vakıfbank holds 58.71% share in the Company's capital of TRY 20.000.000. The company's size of assets increased by 38% compared to the previous year and amounted to TRY 223.589.000 by the end of 2007.

Vakıf Deniz Finansal Kiralama A.Ş.

Established in 1993 under the leadership of Vakıfbank to provide leasing services to maritime industry through the acquisition of dry cargo and ro-ro vessels, etc., Vakıf Deniz Finansal Kiralama A.Ş. has a capital of TRY 24.950.000, 68.55% of which is owned by Vakıfbank. The Company received TS ISO 9002 Quality Assurance Certificate in 1995; it was the first company to be awarded with this certificate in the financial sector.

Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.

Established as a publicly-traded company in 1991 to enable professional utilisation of the savings of small-scale and personal investors in the stock exchange, to gain profit through brokerage and trading of securities and to ensure the most effective utilisation of the portfolio through close follow-up of the developments in the foreign exchange and monetary markets, Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. has a capital of TRY 5.000.000, 11.75% of which is owned by Vakıfbank.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was established under the leadership of Vakıfbank as the first real estate investment trust in the country. This company, which was established for the purpose of developing and managing a real estate portfolio and real estate-based capital market instruments and making changes in case of necessities, has a capital of TRY 18.480.000, 27.63% of which is owned by Vakıfbank.

Vakıf Finans Factoring Hizmetleri A.Ş.

Established in 1998 to provide factoring services oriented towards any kind of domestic and international commercial transactions, Vakıf Finans Factoring Hizmetleri A.Ş. has a capital of TRY 22.400.000, 78.39% of which is owned by Vakıfbank.

Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Established under the leadership of Vakıfbank to provide financing to entrepreneurs through various types of credits, to contribute in the technological development in our country and to extend funds to small and medium-sized enterprises, Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş. has a capital of TRY 900.000, 31% of which is owned by the Bank.

Vakıf Yatırım Menkul Değerler A.Ş.

Established initially under the trade-name of Vakıf Yatırım A.Ş. under the leadership of

Vakıfbank to perform capital market activities within the scope of the Capital Market Board's policy decisions dated 15th August 1996, the Company has a capital of TRY 35.000.000, 99% of which is owned by the Vakıfbank. The Company's trade-name was subsequently changed as Vakıf Yatırım Menkul Değerler A.Ş. in 1998.

In addition to brokerage activities, Vakıf Yatırım Menkul Değerler A.Ş. also conducts trading of securities under repurchase and reverse repurchase agreements, investment advisory services, and portfolio management activities, etc.

Vakıf Portföy Yönetimi A.Ş.

Established for the management of portfolios consisted of capital market instruments under the capacity of agency through signing portfolio management contracts with the customers in accordance with the Capital Market Law and the provisions of the related legislation and for the performance of investment advisory and capital market activities, Vakıf Portföy Yönetimi A.Ş. has a capital of TRY 1.500.000, 99,99% of which is owned by Vakıfbank.

Participations in the Non-Financial Group

Taksim Otelcilik A.Ş.

This Company, established in 1966 with the purpose of constructing or contracting the construction of, or operating tourism facilities, hotels and motels of high quality and value for attracting the foreign tourism potential into our country has a capital of TRY 97.150.000, 51% of which is owned by Vakıfbank.

Vakıf Sistem Pazarlama Yazılım Servis Güvenlik Temizlik Ticaret ve Sanayi A.Ş.

This Company, established under the leadership of Vakıfbank in 1989 with the purpose of installing, importing and exporting electronic devices, equipment and systems and marketing stationery materials has a capital of TRY 3.000.000, 73% of which is owned by our Bank.

Vakıf Gayrimenkul Ekspertiz ve Değerlendirme A.Ş.

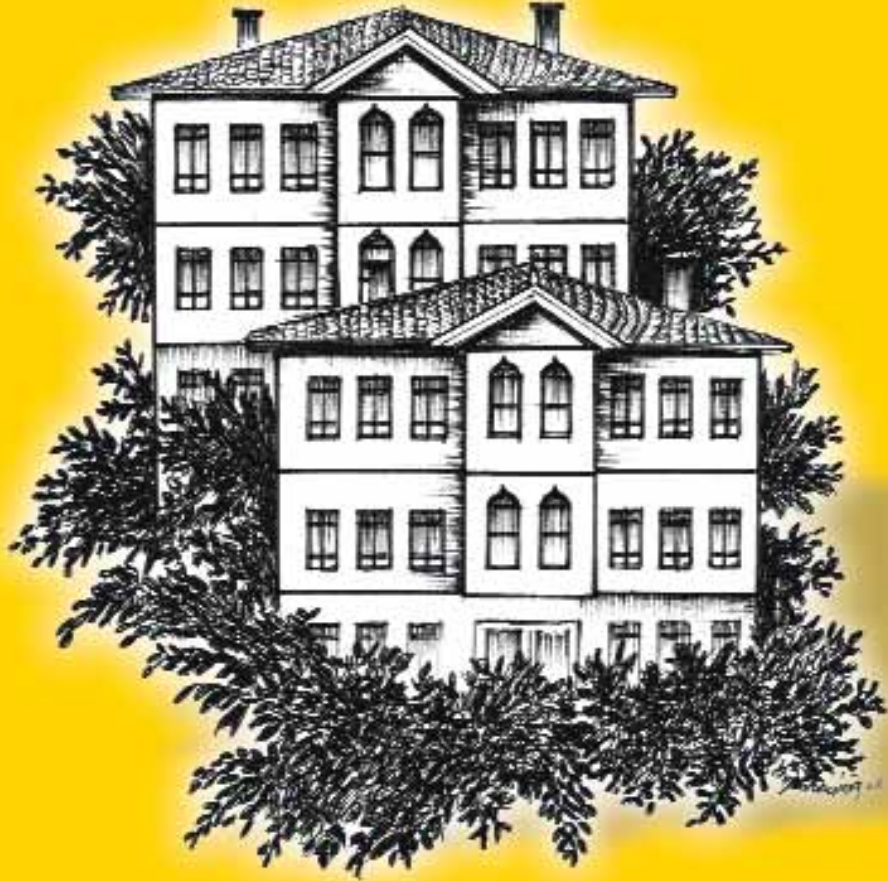
This company, established to provide expert services oriented towards Real Estate Mutual Funds and Trusts, the establishment of which was approved with the amendments in the Capital Markets Law has a capital of TRY 2.000.000, 20% of which is owned by Vakıfbank. The Company provides expert services to various banks and particularly to Vakıfbank, leasing companies and private sector.

Vakıf Enerji ve Madencilik A.Ş.

This Company was established under the leadership of Vakıfbank with the purpose of establishing plants and facilities capable of generating electric energy and heat energy, generating electricity and heat, and selling the electricity and heat energy generated in accordance with the existing laws, decrees and regulations. The Company has a capital of TRY 85.000.000, 65.50% of which is owned by Vakıfbank.

Roketsan Roket Sanayii ve Ticaret A.Ş.

The Company operates in the fields of manufacturing, production and sales of any kind of missiles, rockets, bazookas, rocket fuels and the related engines. Vakıfbank participated by 10% in the capital of this Company amounting to TRY 146.000.000.

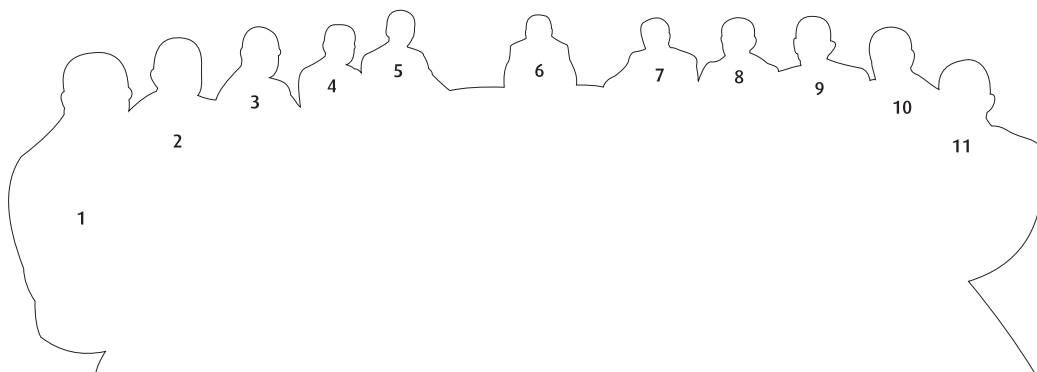


City of Safranbolu (SAFRANBOLU)

Date of Inscription: 17.12.1994
Ref: 614
Criteria: Cultural

MANAGEMENT AND CORPORATE GOVERNANCE APPLICATIONS

Members Of The Board Of Directors And Auditors



Members of the Board of Directors

(6) Yusuf BEYAZIT Chairman of the Board of Directors
Having served as the member and Vice-Chairman of the Board of Directors as of the date of 21st.03.2003, Yusuf Beyazıt was elected as the Chairman of the Board of Directors on the date of 30th.04.2004. Yusuf BEYAZIT is also the General Director of the General Directorate of Foundations (Vakıflar Genel Müdürlüğü). He is a graduate of the Faculty of Law at A. Ü. and has a master degree in Public Administration at TODAİ.

(5) Bilal KARAMAN Delegate Member of the Board of Directors, General Manager
Having started to work at Vakıfbank in 1977, Bilal Karaman assumed several positions at various departments of our Bank. Then, Bilal Karaman assumed the duty as the Member of the Board of Directors at Vakıfbank between the dates of 30th.04.2004 - 22nd.06.2005 and he was appointed as the General Manager and Natural Member of the Board of Directors on the date of 22nd.06.2005. He is a graduate of Marmara University, Faculty of Economics and Administrative Sciences.

(10) Mehmet ÇEKİNMEZ Member of the Board of Directors
Having started to work as the Banks Certified Auditor in 1976 and then assumed the positions such as Vice-Chairmanship in the Board of Certified Auditors, Presidency of Banking Office, Vice-Chairmanship of SPK (Capital Market Board), Membership and Chairmanship in the Boards of Directors of various institutions in the following years, Mehmet Çekinmez started to work at Vakıfbank as the Member of the Board of Directors on the date of 24th.07.2007. He is a graduate of the Department of Economics and Finance at A.Ü., the Faculty of Political Sciences.

(8) Selahattin TORAMAN Member of the Board of Directors
Selahattin Toraman who started to work in Vakıfbank as an intern officer in 1977 worked at many positions under the structure of the Bank until he retired in 2000 and was assigned as a Member of the Board of Directors on 31st.12.2003. Selahattin Toraman has also served as the Consultant to the Minister of State and the Deputy Prime Minister, Mr. Mehmet Ali ŞAHİN in the 58th and 59th Government Periods. Selahattin Toraman who is a member of our Bank's Corporate Governance and Nominating Committee is a graduate of the Department of Social Sciences (Management and Administration) at Çorum Vocational High School.

(4) Hasan ÖZER Member of the Board of Directors
Having started to serve as an Assistant Inspector at Vakıfbank in 1984, Hasan Özer worked at different positions until his retirement in 1999; then, he was appointed as a Member of the Board of Directors on the date of 07th.02.2003. He is a graduate of the Banking Department at A.İ.T.İ.A. Banking and Insurance High School. Hasan Özer is at the same time a Full Member of the Credit Committee.

(2) Serdar TUNÇBİLEK Independent Member of the Board of Directors
Having started to serve as an Assistant Inspector at T. Emlak Bank in 1985, Serdar Tunçbilek worked at different positions in the Bank and assumed several positions at BDDK and TMSF after the year of 2001. He was assigned as the Member of the Board of Directors

in our Bank on the date of 24th.07.2007; and he is a graduate of the Department of Economics at A.Ü. Faculty of Political Sciences. He is at the same time a Member of the Audit Committee of our Bank as well as his Membership to the Board of Directors.

(9) Cem DEMİRAĞ Independent Member of the Board of Directors
After having worked in the top-level management positions at Garanti Bankası A.Ş., EGS Bank A.Ş., Denizbank A.Ş. and Halk Bank, Cem Demirağ served as the Chief Advisor of the BDDK (Banking Regulation and Supervision Agency) in the period of January 2004 - April 2005. He has been a member of the Board of Directors of Vakıfbank since the date of 04th.04.2005. Cem Demirağ who is a graduate of the Department of Public Administration in the Faculty of Economics and Administrative Sciences at ODTU is at the same time a member of the Auditing Committee of our Bank.

(7) Ragıp DOĞU Member of the Board of Directors
Having started to work at Pamukbank in 1971, Ragıp Doğu worked as the Regional Director of the same bank in the following years. He has been in service as the Member of the Board of Directors of our Bank since the date of 06th.04.2005 and the Vice-Chairman of the Board of Directors since the date of 31st.03.2006. He is a graduate of the Academy of Economics and Administrative Sciences at A.Ü. and he is at the same time the Full Member of Credit Committee.

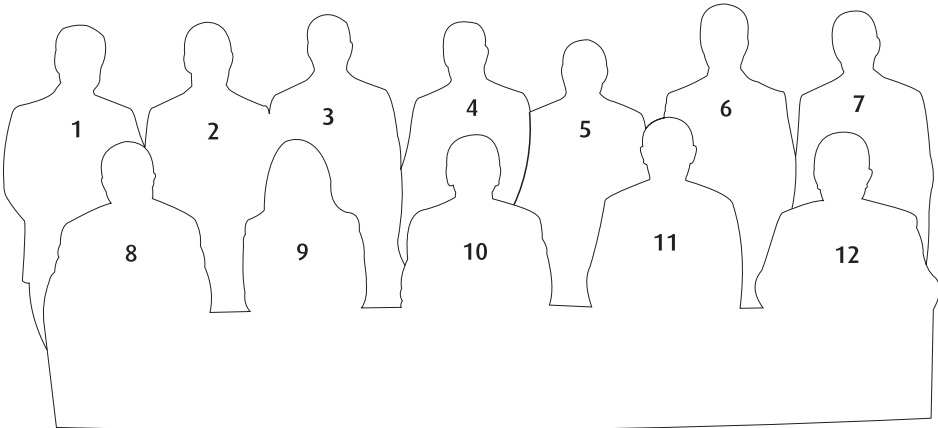
(3) Erkan TOPAL Member of the Board of Directors
Erkan TOPAL has been in service as the Member of the Board of Directors of Vakıfbank since the date of 04th.04.2006 and he is at the same time an Instructor in the Department of Industrial Engineering at Fatih University and Advisor of the Public-Private Partnership Program of the Ministry of Health. He had previously worked in various foreign and domestic companies as a General Manager and a Member of the Board of Directors. He is a graduate of IBF (Faculty of Economics) at Erciyes University. He has received a doctorate degree in Industrial Engineering at USA R.P.I. He is at the same time a member of the Corporate Governance and Nominating Committee.

Members of the Board of Auditors

(1) Ahmet TANYOLAÇ
Having previously worked as an independent architect and the Deputy Mayor, Ahmet Tanyolaç worked in several positions under the structure of the General Directorate of Foundations since his first appointment in 1989; then, he was assigned as the Assistant General Manager on the date of 12th.06.2000 and he has been in service of this office since then. Ahmet Tanyolaç has also been in office as the Auditor of our Bank since the date of 21st.03.2003.

(11) Faruk EROĞLU
Having previously worked as an independent financial consultant, Senior Auditor of Court of Auditors, and the Head of the Financial Affairs Department at Yem Sanayi T.A.Ş., Faruk Eroğlu worked as the auditor of our Bank between the dates of 10th.03.1998 - 05th.09.2000. Faruk Eroğlu continues to serve as the auditor of our Bank since the date of 21st.03.2003 and he is entitled with the certificates and capacities of "Certified Financial Consultant" and "Independent Auditor".

TOP MANAGEMENT



Assistants to General Manager

(3) Tanju YÜKSEL Assistant General Manager

Field of Office: (International and Investor Relations)

Having started to work at Vakıfbank as the Assistant General Manager on the date of 01st.05.2000, Tanju Yüksel had started his banking career as an Internal Auditor at Citibank NA Ankara Branch in April 1984, assumed offices in various operational units of this branch; and he finally worked as the Deputy Assistant General Manager at Citibank NA Turkey Financial Institutions Marketing Department. He is a graduate of the Department of Business Administration at ODTU (Middle East Technical University), Faculty of Economics and Administrative Sciences. He knows English.

(11) Ahmet Atıf MEYDAN Assistant General Manager

Field of Office: (Treasury and Foreign Operations - Banking Operations - Basic Banking)

Having started in business at Yapı ve Kredi Bank in August 1986, A. Atıf Meydan started to work at Vakıfbank as the Assistant Inspector in 1990. He served as Head of Branch, Head of the Personal Banking Department and the Head of the Commercial Banking Department before his appointment as the Assistant General Manager in 2003. He is a graduate of the Department of Finance at Gazi University, Faculty of Economics and Administrative Sciences. He knows English.

(8) Aydın DELİKTAŞLI Assistant General Manager

Field of Office: (Support Services - Human Resources)

Aydın Deliktaşlı joined Vakıfbank as an intern officer in 1978. He had worked as the Branch Manager and then the Regional Manager before his appointment as the Assistant General Manager in 2004. He is a graduate of Hacettepe University, Faculty of Social and Administrative Sciences. He knows French.

(12) Şahin UĞUR Assistant General Manager

Field of Office: (Investment Banking and Participations)

Having started to work at Vakıfbank as a foreign exchange officer in 1984, Şahin Uğur had assumed offices in various positions before his appointment as the Assistant General Manager in 2004. He is a graduate of the "Department of Business Administration" at Erzurum Atatürk University, Faculty of Economics and Administrative Sciences. He knows English and Arabic.

(5) Feyzi ÖZCAN Assistant General Manager

Field of Office: (Personal Loans - Personal Banking-Distribution Channels-Pension and Health Benefits Fund-Regional Directorates)

Having joined Vakıfbank as an Assistant Inspector in 1989, Feyzi Özcan worked as the Branch Manager, Deputy Chairman of the Audit Board and Head of the Planning and Economic Research Department before his appointment as the Assistant General Manager in 2005. He is a graduate of Gazi University, Faculty of Economics and Administrative Sciences. He knows English.

(6) Doğan PENÇE Assistant General Manager

Field of Office: (Personal Loans - Personal Banking-Distribution Channels-Pension and Health Benefits Fund-Regional Directorates)

Having joined Vakıfbank as an Assistant Inspector in 1991, Doğan Pençe worked as the Branch Manager, Group Manager and Head of Department and he was the Head of Commercial Loans at the latest position before his appointment as the Assistant General Manager in 2006. He is a graduate of Istanbul University, Faculty of Political Sciences.

(4) Metin Recep ZAFER Assistant General Manager

Field of Office: (General Accounting and Financial Affairs - Planning and Performance)

Having joined Vakıfbank as an Assistant General Manager on the date of 13th.06.2006, Metin Recep Zafer worked in various positions at various banks and lately, he was the Manager of the Financial Management Department at T.C. Ziraat Bankası A.Ş (Director of Region III). He is a graduate of the Department of Economics in the Faculty of Economics and Administrative Sciences at Marmara University. He received a doctorate degree in the department of Banking and Insurance at Marmara University. He knows English.

(9) Birgül DENLİ Assistant General Manager

Field of Office: (Treasury)

Having joined Vakıfbank as the Head of Correspondent Banking and International Finance Department at Vakıfbank International AG/Vienna in November 2003, Birgül Denli was appointed as an Assistant General Manager on the date of 03rd.07.2006. She had worked in various positions at various domestic and foreign banks and corporations and lately, she was a Member of the Board of Directors at Vakıfbank International AG/Vienna. She is a graduate of Department of Statistics at ODTU. She received her master degree in the field of Financial Markets and Derivatives at London Metropolitan University. She knows English, German and French.

(1) Mehmet Kürşad DEMİRKOL Assistant General Manager

Field of Office: (IT Systems)

Having joined Vakıfbank as the Head of Vakıfbank EBIS in July 2007, Mehmet Kürşad Demirkol was assigned as the Assistant General Manager on the date of 30th.11.2007. He worked at various stages in several domestic and international banks and corporations. He is a graduate of the Department of Electrical and Electronic Engineering at Bilkent University. He received his master and doctorate degree in the Department of Electrical Engineering at Stanford University. Having also a doctorate degree in the additional department of Operations Research, DEMİRKOL knows English and German.

(7) İhsan ÇAKIR Assistant General Manager

Field of Office: (Commercial Banking, Corporate Banking, In-House Salary Payments, Corporate Centers, Cash Management Operations, Communications and Media Relations)

Having joined Vakıfbank as the Assistant General Manager on the date of 30th.11.2007, İhsan Çakır assumed various positions in Garanti Bankası A.Ş. and its participations. He is a graduate of the Department of Business Administration at Anadolu University, Kütahya Faculty of Economics and Administrative Sciences. He received his master degree from I.U. Faculty of Administration. He knows English.

(2) Mehmet CANTEKİN Assistant General Manager

Field of Office: (Audit Board, Internal Control, Risk Management)

Having joined Vakıfbank as the Assistant General Manager on the date of 27th.12.2007, Mehmet Canteğin worked in various banks and public institutions. He finally worked as the Head of BDDK Office Administration. He is a graduate of the Department of Finance at Ankara University, Faculty of Political Sciences. He received his master degree from the department of accounting at Illinois University. He knows English and French.

Managers Of The Internal Systems Units

'07
ANNUAL REPORT

Mehmet Turgut DEDEOĞLU

Chairman of the Audit Board

He started to work as an Assistant Inspector in the Chairmanship of the Audit Board on the date of 20th.03.1989. He worked as a Manager in various branches of our Bank and was appointed as the Chairman of the Audit Board on the date of 08th.07.2004. He is a graduate of Bolu Administrative Sciences High School, Faculty of Economics and Administrative Sciences affiliated with Gazi University.

Ramazan SIRYOL

Head of the Internal Control Centre

He started to work as an Assistant Inspector in the Chairmanship of the Audit Board on the date of 13th.09.1993. He worked as a Manager in various units under the structure of General Directorate and was appointed as the Head of the Internal Control Centre on the date of 10th.01.2008. He is a graduate of the Department of Finance at Istanbul University, Faculty of Economics.

Hülya FİDANBOY

Head of Risk Management

She started to work as an Intern Officer on the date of 09th.03.1987. She worked as Assistant Manager and Manager in various units of our Bank and was assigned as the Head of Risk Management on the date of 22nd.02.2007. She is a graduate of the Department of Economics at ODTU Faculty of Economical and Administrative Sciences.

Committees

Auditing Committee

The Independent Members of the Board of Directors, Serdar TUNÇBİLEK and Cem DEMİRAĞ were elected to the Auditing Committee established to help and assist the performance of auditing and surveillance activities of the Board of Directors of Vakıfbank.

The Auditing Committee has assumed the following tasks and duties:

- To monitor the efficiency and adequacy of the internal control systems of the Bank on behalf of the Board of Directors and to follow the functioning of these systems and the accounting and reporting systems in accordance with the laws and the related regulations and the integrity of the information produced;
- To perform the pre-qualification assessments required for the selection of independent audit institutions by the Board of Directors;
- To monitor regularly the activities performed by the independent audit institutions selected by the Board of Directors;
- To ensure the consolidated maintenance and coordinated management of the internal audit functions of the institutions subject to consolidated audit;
- To prepare reports about the functioning of internal audit and risk management system for the annual report.

Credit Committee

The Credit Committee of Vakıfbank is composed of the Ragıp DOĞU and Hasan ÖZER, the Full Members of the Board of Directors, Bilal KARAMAN, our General Manager; and Yusuf BEYAZIT and Mehmet ÇEKİNMEZ, the Deputy Members of the Committee.

The tasks and duties of the Credit Committee are presented below:

- To perform the tasks stipulated in the Banking Law in accordance with the principles to be determined by the Board of Directors;
- To receive the written recommendation of the General Directorate in opening credits, and to provide the financial analysis and news and intelligence reports about those requesting loans in respect of recommendations about the credits that require the obtainment of account status document;
- To give any kind of information that may be requested by any of the members of the Board of Directors about the Committee's activities and to provide help in the performance of any checks and controls since the Committee's activities are audited by the Board of Directors.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is responsible for monitoring the compliance with the corporate governance principles of the Bank. Erkan Topal and Selahattin Toraman, the Members of the Board of Directors have been elected as the members of this Committee.

The tasks and duties assumed by this Committee are presented below:

- To monitor the degree of compliance with the corporate governance principles in the

- Bank and to determine the reasons in case of non-compliance, to determine the negative impacts resulting from incomplete application of such principles and to recommend the corrective actions to be taken in respect thereof;
- To determine the methods that will provide transparency in the election of the candidates for the membership in the Board of Directors that will be recommended to the Board of Directors;
 - To perform the related works and develop recommendations about the number of executives in the top management levels;
 - To develop and follow the implementation of the recommendations about the principles and applications in respect of performance evaluation and rewarding of members of the Board of Directors and the executives;
 - To submit recommendations to the Board of Directors about the persons to be assigned to top management levels including the Assistant General Manager of the Bank or the equivalent competent authorities;
 - To investigate the independency of the members of the Board of Directors and to reveal, if any, the conflicts of interest among them;
 - To make evaluations and recommendations about the structure and functioning of the committees reporting to the Board of Directors;
 - To prepare the Corporate Governance Principles Compliance Report for the arrangement of annual report;
 - To give detailed information about the activities of the Corporate Governance and Nominating Committee within the scope of the Board of Auditors' Annual Report.

Asset and Liability Management Committee

This committee, established for evaluating the impacts on the balance sheet resulting from the risks and opportunities caused by the events in the markets and taking decisions about tactics is chaired by the General Manager and convenes weekly and monthly. The Weekly Committee is composed of the General Manager Assistants responsible for Treasury, Credits and Investments and the Head of the Risk Management. All of the General Manager Assistants and the Head of the Risk Management participate in the monthly meetings of the Committee.

ATTENDANCE TO THE MEETINGS

Board of Directors: It generally convenes in every 15 days and more frequently in case of emergencies. The Board of Directors convened for 33 meetings in total and took 1437 resolutions in 2007.

Auditing Committee: The Auditing Committee convened for 11 meetings within 2007.

Credit Committee: It convened for 61 meetings throughout the year of 2007.

Asset and Liability Management Committee: It convened for 34 weekly meetings and 12 monthly meetings throughout the year of 2007.

Corporate Governance and Nominating Committee: It convened for 2 meetings in 2007.

Human Resources Applications

Our Bank's 'Human Resources Policy' is explained in the Article III titled as Corporate Governance Principles Compliance Report provided under the Section II; and our human resources-oriented activities performed in 2007 are explained below.

Improvement-oriented activities were carried out in relation with the employment, promotion, performance appraisal, career planning and training processes knowing that human resources play a significant role in the achievement of targets that we have determined and succeeding in the growth strategy adopted and the restructuring project continued by our Bank in 2007.

Human resources information system was renewed with the program purchased from Oracle Corporation and thus, personnel were enabled to reach correct information more rapidly. Furthermore, the items such as the electronic performance recording, annual leave and promotion requests can be entered via the system within the scope of the "employees' self service" application included in the system.

The performance evaluation process was changed and the specialization-related sections were added to the performance appraisals; different evaluation criteria according to the branch/unit and role of the personnel were stipulated and furthermore; score ranges by performance were determined in order to catch up with specific standards in the performance ratings; and the application of evaluation within these ranges was put into implementation.

1.385 personnel in total were employed due to the personnel requirement resulting from the newly-established units and newly-opened branches in 2007; and 364 people in total quit their employments due to retirement, resignation or other reasons. The number of personnel that was 7.679 by the date of 31st.12.2006 increased by 13,3% and reached to 8.700.

In the employment of new personnel in accordance with our human resources policy, our Bank preferred the people that have bachelor's or master degree with a good KPSS score and foreign language. Therefore, while the ratio of the personnel that are graduates of higher schools to all of the personnel was 58% in 2006, this rate increased to 65% by the end of 2007.

In order to ensure employment of personnel of higher quality at any level and incorporation and retention of successful students that have newly graduated or will graduate from universities under the structure of our Bank, we participated in the career day meetings organized by the universities aiming to enable the students to get acquainted with the sectors and companies in and for which they can work and to learn the possible career opportunities. After the said meetings, numerous job applications were received by our Bank and those who are found most successful were selected, employed and retained by our Bank. Similarly, our Bank became a sponsor of the Career Fair and built a stand of our Bank in the fair organized by ODTU with the participation of the best companies of Turkey in their fields aiming to enable the students to learn their career opportunities; and thus, career opportunities in our Bank were explained to the students participating in the fair.

1.106 personnel included within the professional officials group and meeting the required term of office, performance and other conditions for promotion were recruited within a promotion training in 2007; and those who succeeded in such training were subjected to promotion examination in relation with their positions.

The trainings determined in accordance with the training need analyses performed by the Directorate of Education were organized in a proper manner to meet the requests of all our personnel. 4.501 personnel in total participated in such trainings in 2007. The number of participants in the trainings was determined as 8.639 since some of them participated in several training at the same time. Of the trainings organized in 163 different fields in total, 284 trainings were provided as in-house development training within the Bank and 189 trainings were received from external non-Bank institutions.

Furthermore, the automation of the trainings and e-Learning Project was planned within 2007; and it will be put into implementation in 2008.

Persons And Institutions From Which Support Services Are Received

Vakıfbank has been receiving support services from various companies in order to improve its service quality and to increase the customer satisfaction at the maximum level. Support services are received from the following service providers for POS operation, check book printing and the cash transportation services received from the companies within the scope of the Law No. 5188 on Private Security Services:

For POS operation;

- FUJITSU SIEMENS COMPUTERS BİLİŞİM TEKNOLOJİLERİ ÜRÜN HİZMETLERİ A.Ş.
- TEKNOSER BİLGİSAYAR TEKNİK HİZMETLER SANAYİ ve DIŞ TİCARET A.Ş.
- SERVUS BİLGİSAYAR A.Ş.

For cash transportation services received from the companies within the scope of the Law No. 5188 on Private Security Services;

- SECURVERDİ GÜVENLİK HİZMETLERİ A.Ş.
- GROUP 4 SECURİCOR GÜVENLİK HİZMETLERİ A.Ş.

For check book printing;

- VAKIF SİSTEM PAZARLAMA YAZILIM SERVİS TİC. VE SAN. A.Ş.

Risk Group In Which The Bank Is Included And The Related Transactions

The details and the related descriptions about the risk group in which our Bank is included and the related transactions performed within the year of 2007 have been presented in the footnote no. VII in the Fifth Section under the footnotes to the financial statements provided within the scope of the annual report.



Hierapolis - Pamukkale (Denizli)

Date of Inscription: 11.12.1987
Ref: 448
Criteria: Cultural / Natural

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Corporate Governance Principles Compliance Report

As required by the resolution taken in the Extraordinary Meeting of our General Assembly on the date of 24th.10.2005, the compliance with Corporate Governance Principles was undertaken with the article (Article 75) added to our Articles of Incorporation.

Upon the resolution of our Bank's Board of Directors dated 30th.03.2007 and numbered 75727, the Corporate Governance and Nominating Committee was established and the Independent Member, Erkan TOPAL and Selahattin TORAMAN were elected as the members of Corporate Governance and Nominating Committee. Erkan TOPAL is the chairman of this committee since he is the Independent Member.

The Corporate Governance Principles Compliance Report of Türkiye Vakıflar Bankası T.A.O. was prepared within the framework of the Corporate Governance Principles published by the Capital Markets Board and taking into consideration the issues stipulated to be included within the Corporate Governance Principles in the annual reports of the publicly-held companies, the international principles and the practices in the sector.

I- SHAREHOLDERS

Shareholders Relations Department

The Investor relations were organised in two different groups under the structure of our Bank to provide the most efficient services to the investors both in and out of the country.

The relations with the shareholders are managed by a separate group within the General Directorate department responsible for Investment Banking. The names and the contact information of the personnel working in the Shareholders Relations Group operating and reporting to Şahin UĞUR, the Assistant General Manager responsible for Investment Banking of Türkiye Vakıflar Bank are as follows.

Name & Surname	Title	Phone Number	e-mail address
Dr. Adnan Güzel	Head	0312 - 455 88 00	adnan.guzel@vakifbank.com.tr
Nurullah Censur	Manager	0312 - 455 87 67	nurullah.censur@vakifbank.com.tr
Hasan Coşkuner	Manager	0312 - 455 88 55	hasan.coskuner@vakifbank.com.tr
Deniz Varan	Assistant Manager	0312 - 455 88 56	deniz.varan@vakifbank.com.tr
Vedat Paslı	Assistant Manager	0312 - 455 89 29	vedat.pasli@vakifbank.com.tr
Kübra Şen	Expert Assistant	0312 - 455 89 27	kubra.sen@vakifbank.com.tr

The Shareholders Relations Group also manages the investor relations with the investors residing within the country.

Main activities performed by the Shareholders Relations Group include the following.

- To give simultaneously correct, clear, net and complete information to the bank's shareholders and investors excluding the information that are within the scope of confidential and trade secrets;
- To organise periodical meetings with the participation of the Bank Management for informing the Bank's shareholders and investors;

- To ensure that the General Assembly meetings are held in accordance with the legislation, articles of incorporation and the in-house regulations of the bank;
- To prepare the documents about the General Assembly meetings and to forward them to the shareholders;
- To take all kinds of actions and precautions that may be required for ensuring the investors' satisfaction about the Bank's services;
- To perform the Bank's capital increases and dividend payments and to ensure the registration of the existing shares and the follow-up of them within the registered book entry system;
- To announce and notify the special case statements and other news about Türkiye Vakıflar Bankası to the investors and Istanbul Stock Exchange by means of the web site.

The "Investor Relations" section with Turkish content published in the Internet site located in the address of <http://www.vakifbank.com.tr> was regularly updated in respect of its content in order to transfer the required information and documents to the investors, shareholders and the other related parties.

Throughout the period, the Shareholders Relation Group held the Ordinary Meeting of the General Assembly on the date of March 30, 2007, effected the payment of dividends on May 31, 2005; most of the shares representing the entire capital of the Bank and the dividend payout certificates were registered and the relations about increasing the issued capital from TRY 1.279.000.000 to the amount of TRY 2.500.000.000 were completed by the date of January 30, 2007. Upon the completion of the registrations at the Central Registry Agency, the shareholders were invited by means of letters and announcements for the collection of old series share certificates owned by the shareholders of Class A, B, and C issued since the foundation of our Bank (1954); and the share certificates collected so were classified individually by their groups, series and serial numbers, and destroyed before a notary public after receiving the approval of the General Assembly held on March 30, 2007. The transformations from Class B (upon the consent of General Directorate of Foundations) and Class C to the publicly-held class, the Class D were completed in accordance with the requests of our Bank's shareholders.

Throughout the year of 2007, 159 applications including information requests were received by the "Shareholders Relations Group" and all of these applications were answered by means of the fastest means of communications.

On the other hand, the requests for information received from our shareholders and investors residing abroad are answered by the General Directorate department responsible for International and Investor Relations.

The names and contact information of the personnel working in the International and Investor Relations Department operating under the management of Tanju Yüksel, Assistant General Manager are as follows.

Name & Surname	Title	Phone Number	e-mail address
Selçuk Gözüak	Head	0212 - 3167001	selcuk.gozuak@vakifbank.com.tr
Mustafa Turan	Assistant Manager	0212 - 3167120	mustafa.turan@vakifbank.com.tr

Main activities carried out in this field by the International and Investor Relations include the following.

- To answer the requests for information not included within the scope of bank's and client secrets received from the existing and potential investors residing abroad, the rating agencies and the related parties in international borrowings;
- To ensure participation in representation of Türkiye Vakıflar Bankası in the meetings held in and out of the country;
- To make presentations about Türkiye Vakıflar Bankası to the investors and other related institutions residing abroad;
- To transfer the required information and documents to the investors, shareholders and the other related parties via the "Investor Relations" Department's Internet site with English content provided in the address of <http://www.vakifbank.com.tr> and to ensure the updating of the content of the said Internet site.

Furthermore, yatirimciiliskileri@vakifbank.com.tr and investor.relations@vakifbank.com.tr mail addresses were created for enabling the investors to access to our bank.

Main activities carried out by the International and Investor Relations Department in relation with the investors residing abroad in 2007 include the following:

- Our bank participated in 18 investor information conferences in total, including 12 held in London, New York, Prag, Paris and Dubai and 6 held in Istanbul, Antalya and Göcek.
- 360 meetings were held both in the conferences and road shows and in our branch office in Istanbul and 614 investors/analysts were met in total.
- Reports were prepared in accordance with the information received from the investors after such investor information conferences in which the bank participated and these reports were submitted to the senior management.
- Tele-conferences were organized for investors in some periods and updated information about our Bank was transferred.
- Investor presentations by quarters were prepared for use in the meetings. Tanju Yüksel, the Assistant General Manager made a presentation to the investors collectively in the conference held by ING in Prag.

Press releases were prepared related with important developments about our Bank, and the regulatory authorities and the public were informed about such development in coordination with the Communications and Media Relations Directorate and Investment Banking and Participations Management. In addition, the international corporate investors were informed about the said developments by means of the investor announcements sent to the mail group created.

Close relations were established with all analysts arranging reports about our Bank; accurate and healthy information was provided to them about our Bank in the stage of arrangement of such reports and our views and opinions about the reports issued were forwarded to the analysts.

Furthermore, the "International and Investor Relations Group" received 401 applications including requests for information and all of such applications were answered by means of the fastest means of communication.

Exercise of Shareholders' Rights to Obtain Information

The requests for information about various issues received by the Bank from the shareholders are answered with the use of the most efficient and the fastest means of communication. In total, 560 requests for information received from the shareholders by the Shareholders Relations Group and the International and Investor Relations Group were answered in 2007. The information and events about our Bank such as the dates of the general assembly meetings, the minutes of the general assembly meetings, financial reports, special case statements, etc. that attract the shareholders' interest are notified to the related parties regularly by means of the Internet site, newspaper ads, mail and telephone. On the other hand, the said developments and events are also notified to our investors residing abroad via e-mails by the International and Investor Relations group.

The information and announcements about our Bank's capital increase and the dividend payments are notified via special case statements after the resolution of the Board of Directors and through the Bank's Internet site only after completion of the related legal permits.

The capital increases and the announcements about the General Assembly meetings are disclosed to the shareholders by means of press in accordance with the provisions of Turkish Commercial Law and Capital Market Law.

The agenda of and the letter of invitation for the General Assembly meeting are notified via mail to our shareholders that have their addresses in our Bank's records at least 15 days before the actual date of General Assembly meeting.

The required announcements are made via the Bank's Internet site before the start of capital increase of Türkiye Vakıflar Bankası; and the related texts of announcement are kept and published on the Internet site until the completion of the related capital increase transactions.

As for the profit distribution activities, the profits are distributed by our Bank to prevent any loss of interest or right likely to be incurred by our shareholders; and the dividends of our shareholders that are not publicly held are invested to the deposit accounts opened in our Bank under their names and used in Type B Liquid Investment Fund of Türkiye Vakıflar Bankası until the application of the related shareholders.

Throughout the period, the shareholders' requests for transformation of shares of Class B or C into Class D shares and the transfer of the shares to the heirs as a result of inheritance from Class C were performed, and the related transactions were recorded into the stock register book, registered in the central registry agency and informed to our shareholders.

The activities towards improving the concept of "investor relations" established in our Bank's web site in order to facilitate the exercise of shareholders' rights to obtain information and the other shareholding rights are continued and the information itemized below as given in our bank's web site are provided to our investors.

- Summarized information about Vakıflarbank,
- Shareholding Structure,
- Information about the Board of Directors and the Top Management,
- Act of Foundation and the Articles of Incorporation of Vakıflar Bank,
- The announcements about the General Assembly meetings, the agenda of the General Assembly and the minutes of the meetings,

- Financial data,
- Rating information,
- Audit Reports,
- Annual Reports,
- Presentations about Vakıfbank,
- Special case statements,
- Press Bulletins,

The information and documents specified above are updated regularly.

Our Bank is regularly audited by independent external audit companies, the Prime Ministry Supreme Audit Board, Banking Regulation and Supervision Agency and 2 auditors appointed as per the Articles of Incorporation within the framework of the provisions of the Banking Law, Turkish Commercial Law and its own Act of Foundation.

As per the article 24 of the Banking Law and the article 73 of the Articles of Incorporation of Türkiye Vakıflar Bankası, an Auditing Committee composed of M.Zeki AKILLIOĞLU (March 31, 2006 - June 07, 2007), Serdar TUNÇBİLEK (July 24, 2007 and thereafter) and Cem DEMİRAĞ, the members of our Bank's Board of Directors was established and assumed the task of performing the functions specified in the said law and the Articles of Incorporation.

Information about the General Assembly

Within the year of 2007, our Bank's 53rd Annual Meeting of the General Assembly was held on March 30, 2007. The arrangements about the meetings of our Bank's General Assembly are specified in the Act of Foundation and the Articles of Incorporation of Türkiye Vakıflar Bankası T.A.O. presented in our Bank's Internet site that is open to public.

For informing the shareholders before the meetings of the General Assembly, the announcements about the General Assembly meetings are published in the newspaper specified in the article 37 of the Turkish Commercial Law and in at least two newspapers circulated all around Turkey as determined by the Board of Directors not later than 15 days before the actual date of meeting excluding the dates of announcement and meeting. The information about the General Assembly meetings, the letters of invitation and the copy of proxy statements are published in our Internet site. Furthermore, they are posted to our shareholders with their address information entered and updated in our bank's records.

The Annual Report arranged for submission to the General Assembly is presented to the information and examination of our Bank's shareholders before the date of General Assembly meeting. Furthermore, our Bank's balance sheet and the profit and loss statements, the agenda of the General Assembly, and the copy of proxy statements are kept ready for informing the shareholders in all of the branches of Türkiye Vakıflar Bank. All of our shareholders having the right to participate in the General Assembly meetings and performed the required procedures for participation have participated in the meeting of the General Assembly.

In the announcements and letters of invitation published before the General Assembly meetings, the following information is notified to the shareholders:

- Date, hour and place of meeting,
- Agenda of Meeting,
- The organs inviting the General Assembly for a meeting (The Bank's Board of Directors),

- The addresses in which the Annual report, balance sheet and the profit and loss statements will be presented to the examination of the shareholders in case of ordinary meeting announcements (General Directorate and our branches),
- Copy of Proxy statements for the shareholders that cannot participate in the meeting in person.

The Annual Report prepared includes information such as the activities and operations of our Bank performed in 2007, information about top management, Bank's balance sheets, footnotes to the balance sheet, the independent audit report, the auditors' report, the dividend distribution proposal of the Board of Directors, Corporate Governance Principles Compliance Report ,etc. The shareholders may receive from the Investment Banking Shareholders Relations Group the annual report before or after the meeting of the General Assembly upon request.

In both the ordinary and extraordinary meetings of our Bank's General Assembly, all of the shareholders have the right to speak, declare opinion and ask questions about the agenda regardless of the proportion of their shares. The shareholders can give proposals about the issues on the agenda of the General Assembly, and these proposals are voted and finalized under the procedure in accordance with the legislation and the Bank's Articles of Incorporation.

The minutes of the General Assembly meetings are published in the Trade Registry Gazette of Turkey. The minutes of the General Assembly meetings can be sent to the shareholders upon request by the Investment Banking Shareholders Relations Group.

The agenda, place, hour and minutes of the General Assembly meetings and the resolutions taken are disclosed to the public and our shareholders by way of "Special Case Statement" after the meeting of the General Assembly.

Voting Rights and Minority Rights:

Türkiye Vakıflar Bankası is divided into Class (A), (B), (C) and (D) group shares. The nominal values and the voting rights of the share certificates of all classes are equal. The Class (D) is composed of publicly held shares.

Any shareholder having every ten shares or representing this amount of shares has one voting right in the meetings of the General Assembly. Those having more than ten shares have voting rights in the number to be determined in proportion with the aforementioned number of shares without any limitation.

The Bank's Board of Directors is composed of nine members including the General Manager. One of the members of the Class (A) is elected by the Prime Minister to represent the General Directorate of Foundations; the other three members of Class (A) and one member of Class (B) and two members of Class (C) are elected by the General Assembly among the candidates nominated by the majority of their own groups and one member is elected among the members nominated by the shareholders; the latter member is determined taking into consideration the preferences of Class (D) group.

1 member elected to the Board of Directors by the General Assembly and 1 member per each of Class (A) and Class (C) groups are independent members. There is not any member in the Board of Directors elected by the minority votes.

In case of absence of the Bank's General Manager, his deputy is the natural member of the Board of Directors. The duties of the Bank's General Manager and the Chairman of the Board of Directors cannot be assumed by the same person.

Dividend Distribution Policy and Dividend Distribution Time Schedule

The principles about our Bank's profit distribution are arranged in details in the Articles of Incorporation of our Bank. The Articles of Incorporation of our Bank are made available in the Internet site of Türkiye Vakıflar Bankası for information and examination by the public and shareholders.

The Board of Directors of Türkiye Vakıflar Bankası presents its proposal of dividend distribution to the General Assembly and to the information of the shareholders by means of annual report before the General Assembly meeting every year. The dividend distribution proposal of the Board of Directors is discussed and resolved in the meeting of the General Assembly of Türkiye Vakıflar Bankası.

The dividend distribution approved by the General Assembly of Türkiye Vakıflar Bankası is performed within the legal terms specified.

Transfer of Shares:

The shares are divided into Class (A), (B), (C), and (D) groups and all of them are registered shares.

The Council of Ministers is authorized to sell and to determine the procedures and principles about the sales of Class (A) shares of the Bank and the shares of Class (B) pertaining to the General Directorate of Foundations.

There is not any provision in the Articles of Incorporation of Türkiye Vakıflar Bankası limiting the transfer of shares representing the shares of Class (B) not owned by the General Directorate of Foundations, but owned by recorded and added foundations and the shares representing Class (C) and (D) groups.

However, the Board of Directors of Türkiye Vakıflar Bankası is authorized to transform the shares of Class (B) owned by recorded and added foundations (upon the consent of the General Directorate of Foundations) and the shares of Class (C) into Class (D) shares upon the demand of the shareholders.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

Company's Information Policy

Türkiye Vakıflar Bankası has assigned the Investment Banking, International and Investor Relations and Accounting and Financial Affairs Departments for disclosing information to the public on time and ensuring that the information disclosed is accurate, complete, reliable, comprehensible, and interpretable. The following is disclosed to the public within the scope of the information policy of the Investor Relations Group: disclosure of our dividend policy in ISE and our Internet site, preparation of press releases about the financial statements by quarters and independent audit reports and the public disclosure of them regularly via e-mails or Internet, public disclosure of the investor presentations prepared in relation with the financial statements regularly via e-mails, public disclosure of issues to be discussed in the

meeting of the General Assembly via press and Internet, public disclosure of our Bank's shareholding structure via Internet and Annual Report and public disclosure of our Annual Report via Internet and mails.

Special Case Statements

As per the Communiqué on the Principles Regarding the Public Disclosure of Special Cases issued by the Capital Market Board, 52 special case statements were presented in 2007 in relation with the issues affecting our Bank and the Bank's operations.

The special case statements declared from one centre by the Investment Banking Group are notified regularly by the International and Investor Relations Group via e-mails to the fund managers, corporate investors and other investors residing abroad. Additional clarification was not requested by Istanbul Securities Exchange in relation with any of the special case statements provided.

There are not any sanctions imposed by the Capital Market Board for non-compliance with special case statements.

Company's Internet Site and Its Content

Our Bank's Internet site can be accessed from the address of <http://www.vakifbank.com.tr>.

The Internet Site of Türkiye Vakıflar Bankası include the Bank's Act of Foundation, Articles of Incorporation, the announcements, agenda and minutes of the General Assembly meetings, financial data, rating scores, audit reports, special case statements, press bulletins, and the shareholding structure of the bank.

Disclosure of Real Names of Ultimate Controlling Shareholder/Shareholders

There is not any real person ultimate controlling shareholder in our bank. We do not have any shareholder among the real person shareholders having shares of exceeding 5%.

The shareholding structure of the Bank is published in the annual reports and the Internet site.

Public Disclosure of Insiders capable of obtaining information

As per the article 73 of the Banking Law, the Members of the Board of Directors, the persons and those assigned to act on behalf of them cannot disclose the secrets about the banks and the clients that they learn as a result of their capacities and duties to any parties other than the competent persons clearly and legally authorized in this respect.

A separate list of insiders capable of obtaining information is not provided. The members of the Board of Directors and the top-level managers that can be in such a position are given in the annual reports and the Internet Site.

SECTION III - STAKEHOLDERS

Disclosure of Information to Stakeholders

The stakeholders and investors of Türkiye Vakıflar Bankası are informed in accordance with the public disclosure principles.

The requests for information, wishes and complaints and the customer problems about the

services and products of our bank received from the Bank's clients are answered and resolved by all units of our Bank in the most effective manner.

A separate Information System Portal was established for informing the employees. All of the announcements were transferred to the system by means of this portal, the information exchange system within the institution. Since access to all information within the institution is available over the system, the employees can reach to any information required from different points at any time and in the most efficient manner. Thus, both the satisfaction of the employees is increased and the loss of time and labour is prevented. Saving of costs and fast communication were targeted with this portal.

Stakeholders' Participation in the Management

The employees and pensioners of Türkiye Vakıflar Bankası participate in the management by means of the Türkiye Vakıflar Bankası T.A.O. Employees Pension and Health Benefits Fund foundation, which owns 16,10 % of the Bank's capital.

Activities towards increasing the communications among the personnel are carried out with the purpose of establishing efficient and productive work relations and creating team spirit among the employees of our Bank. Participation in the management is always encouraged and the personnel is provided with the opportunities to have access to the top management and to express their wishes and recommendations to the top management. To this effect, the e-mail address of genelmudureoneriler@vakifbank.com.tr was created on the date of September 13, 2007 in order to enable all employees at any level and under any title to participate in the Bank's management with the purpose of ensuring efficiency in the implementation of restructuring operations and increasing productivity, effectiveness and performance.

Human Resources Policy

Our Bank's Human Resources policy is outlined below.

Aware of the fact that the success of the growth strategy adopted in the recent years by our Bank and the restructuring project still being continued and the achievement of the predetermined targets are mostly dependent on the human resources, our Bank is performing continuous improvement activities in the employment, promotion, performance evaluation, career planning and training processes.

New personnel are being employed in order to meet the personnel requirement resulting from the regional directorates, units and branches newly opened and established within the scope of the restructuring project in our Bank. The applicants that are graduates of four-year higher education institutions in the field of Banking and having the best qualifications in respect of school of graduation, master degree, KPSS score and foreign language knowledge, etc. are being selected and separate examinations are placed for the employment of personnel for the positions such as inspector, financial analyst, specialist, etc. requiring specialization in their fields. The functioning of the process of personnel employment in the Bank and the required qualifications are clearly specified in the Personnel Regulation.

The personnel working in our Bank have career development plans; and the career steps and the required qualifications are specified in the Personnel Regulation. The promotion of the personnel is performed in accordance with these predetermined plans.

The roles of the personnel working in the branches within the scope of the Restructuring Project are defined and the performances of the personnel that assumed TPY and BPY roles and also, the performances of the Branches, Regional Directorates and General Directorate are separately measured and the performance-based premium payment is applied for all of the Bank's personnel.

Furthermore, an appraisal of record model is being established for measuring the performance of the personnel according to the objective criteria, determining their qualifications and the fields in which they can be productive and evaluating their productivity by the fields in which they work and it is targeted to assess the personnel from every aspect. The training requirements of the personnel are analysed and training programs that will meet the training needs and training requests of all of the personnel are being developed and executed.

Our Bank's personnel work in accordance with private law provisions; and they are employed in accordance with the provisions of the Labour Law No. 4857, which is still in force. Our Bank's personnel are members of trade union and they are connected to BASS the Union of Banks and Insurance Workers. The working conditions of the personnel are determined with the Collective Bargain Agreements (TIS) concluded between the Bank and the said union. 18th Period TIS, which is effective between the dates of 01st.05.2007 and 30th.04.2009 is still in force.

The Relations between the employees and the employer are carried out by means of the managers and representatives of the said union.

Relations with Customers and Suppliers:

A unit called as Customer Problems Solution Centre was established under the structure of our Bank in order to ensure customer satisfaction. This unit can be accessed via Internet and any kind of requests, critics or satisfactions about our Bank's products and services can be forwarded to the related unit via e-mails. Furthermore, the clients can resolve all of their banking transactions with a call through connecting to Vakıfbank-724 branch via the phone number of 444 0 724.

All applications related with the suppliers are carried out in accordance with the Labour Law and the other legislation. The employment, promotion and dismissal policies are stated in writing within the Personnel Regulation.

Social Responsibility:

Vakıfbank has attached a special importance to the support of culture, art, education and sports since the very first day of its foundation acting aware of its social responsibilities as well as its banking activities.

In addition to its sponsoring activities carried out in the field of culture and art with the motto of "Serving to the art and supporting the artist", Vakıfbank provides services to our artists with the art galleries located in Ankara and Istanbul. Opening more than 50 exhibitions in every year in these galleries, Vakıfbank has assumed the task of providing a main structure for the artistic branches such as painting, photography, ceramics, sculpture, arts and crafts items, etc.

Vakıfbank-Güneş Sigorta Girls' Volleyball team is one of the symbols showing the importance

attached by Vakıfbank to sports and supporting of sports. Our Vakıfbank-Güneş Sigorta Girls' Volleyball Team is considered among the leading teams that brought great accomplishments to our country including European Championship achieved in the last years. Vakıfbank is continuing to support other sport fields through various sponsoring activities in addition to volleyball.

In 2007, Vakıfbank has made great contributions in the provision of materials for our physically disabled sportsmen in order to provide material and immaterial support and assistance. The Club Supporter Card (Taraftar Kart), one of our credit cards offers great advantages to the card holders with VakıfPara features and also provides a resource for the related teams.

With its understanding of foundation covering the best use of Foundation incomes, the repair and maintenance of works of Foundation, etc., Vakıfbank has transferred a dividend amount of TRY 225 million to the General Directorate of Foundations representing the majority of the capital of Vakıfbank in 2007. The number of ancient works of art repaired and restored by the General Directorate of Foundations in the last 5 years has reached to 2.613.

In addition, Vakıfbank is continuing to provide any contributions through offering sponsorship support for various cultural and artistic activities and periodical and non-periodical publications for the development of Turkish publishing life.

SECTION IV - BOARD OF DIRECTORS

Structure, Composition and Independent Members of the Board of Directors:

Name & Surname	Position	Start of Service	Line of Responsibility
Yusuf BEYAZIT	Chairman of the Board of Directors (A)	30.04.2004 (21.03.2003)*	(Credit Committee DEPUTY Member)
Ragıp DOĞU	Vice Chairman of the Board of Directors (A)	31.03.2006 (06.04.2005)*	(Credit Committee FULL Member)
Bilal KARAMAN	General Manager (Executive Director)	22.06.2005 (30.04.2004)*	(Credit Committee FULL Member)
Mehmet ÇEKİNMEZ	Member of the Board of Directors (A)	24.07.2007	(Credit Committee DEPUTY Member)
Serdar TUNÇBILEK	Member of the Board of Directors (A)-Independent	24.07.2007	(Auditing Committee)
Selahattin TORAMAN	Member of the Board of Directors (B)	31.03.2006 (31.12.2003)	(Corporate Governance and Nominating Committee)*
Hasan ÖZER	Member of the Board of Directors (C)	30.04.2004 (07.02.2003)*	(Credit Committee FULL Member)
Cem DEMİRRAĞ	Member of the Board of Directors (C)-Independent	31.03.2006 (04.04.2005)*	(Auditing Committee)
Erkan TOPAL	Member of the Board of Directors (D)-Independent	31.03.2006	(Corporate Governance and Nominating Committee)

(*) The first date of appointment to the Membership of the Board of Directors.

Qualifications of the Members of the Board of Directors:

The minimum qualifications required in the election of members of our Bank's Board of

Directors are in compliance with the requirements specified in the articles 3.1.1, 3.1.2 and 3.1.5 of the Section IV of Corporate Governance Principles of SPK (Capital Market Board).

Mission, Vision and Strategic Targets of the Company:

Mission: To take modern banking forward through new leaps, considering people and information as our most significant capital and to increase the value that we add to our stakeholders on a continuous basis through working efficiently and productively.

Vision: To become one of the top three banks of Turkey.

Strategic Targets:

✓ **In Accordance with our Objective of Increasing our Market Share through ensuring Sustainable, Healthy and Profitable Growth;**

- To have the branch network, personnel and equity structure that will ensure growth, improve competitive power and increase the existing market share of our Bank,
- To enable the marketing function to work efficiently,
- To increase the number of our customers,
- To meet any kind of financing needs of our customers; and to develop and put into implementation new products and services,
- To follow a widespread deposit and loan policy.

✓ **In Accordance with our Objective of Effective and Productive Working;;**

- To increase the risk perception ability,
- To invest in technology and research and development activities and to renew ourselves on a continuous basis,
- To invest in people , to increase the quality and motivation of personnel and to ensure work satisfaction,
- To increase non-interest incomes and to decrease non-interest expenses,
- To ensure unconditional customer satisfaction through increasing our service quality on a continuous basis.

Risk Management and Internal Control Mechanism:

Internal Control Department was established on the date of 29th.06.2001 and put into operation in 2002.

The application was started in 15 branches with 19 internal control personnel on the date of 20th.11.2002; the number of branches within the scope of internal control was increased in parallel to the increase in the number of personnel by years.

Internal control activities were performed in 31 branches with 36 internal control personnel by the end of 2003, in 64 branches with 37 internal control personnel by the end of 2004, in 82 branches with 35 internal control personnel by the end of 2005, in 116 branches with 52 internal control personnel by the end of 2006, and in 308 branches with 89 internal control personnel by the end of 2007.

The control areas were determined considering the main field of banking activities and the products and services and the internal control activities performed in 116 branches within this scope by December/2006 were expanded and became widespread all around in 192 branches in 2007. By the month of December 2007, internal control activities are performed

in relation with all operations in 200 of 308 branches within the scope of internal control; and in 48 branches, internal control process is applied for credit transactions (commercial loans, personal loans and credit cards) and in the remaining 60 branches, internal control was applied for the operations oriented towards the determination of operational risks resulting from the branch personnel. The internal control activities in the branches were continued periodically in accordance with the programs prepared by the Internal Control Department.

Furthermore, internal control activities were started in 4 General Directorate Departments (Retail Banking Department, Fund Management Department, Investment Banking Department, General Accounting and Financial Affairs Department) with 6 internal control personnel on the date of 06th.06.2005; and in 2007, internal control activities were carried out with 4 internal control personnel in:

- the Investment Banking and Participations Department (Securities and Corporate Investments Directorate)
- the Treasury Department (Dealing Room Directorate, Resource Management Directorate),
- the Treasury and Foreign Operations Department (Treasury Operations Directorate, Cash, EFT and Cheque Operations Directorate),
- Retail Loans Department (Mass Housing and Personal Loans Directorate),
- General Accounting and Financial Affairs Department (Financial Operations Directorate, Financial Reporting Directorate, Tax and Financial Legislation Management Directorate).

The internal control findings determined as a result of the internal control activities carried out in our branches with ongoing internal control procedures are firstly notified to the personnel of the related branch in verbal form; and in case of failure in receiving results, Control Results Notification Form is completed and delivered to the management of the related branch. The forms including the final opinions of the controller completed after receiving written reply from the branch management are forwarded to the related General Directorate unit. The branch's actions carried out after the notification by the related General Directorate Unit to the related branch are followed-up on site by the Controller.

A process similar to the branches is followed for the defective or missing issues determined during the internal control activities performed in the General Directorate Units within the scope of internal control; but differently, the reports arranged for the units are forwarded to the Assistant General Manager responsible for the related department or unit.

The internal control findings are consolidated by types and the evaluation reports arranged in quarters by the Internal Control Department are forwarded to the Person Responsible for Internal Systems and to the Auditing Committee, Members of the Board of Directors, Chairman of the Audit Board and the General Directorate. Furthermore, the annual report including the operations performed in one year is submitted to the information of the Person Responsible for Internal Systems, the Auditing Committee, the Chairman of the Audit Board and the Top Level Management and to the approval of the Board of Directors.

The internal control findings gathered from the branches, which are found highly risky by the Internal Control Department are shared with the Chairmanship of the Audit Board; and the control findings determined or concluded to include fraud and misconduct or material contradiction with the legislation are notified immediately to the Chairman of the Audit Board together with the data and documents supporting this opinion.

Through the evaluation of the internal control findings, the application errors that are seen in general and the areas not including satisfactory level of control are determined and the possible improvements in the related work processes are proposed to the related General Directorate Units.

Furthermore, the deficiencies and faults that cannot be corrected by the branch management and that are considered general in respect of internal control process are notified to the related General Directorate Unit within the scope of early warning function and for taking measures as soon as possible.

Authorities and Liabilities of the Members of the Board and the Executives:

The duties, authorities and liabilities of the members of our Bank's Board of Directors are specified in the article 56 and 59 of our Articles of Incorporation in accordance with the principles determined as per the provisions of the Turkish Commercial Law and the Banking Law.

Fundamental Functions of the Board of Directors of our Bank:

Our Bank's Board of Directors is obliged to convene at least twice in a month upon the invitation of the Chairman or the request of at least two members at the times as required by the Bank's operations and activities. However, in case that there is not any issue to be discussed in the agenda, the meeting can be adjourned for once upon the approval of the Chairman (article 53 of our Articles of Incorporation).

The meeting agendas are arranged according to the memorandums received from the General Directorate departments; and various reports requested by the Board of Directors from the executives and different issues received from the Members of the Board are discussed during the meetings. The agenda and the related files are distributed among the members before the meeting.

The information and communication activities towards the Members of our Bank's Board of Directors are carried out by the Board of Directors' Activities Presidency.

33 meetings of the Board of Directors were held in 2007. All of the opinions and objections expressed by the members during the Meetings of the Board of Directors are recorded into the minutes. The members participate in person in the meetings related with the issues specified in the article 2.17.4 of the Section IV of Corporate Governance Principles published by the Capital Markets Board.

Prohibition from Engaging in Transactions and Competing with the Company:

As per the article 60 of our Bank's Articles of Incorporation, the Members of the Board of Directors cannot be engaged in any operations with the bank directly or indirectly for themselves or on behalf of others and become a delegate member in any other company or institution transacting with the bank without taking permission from our Bank's General Assembly.

Ethical Rules:

Embracing the principles of preventing unfair competition and maintaining the stability and confidence in the banking sector, increasing the service quality, and maintaining the existing

distinguished image of banking profession in the society, our Board of Directors has adopted our Bank's Banking Ethical Rules determined by the Banks Association of Turkey upon the resolution dated 16th.02.2006 and numbered 74205 and undertaken to act in accordance with these principles. The related resolution was submitted to the approval of the General Assembly and approved in the meeting held on the date of 31st.03.2006.

Number, Structure and Independence of the Committees established by the Board of Directors:

Auditing Committee, Credit Committee and Corporate Governance and Nominating Committee were established by the members of the Board of Directors in accordance with the Banking Law No. 5411, the Regulation on the Banks' Corporate Governance Principles issued by BDDK (Banking Regulation and Supervising Agency), the Corporate Governance Principles issued by SPK (Capital Markets Board) and our Bank's Articles of Incorporation.

The Auditing Committee is composed of Cem DEMİRAĞ, appointed on the date of 31st.03.2006 who is at the same time independent member and Serdar TUNÇBİLEK appointed on the date of 24th.07.2007. The Auditing Committee generally convenes at the times specified by the Chairman of the Auditing Committee at least biannually providing not to exceed quarterly or biannual periods.

Credit Committee is composed of 2 full and 2 deputy members and the General Manager. Ragıp DOĞU and Hasan ÖZER are the full members and Yusuf BEYAZIT and Mehmet ÇEKİNMEZ are the deputy members. The Credit Committee convenes in every 15 days in general and holds extraordinary meetings in case of emergencies. The date of meeting is determined by the General Manager according to the number and the urgency of the items on the agenda received by the secretariat of the meeting.

The Corporate Governance and Nominating Committee is composed of Selahattin TORAMAN and the Independent Member, Erkan TOPAL. The Corporate Governance and Nominating Committee generally convenes at the times specified by the Chairman of the Committee at least biannually providing not to exceed quarterly or biannual periods

Remuneration to the Board of Directors:

The Chairman, Vice-Chairman and the Members of the Board of Directors receive an attendance fee determined by the General Assembly every year.

Yours sincerely;

Erkan TOPAL

Member of the Corporate Governance and Nominating Committee



Selahattin TORAMAN

Member of the Corporate Governance and Nominating Committee





Hattusha: The Hittite Capital (Çorum)

Date of Inscription: 28.11.1986
Ref: 377
Criteria: Cultural

EVALUATION OF THE FINANCIAL DATA AND THE RISK MANAGEMENT

Evaluation of the Functioning of Internal Systems and the Activities Performed In The Related Fiscal Period

An Internal Audit Plan was prepared for the year 2007 on the basis of the Risk Assessment Report for 2006, Risk Matrix and the related risk assessments by the Audit Board Presidency including 156 Inspectors and Assistance Inspectors employed under its structure; and within the framework of this Internal Audit Plan, risk-based periodical audits were performed in order to determine whether the operations and activities of 312 Branches, 8 Participations, 23 General Directorate Units, 2 Foreign Branches and 1 Foreign Participation were carried out in compliance with the Banking Law and the other legal regulations and the in-house strategies, policies, principles and targets of the Bank.

Efforts were endeavoured in order to correct the deficiencies determined during these audits, and to compensate or receive collaterals for the current and potential losses of the Bank resulting from operational risks; the required investigation-survey reports were arranged about the responsible parties and submitted to the information of the top management together with the recommendations to prevent similar risk-bearing activities.

Information meetings were held with the Branch Managers connected to the Regional Directorates in respect of "Improper Transactions in the Branches and the Measures Required". In the said meetings, statistical data were given about the investigations carried out in the years of 2006 and 2007 by the Audit Board Presidency, the contents of the related investigation issues were explained and mutual exchange of opinions was performed in respect of preventing such improper and unlawful procedures in the branches.

Referring to the requests of the related units in order to ensure that any kind of activities, new procedures and products developed or planned by our Bank are in compliance with the Law, the other legislation, the Bank's in-house policies and rules and the banking practices, opinions of the Chairmanship of Audit Board were notified before receiving the approval of the Board of Directors within the scope of compliance inspections.

The number and scope of the interrogations developed with different regional characteristics by the inspectors assigned under central audit were increased and inspectors were immediately assigned for transactions with high degree of risks within the framework of the risk-based auditing vision; and the branches and units where risks are found predominantly were prioritised. In addition to our inspectors, the Internal Control personnel were enabled to access to the central audit findings related with the branches in which they work via the audit portal prepared and continuously updated by the central audit team; and thus, the efficiency of the coordination between the internal audit and internal control was increased.

The activities started for increasing the compliance of the operating procedures and principles of the Audit Board with the technological developments, internationally accepted standards and our Bank's restructuring process and for increasing the efficiency of audits were completed in 2007; and the arrangements made in the contents and format of the audit reports were put into implementation. Web-based reporting system was put into application and the required features were enabled for sending and changing the reports arranged via the "audit portal", entry of answers by the branches, inspection of reports, sending of the related report articles to the related General Directorate Units, transfer of study papers into the system and follow-up of the reports.

In 2007, internal control activities were carried out with four internal control members in six General Directorate Units and 89 internal control members in 308 branches. It is planned that an internal control program that will cover all banking processes will be prepared in most of our Bank's branches and the number of personnel will be increased in order to accomplish such a program in 2008.

The deficient or faulty applications detected as a result of the internal control activities carried out by the internal control personnel working in our branches and departments were notified by the Internal Control Centre Department to the related General Directorate Units or the Assistants to the General Manager for information and necessary action and the results of them were monitored.

The internal control findings obtained from the branches considered by the Internal Control Department to have high level of risk were shared with the Audit Board Presidency and any control findings including fraud, misconduct or material contradiction with the legislation were notified to the Chairmanship of Audit Board together with the information and documents received.

Efforts were made to determine the general application faults and the areas not controlled at a satisfactory level through evaluating the internal control findings and the possible improvements in the related work processes were recommended to the related General Directorate Units.

The internal control findings were consolidated by their types and the evaluation reports arranged quarterly were submitted to the Auditing Committee, Members of the Board of Directors, Chairmanship of Audit Board and the Top Level Management. Furthermore, the annual report including one-year activities of the Internal Control Centre Department was submitted for information to the Auditing Committee, Chairmanship of Audit Board and the Top Level Management and for approval to the Board of Directors.

Within the scope of the risk management activities carried out in 2007 in relation with risk management, the activities started for the development and improvement of market risk measurement models (Historical and Monte Carlo Simulations) started to be used in the previous years were completed. The market, loan and operational risk policies were updated, and the Liquidity Risk Management Policy Document was approved by the Board of Directors. Activities were started for updating the existing limits in the loan and market risk fields and the determination of new limits. The validity test of the Retail Loans Scoring Model was performed within the scope of the activities carried out in order to develop the scoring models. 7-year operational loss data were collected in order to establish the database of the operational risk measurements and operational risk analysis report was prepared. The operational loss data were analysed in order to determine the risk factors and the related determinations were presented for review by the management levels of our Bank.

As required by the Regulation on the Measurement and Assessment of the Banks' Capital Adequacies issued by BDDK, the Amount subject to Operational Risk on solo and consolidated basis was calculated for 2007 and reported to BDDK.

Scenario analyses were performed about the impacts of the possible economic changes and the legal regulations on liquidity, loan and market risks and the capital adequacy ratio. The said studies presented for information to the Auditing Committee are put on the agenda of the Assets and Liabilities Management Committee.

The Risk Management Directorate is still continuing its activities in order to develop harmonisation with Basel II and the European Union Capital Adequacy regulations and to develop the risk management applications in accordance with international best practices.

In addition to the periodic auditing committee meetings held with the participation of the Auditing Committee members and the competent authorities of the unions under the scope of the internal systems, separate meetings were held in which the Bank's financial reports were evaluated with the independent auditors and the internal audit activities were evaluated with the Bank's inspectors. Furthermore, the independency in the Bank-related activities of the companies from which the Bank receives independent audit, rating and valuation services and the adequacy of the resources allocated, and the risk assessments related with the support services received were reviewed periodically for every service and the reports prepared were submitted to the Board of Directors. In order to enable the members of the Auditing Committee to directly get into contact with the personnel employed in the units under the structure of the internal systems, the e-mail address of denetimkomitesi@vakifbank.com.tr was created for use by the members of the Auditing Committee, which will be only accessible by the members of the Auditing Committee, the personnel of the Risk Management Department and the personnel of the Internal Control Department.

Risk Management Policies By The Risk Types

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Market Risk

Market risk is incurred as a result of the changes and fluctuations that may occur in the foreign exchange rates, interest rates and the market prices of the share certificates. The market risk incurred by the Bank is measured and monitored with the use of the Standard Method and Internal models in parallel to the local and international applications.

The market risk measurement results calculated by the end of the months with the use of the Standard Method are reported to the Bank's Top Management and the Banking Regulation and Supervising Agency.

Furthermore, Historical and Monte Carlo Simulation methods are used for VaR calculations. These two methods meet the needs of our Bank considering the composition of our portfolio and the national market conditions in our country.

VaR is calculated daily with the use of one-sided 99% confidence interval. Value At Risk (VaR) is calculated daily and scaled to 10 business days on the basis of the square-root-of-time rule. The historical time period used in VaR calculation is one year.

Retrospective Tests (backtesting) are performed daily in order to check the reliability and performance of the model results. Furthermore, various scenario analyses and stress tests supporting the standard method and internal models are being performed.

Structural Interest Rate Risk

The liquidity-gap, duration, interest rate sensitivity and the impacts on the revenues of the increases in the interests are analysed in order to determine the interest rate risk that the Bank may be exposed to due to maturity mismatches in the balance structure. All analyses are reported to the Board of Directors, Auditing Committee and the Bank's Top Management.

Liquidity Risk

Our Bank's approach about the liquidity risk management is essentially based on the follow-up of the liquidity risk throughout the day on a continuous basis. To this effect, the cash inflows and outflows in TRY and in FX are tried to be managed under continuous control, long-term cash flow tables are created, and scenario analysis and stress tests based on the previous experiences and expectations are performed in order to determine the resistance against sudden crises. In addition, the liquidity-related regulations of the regulatory authorities are also followed.

Operational risk

Operational risk is the possibility of incurring loss that may result from the factors such as the faults and irregularities that elude observations as a result of the defects in the bank's in-house audits, the failure of the Bank's management and personnel to act timely and in accordance with the conditions, the faults in the bank's management, the faults and breakdowns in the information technology systems, the acts of God such as earthquake, fire, flood, etc., and the terror attacks.

The Audit of the Operational Risks is performed by the Chairmanship of Audit Board and the Internal Control Department and the activities related with the evaluation and analysis of the data obtained and the establishment of the operational risk database are carried out by the Risk Management Department.

In relation with the risks incurred during the operations, the operational loss data collected from the Chairmanship of Audit Board, Internal Control Department, General Accounting and Financial Affairs Directorate and the Human Resources Department are collected and regularly analysed by the Risk Management Department, the related risk factors are determined and these determinations are reported to the Auditing Committee and the Bank's Top Management.

An "Operational Risk Framework", which is a common dictionary describing comprehensively all important risks incurred by the Bank by their categories and including the related definitions and examples was created. The said framework is updated according to the changing conditions.

The operational risk capital requirement is calculated within the scope of the Key Indicator Approach; and our target is to use advanced measurement methods in the operational risk measurement.

Credit Risk Policy

The loan risk is incurred in case the other party does not fulfil partially or totally its liabilities in accordance with the requirements of the contract concluded in the loan market. The loan risk definition of our bank includes the loan risk of all products and activities on the basis of the definition of loan in the Banking Law.

The findings determined as a result of our loan portfolio's

- Distribution and concentrations (loan type, currency, maturity, sector, geographical region, loan borrower, holding, group, participation),
- Quality of the portfolio (loans of standard character, loans under follow-up, loans delayed, and the analysis of the data gathered from loan rating system),
- Portfolio analysis (duration, average maturity, interest rate sensitivity),
- Evaluations made within the scope of the scenario analyses

are submitted to the attention of the Board of Directors, Auditing Committee and the Bank's Top Management by means of monthly reports and separate reports.

Rating and scoring models are used in our Bank for the assessment of the borrower's credit quality; and the activities for the validation and updating of the existing models and the creation of new models are being continued. The risks resulting from loan concentrations and the loan concentration limits were determined in order to create a balanced loan portfolio; and the Bank's loan policy is updated taking into consideration the Bank's loan policy and the economical changes.

Putting into implementation of loan risk internal methods in accordance with Basel II and the European Union capital adequacy regulation and the international best practices is considered among the key targets of the loan risk management.

Auditors' Report As Of 31.12.2007

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ANNUAL REPORT

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

We have been engaged to audit the unconsolidated balance sheet of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") as of 31 December 2007 and the related unconsolidated income statement, statement of cash flows, statement of changes in shareholders' equity, statement of income and expenses recognized in shareholders' equity, and a summary of significant accounting policies and notes to the financial statements. The financial statements of the Bank as of and for the year ended 31 December 2006 were audited by another auditor who expressed an unqualified opinion in their report dated 8 March 2007 for the financial statements as of 31 December 2006.

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

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

Disclosure for the Responsibility of the Authorized Audit Firm:

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

Independent Auditors' Opinion:

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı as of 31 December 2007 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and the statements and guidances published by the BRSA on accounting and financial reporting principles.

Istanbul,
28 February 2008

Akis Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi

Özkan Genç

Partner Certified Public Accountant



Türkiye Vakıflar Bankası Türk Anonim Ortaklığı
Unconsolidated Financial Report
As Of And For The Year Ended 31 December 2007

Address : Atatürk Bulvarı No:207 Kavaklıdere - Ankara
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Fax : 0312 455 76 92
Electronic web site : www.vakifbank.com.tr
Electronic mail address : posta@vakifbank.com.tr

The unconsolidated financial report as of and for the year ended 31 December 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:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS
- ACCOUNTING POLICIES
- INFORMATION RELATED FINANCIAL POSITION OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

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

28 February 2008

Yusuf BEYAZIT

Board of Directors Chairman



Bilal KARAMAN
General Manager



Cem DEMİRAĞ

Board Member
Audit Committee Member

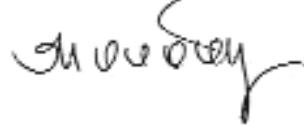


Dr. Metin Recep ZAFER
Executive Vice President



Serdar TUNÇBİLEK

Board Member
Audit Committee Member



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
Phone no : 0 312 455 75 66 0 312 455 75 95
Fax no : 0 312 455 76 92 0 312 455 76 92

General Information

- I. History of the Bank including its incorporation date, initial legal status, amendments to legal status
- II. 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
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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 groupa

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 7,794 from revaluation fund, and YTL 4,738 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.

Shareholders	Number of Shares	Nominal Value of the Shares - Thousands of YTL	Share Percentage (%)
The General Directorate of the Foundations (Group A)	1.075.058.640	1,075,059	43.00
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
Total	2.500.000.000	2,500,000	100.00

In the current year, 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

Name and Surname	Responsibility	Date of Appointment	Education	Experience in Banking
Board of Directors				
Yusuf BEYAZIT	Chairman	30 April 2004	Master	9 years
Ragıp DOĞU	Deputy Chairman	6 April 2005	University	32 years
Bilal KARAMAN	Member - General Manager	22 June 2005	University	28 years
Mehmet ÇEKİNMEZ	Member	24 July 2007	University	31 years
Hasan ÖZER	Member	7 February 2003	University	21 years
Erkan TOPAL	Member	4 April 2006	University	12 years
Selahattin TORAMAN	Member	31 December 2003	University	25 years
Cem DEMİRAĞ	Member	4 April 2005	University	16 years
Serdar TUNÇBİLEK	Member	24 July 2007	University	22 years
Audit Committee				
Cem DEMİRAĞ	Member	4 April 2005	University	16 years
Serdar TUNÇBİLEK	Member	24 July 2007	University	22 years
Auditors				
Ahmet Tanyolaç	Auditor	21 March 2003	University	4 years
Faruk Eroğlu	Auditor	21 March 2003	University	6 years
Executive Vice Presidents				
Tanju Yüksel	International and Investors Relations	1 May 2000	University	23 years
Ahmet Atif Meydan	Treasury and Foreign Operations, Banking Operations and Credit Cards	29 January 2003	University	19 years
Aydın Deliktaşlı	Corporate Banking, Human Resources and Support Services	9 August 2004	University	28 years
Şahin Uğur	Investment Banking and Subsidiaries	9 August 2004	University	22 years
Feyzi Özcan	Retail Banking, Personal Loans, Pension Fund, Directorates of the Regions, Distribution Channels	20 September 2005	University	18 years
Dr. Metin Recep Zafer	Planning and Performance, Accounting and Financial Affairs	13 June 2006	PHD	12 years
Birgül Denli	Treasury	15 June 2006	Master	14 years
Doğan Pençe	Corporate Loans, Loans Follow-up, Legal Services and Directorates of Information	7 June 2006	University	16 years
Dr. M. Kürşad Demirkol	Software Development, Banking Support, System Support, Hardware Support	30 November 2007	PHD	8 years
İhsan Çakır	Commercial Banking, Corporate Banking, Communication and Relations with Media, Cash Management	30 November 2007	University	13 years
Mehmet Cantekin	Internal Audit, Risk Management, Internal Control	27 December 2007	Master	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.

On 30 November 2007, M. Kürşat Demirkol has been appointed as the assistant general manager responsible from software development, banking system and hardware supporting; and İhsan Çakır has been appointed as the assistant general manager responsible from commercial and cooperate banking, communications and relations with media and cash management.

Mehmet Cantekin has been appointed as the assistant general manager responsible from risk management, internal audit and internal control on 27 December 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 has 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.

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 31 December 2007, the Bank has 466 domestic, 2 foreign, in total 468 branches (31 December 2006: 427 domestic, 2 foreign branches). As of 31 December 2007, the Bank has 8.700 employees (31 December 2006: 7.679 employees).

31 Aralık 2007 Tarihi İtibarıyla Konsolide Olmayan Mali Tablolar

ASSETS	Notes Section 5	Audited Current Year 31 December 2007			Restated Audited Prior Year 31 December 2006		
		YTL	FC	Total	YTL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	I-1	1,625,518	864,684	2,490,202	1,652,164	1,131,019	2,783,183
II. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	I-2	22,264	327,723	349,987	18,361	462,115	480,476
2.1 Financial assets held for trading		-	315,047	315,047	8,392	462,055	470,447
2.1.1 Government securities		-	315,047	315,047	-	462,055	462,055
2.1.2 Equity securities		-	-	-	8,392	-	8,392
2.1.3 Other securities		-	-	-	-	-	-
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Government securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.3 Trading derivatives		22,264	12,676	34,940	9,969	60	10,029
III. BANKS	I-3	810,251	1,936,017	2,746,268	512,809	2,550,682	3,063,491
IV. RECEIVABLES FROM INTERBANK MONEY MARKETS		715,335	-	715,335	871,800	-	871,800
4.1 Interbank money market placements		-	-	-	751,093	-	751,093
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		715,335	-	715,335	120,707	-	120,707
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	I-4	6,495,281	2,665,051	9,160,332	6,475,857	3,430,188	9,906,045
5.1 Equity securities		77,356	-	77,356	91,649	-	91,649
5.2 Government securities		6,417,925	2,665,051	9,082,976	6,384,208	3,430,188	9,814,396
5.3 Other securities		-	-	-	-	-	-
VI. LOANS	I-5	17,095,172	6,374,831	23,470,003	12,366,263	5,676,977	18,043,240
6.1 Performing loans		17,095,172	6,374,831	23,470,003	12,366,263	5,676,977	18,043,240
6.1.1 Loans of Bank's risk group		15,302	51,919	67,221	12,752	-	12,752
6.1.2 Others		17,079,870	6,322,912	23,402,782	12,353,511	5,676,977	18,030,488
6.2 Loans under follow-up		1,142,855	-	1,142,855	1,002,047	-	1,002,047
6.3 Specific provisions (-)		1,142,855	-	1,142,855	1,002,047	-	1,002,047
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)	I-6	1,350,673	125,689	1,476,362	-	48,391	48,391
8.1 Government securities		1,350,673	90,519	1,441,192	-	6,072	6,072
8.2 Other securities		-	35,170	35,170	-	42,319	42,319
IX. INVESTMENTS IN ASSOCIATES (Net)	I-7	24,923	-	24,923	17,381	-	17,381
9.1 Equity Method Associates		-	-	-	-	-	-
9.2 Unconsolidated Associates		24,923	-	24,923	17,381	-	17,381
9.2.1 Financial Associates		16,744	-	16,744	16,043	-	16,043
9.2.2 Non-Financial Associates		8,179	-	8,179	1,338	-	1,338
X. INVESTMENTS IN SUBSIDIARIES (Net)	I-8	454,832	41,073	495,905	350,386	41,073	391,459
10.1 Unconsolidated financial investments in subsidiaries		329,394	41,073	370,467	227,065	41,073	268,138
10.2 Unconsolidated non-financial investments in subsidiaries		125,438	-	125,438	123,321	-	123,321
XI. INVESTMENTS IN JOINT-VENTURES (Net)	I-9	-	-	-	-	-	-
11.1 Consolidated financial investments in joint-ventures		-	-	-	-	-	-
11.2 Unconsolidated investments in joint-ventures		-	-	-	-	-	-
11.2.1 Financial associates investments in joint-ventures		-	-	-	-	-	-
11.2.2 Non-Financial associates investments in joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	I-10	-	-	-	-	-	-
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT I-11		-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Net foreign investment hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	I-12	905,575	455	906,030	889,843	584	890,427
XV. INTANGIBLE ASSETS (Net)	I-13	13,496	-	13,496	4,975	-	4,975
15.1 Goodwill		-	-	-	30	-	30
15.2 Other intangibles		13,496	-	13,496	4,945	-	4,945
XVI. INVESTMENT PROPERTIES	I-14	-	-	-	-	-	-
XVII. TAX ASSET		49,720	-	49,720	41,111	-	41,111
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		49,720	-	49,720	41,111	-	41,111
XVIII. ASSETS HELD FOR SALE AND ASSETS RELATED TO THE DISCONTINUED OPERATIONS	I-16	-	-	-	-	-	-
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Assets related to the discontinued activities		-	-	-	-	-	-
XIX. OTHER ASSETS	I-17	271,278	238,635	509,913	110,046	232,382	342,428
TOTAL ASSETS		29,834,318	12,574,158	42,408,476	23,310,996	13,573,411	36,884,407

		Audited Current Year 31 December 2007			Restated Audited Prior Year 31 December 2006		
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes Section 5	YTL	FC	Total	YTL	FC	Total
I. DEPOSITS	II-1	22,402,194	6,460,319	28,862,513	17,562,632	7,279,428	24,842,060
1.1	Deposits of Bank's risk group	1,218,194	114,153	1,332,347	127,296	81,318	208,614
1.2	Others	21,184,000	6,346,166	27,530,166	17,435,336	7,198,110	24,633,446
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-2	20,003	2,287	22,290	-	3,742	3,742
III. FUNDS BORROWED	II-3	52,803	4,640,055	4,692,858	61,991	4,935,145	4,997,136
IV. INTERBANK MONEY MARKET		793,915	1,282,170	2,076,085	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	793,915	1,282,170	2,076,085	909	1,369,185	1,370,094
V. SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1	Bills	-	-	-	-	-	-
5.2	Asset backed securities	-	-	-	-	-	-
5.3	Bonds	-	-	-	-	-	-
VI. FUNDS		121,964	-	121,964	139,922	-	139,922
6.1	Funds against borrower's note	-	-	-	-	-	-
6.2	Others	121,964	-	121,964	139,922	-	139,922
VII. MISCELLANEOUS PAYABLES		362,091	67,298	429,389	310,497	7,863	318,360
VIII. OTHER EXTERNAL RESOURCES PAYABLE	II-4	142,516	139,637	282,153	36,779	153,999	190,778
IX. FACTORING PAYABLES	II-9	-	-	-	-	-	-
X. LEASE PAYABLES (Net)	II-5	-	24,706	24,706	-	12,494	12,494
10.1	Financial lease payables	-	26,639	26,639	-	13,422	13,422
10.2	Operational lease payables	-	-	-	-	-	-
10.3	Others	-	-	-	-	-	-
10.4	Deferred financial leasing expenses (-)	-	1,933	1,933	-	928	928
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	II-6	-	-	-	-	-	-
11.1	Fair value hedges	-	-	-	-	-	-
11.2	Cash flow hedges	-	-	-	-	-	-
11.3	Net foreign investment hedges	-	-	-	-	-	-
XII. PROVISIONS	II-7	487,778	11,312	499,090	386,854	4,508	391,362
12.1	General provisions	169,789	3,956	173,745	125,955	4,508	130,463
12.2	Restructuring reserves	-	-	-	-	-	-
12.3	Reserve for employee benefits	215,295	-	215,295	128,187	-	128,187
12.4	Insurance technical provisions (Net)	-	-	-	-	-	-
12.5	Other provisions	102,694	7,356	110,050	132,712	-	132,712
XIII. TAX LIABILITY		169,393	1,753	171,146	154,083	975	155,058
13.1	Current tax liability	169,393	1,753	171,146	154,083	975	155,058
13.2	Deferred tax liability	-	-	-	-	-	-
XIV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED ACTIVITIES	II-9	-	-	-	-	-	-
14.1	Payables related to the assets held for sale	-	-	-	-	-	-
14.2	Payables related to the discontinued activities	-	-	-	-	-	-
XV. SUBORDINATED LOANS	II-10	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY		5,184,322	41,960	5,226,282	4,407,580	55,821	4,463,401
16.1	Paid-in capital	2,500,000	-	2,500,000	2,500,000	-	2,500,000
16.2	Capital reserves	1,021,532	41,960	1,063,492	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	Valuation differences of the marketable securities	233,470	41,960	275,430	80,565	55,821	136,386
16.2.4	Revaluation surplus on tangible assets	25	-	25	-	-	-
16.2.5	Revaluation surplus on intangible assets	-	-	-	-	-	-
16.2.6	Revaluation surplus on investment properties	-	-	-	-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures	64,119	-	64,119	35,142	-	35,142
16.2.8	Hedging reserves (effective portion)	-	-	-	-	-	-
16.2.9	Revaluation surplus on assets held for sale and assets related to the discontinued operations	-	-	-	-	-	-
16.2.10	Other capital reserves	-	-	-	-	-	-
16.3	Profit reserves	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
16.4	Profit or loss	1,038,586	-	1,038,586	813,323	-	813,323
16.4.1	Prior years' profit/loss	7,886	-	7,886	51,747	-	51,747
16.4.2	Current year's profit/loss	1,030,700	-	1,030,700	761,576	-	761,576
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		29,736,979	12,671,497	42,408,476	23,061,247	13,823,160	36,884,407

		Audited Current Year 31 December 2007			Restated Audited Prior Year 31 December 2006		
Notes	Section 5	YTL	FC	TOTAL	YTL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)	9,248,759	4,085,089	13,333,848	4,876,228	3,380,234	8,256,462
I.	GUARANTEES AND SURETIES III-1-4	2,773,335	3,067,460	5,840,795	1,857,555	3,014,367	4,871,922
1.1.	Letters of guarantee	2,773,207	1,489,200	4,262,407	1,857,461	1,423,832	3,281,293
1.1.1.	Guarantees subject to State Tender Law	378,638	359,572	738,210	467,716	139,991	607,707
1.1.2.	Guarantees given for foreign trade operations	83,353	229	83,582	61,374	189	61,563
1.1.3.	Other letters of guarantee	2,311,216	1,129,399	3,440,615	1,328,371	1,283,652	2,612,023
1.2.	Bank acceptances	-	456,865	456,865	-	354,923	354,923
1.2.1.	Import letter of acceptance	-	164,948	164,948	-	43,988	43,988
1.2.2.	Other bank acceptances	-	291,917	291,917	-	310,935	310,935
1.3.	Letters of credit	128	1,117,927	1,118,055	-	1,225,892	1,225,892
1.3.1.	Documentary letters of credit	128	1,117,927	1,118,055	-	1,225,892	1,225,892
1.3.2.	Other letters of credit	-	-	-	-	-	-
1.4.	Guaranteed pre-financings	-	2,639	2,639	-	2,957	2,957
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey	-	-	-	-	-	-
1.5.2.	Other endorsements	-	-	-	-	-	-
1.6.	Marketable securities underwriting commitments	-	-	-	-	-	-
1.7.	Factoring related guarantees	-	-	-	-	-	-
1.8.	Other guarantees	-	829	829	94	6,763	6,857
1.9.	Other sureties	-	-	-	-	-	-
II.	COMMITMENTS	6,016,092	12,973	6,029,065	2,935,513	64,059	2,999,572
2.1.	Irrevocable commitments	6,007,536	12,809	6,020,345	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	1,452,873	-	1,452,873	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	1,330,395	-	1,330,395	1,305,070	-	1,305,070
2.1.8.	Tax and fund obligations on export commitments	-	-	-	-	-	-
2.1.9.	Commitments for credit card limits	3,067,930	-	3,067,930	1,611,354	-	1,611,354
2.1.10.	Commitments for credit card and banking operations promotions	156,338	-	156,338	10,447	-	10,447
2.1.11.	Receivables from "short" sale commitments on securities	-	-	-	-	-	-
2.1.12.	Payables from "short" sale commitments on securities	-	-	-	-	-	-
2.1.13.	Other irrevocable commitments	-	12,809	12,809	-	-	-
2.2.	Revocable commitments	8,556	164	8,720	8,095	52,233	60,328
2.2.1.	Revocable loan granting commitments	8,556	164	8,720	8,095	198	8,293
2.2.2.	Other revocable commitments	-	-	-	-	52,035	52,035
III.	DERIVATIVE FINANCIAL INSTRUMENTS III-5	459,332	1,004,656	1,463,988	83,160	301,808	384,968
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	459,332	1,004,656	1,463,988	83,160	301,808	384,968
3.2.1.	Forward foreign currency purchases/sales	248,357	236,369	484,726	-	9,837	9,837
3.2.1.1.	Forward foreign currency purchases	124,261	118,185	242,446	-	4,919	4,919
3.2.2.	Forward foreign currency sales	124,096	118,184	242,280	-	4,918	4,918
3.2.2.	Currency and interest rate swaps	210,975	768,287	979,262	83,160	291,971	375,131
3.2.2.1.	Currency swaps-purchases	40,000	217,891	257,891	-	-	-
3.2.2.2.	Currency swaps-sales	-	252,737	252,737	-	-	-
3.2.2.3.	Interest rate swaps-purchases	83,160	155,199	238,359	83,160	106,166	189,326
3.2.2.4.	Interest rate swaps-sales	87,815	142,460	230,275	-	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.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	40,378,971	6,814,918	47,193,889	33,320,788	7,229,953	40,550,741
IV.	ITEMS HELD IN CUSTODY	12,850,573	412,381	13,262,954	11,734,986	485,078	12,220,064
4.1.	Customers' securities held	-	11,334	11,334	-	13,618	13,618
4.2.	Investment securities held in custody	12,019,535	2,761	12,022,296	11,109,692	30,674	11,140,366
4.3.	Checks received for collection	363,710	78,135	441,845	223,854	116,902	340,756
4.4.	Commercial notes received for collection	149,766	102,646	252,412	111,527	125,522	237,049
4.5.	Other assets received for collection	6,010	873	6,883	6,545	478	7,023
4.6.	Assets received through public offering	-	333	333	-	116	116
4.7.	Other items under custody	215,862	5,196	221,058	171,691	5,600	177,291
4.8.	Custodians	95,690	211,103	306,793	111,677	192,168	303,845
V.	PLEDGED ITEMS	27,528,398	6,402,537	33,930,935	21,585,802	6,744,875	28,330,677
5.1.	Securities	811,074	50,146	861,220	928,482	35,278	963,760
5.2.	Guarantee notes	514,264	246,818	761,082	294,585	320,358	614,943
5.3.	Commodities	6,193,978	-	6,193,978	5,932,412	-	5,932,412
5.4.	Warranties	-	6,420	6,420	-	-	-
5.5.	Real estates	19,454,045	5,516,873	24,970,918	14,139,270	5,703,996	19,843,266
5.6.	Other pledged items	368,341	559,863	928,204	150,780	670,661	821,441
5.7.	Pledged items-depository	186,696	22,417	209,113	140,273	14,582	154,855
VI.	CONFIRMED BILLS OF EXCHANGE AND SURETIES	-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		49,627,730	10,900,007	60,527,737	38,197,016	10,610,187	48,807,203

			Audited Current Year 1 January 2007 31 December 2007	Restated Audited Prior Year 1 January 2006 31 December 2006
		Notes Section 5	Total	Total
I.	INTEREST INCOME	IV-1	5,352,473	4,408,988
1.1	Interest income from loans		3,255,886	2,486,747
1.2	Interest income from reserve deposits		161,632	124,223
1.3	Interest income from banks		175,985	118,961
1.4	Interest income from money market transactions		187,170	264,531
1.5	Interest income from securities portfolio		1,565,578	1,414,526
1.5.1	Trading financial assets		37,277	131,400
1.5.2	Financial assets at fair value through profit or loss		-	-
1.5.3	Financial assets available-for-sale		1,418,205	1,270,981
1.5.4	Investments held-to-maturity		110,096	12,145
1.6	Financial lease income		-	-
1.7	Other interest income		6,222	-
II.	INTEREST EXPENSE	IV-2	3,676,639	2,823,738
2.1	Interest expense on deposits		3,241,026	2,559,896
2.2	Interest expense on funds borrowed		255,320	203,486
2.3	Interest expense on money market transactions		162,909	57,705
2.4	Interest expense on securities issued		-	-
2.5	Other interest expenses		17,384	2,651
III.	NET INTEREST INCOME (I - II)		1,675,834	1,585,250
IV.	NET FEES AND COMMISSIONS INCOME		360,490	288,374
4.1	Fees and commissions received		516,005	413,628
4.1.1	Non-cash loans		50,479	46,529
4.1.2	Others		465,526	367,099
4.2	Fees and commissions paid		155,515	125,254
4.2.1	Non-cash loans		11	2
4.2.2	Others		155,504	125,252
V.	DIVIDEND INCOME	IV-3	34,718	16,557
VI.	NET TRADING INCOME/LOSSES (Net)	IV-4	193,349	43,150
6.1	Trading account income/losses (Net)		47,522	45,490
6.2	Foreign exchange gains/losses (Net)		145,827	(2,340)
VII.	OTHER OPERATING INCOME	IV-5	356,713	343,326
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		2,621,104	2,276,657
IX.	PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	IV-6	368,434	308,359
X.	OTHER OPERATING EXPENSES (-)	IV-7	994,571	950,333
XI.	NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,258,099	1,017,965
XII.	INCOME RESULTED FROM MERGERS		-	-
XIII.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XV.	INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+XII+XIII+XIV)		1,258,099	1,017,965
XVI.	CONTINUING OPERATIONS PROVISION FOR TAXES	IV-11	(227,399)	(256,389)
16.1	Current tax charge		(255,483)	(180,612)
16.2	Deferred tax charge/(credit)		28,084	(75,777)
XVII.	NET INCOME/LOSS AFTER TAXES FROM CONTINUING OPERATIONS (XV-XVI)	IV-12	1,030,700	761,576
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from investment properties		-	-
18.2	Income from sales of subsidiaries, affiliates and joint-ventures		-	-
18.3	Other income from discontinued activities		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS		-	-
19.1	Investment property expenses		-	-
19.2	Losses from sales of subsidiaries, affiliates and joint ventures		-	-
19.3	Other expenses from discontinued activities		-	-
XX.	INCOME/LOSS FROM DISCONTINUED OPERATIONS BEFORE TAXES		-	-
XXI.	DISCONTINUED OPERATIONS PROVISION FOR TAXES		-	-
21.1	Current tax charge		-	-
21.2	Deferred tax charge		-	-
XXII.	NET INCOME/LOSS AFRET TAXES FROM DISCONTINUED OPERATIONS		-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	IV-12	1,030,700	761,576
EARNINGS PER SHARE (full YTL)			0.4123	0.3046

		Audited Current Year 31 December 2007	Audited Prior Year 31 December 2006
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ÖZKAYNAKLARDA MUHASEBELEŞTİRİLEN GELİR GİDER KALEMLERİ	5. Bölüm	Toplam	Toplam
I. VALUATION DIFFERENCES OF AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNIZED IN SECURITIES VALUATION DIFFERENCES	V-1	113,841	(272,065)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS		25	1,896
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS		-	-
IV. CURRENCY TRANSLATION DIFFERENCES		-	-
V. INCOME/(LOSS) FROM CASH FLOW HEDGES (Effective Portion of Fair Value Changes)		-	-
VI. INCOME/(LOSS) FROM NET FOREIGN INVESTMENT HEDGES (Effective portion)		-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ERRORS		-	(27,393)
VIII. OTHER INCOME AND EXPENSES BOOKED UNDER SHAREHOLDERS' EQUITY IN ACCORDANCE WITH TAS	V-1	78,043	(47,610)
IX. DEFERRED TAXES DUE TO VALUATION DIFFERENCES	V-1	(26,584)	89,949
X. NET INCOME/EXPENSE BOOKED DIRECTLY UNDER SHAREHOLDERS' EQUITY		165,325	(255,223)
XI. CURRENT YEAR'S PROFIT/(LOSS)		(26,256)	(3,303)
11.1 Change in fair value of securities (Transfers to the profit/loss)	V-1	(26,256)	(3,303)
11.2 Cash flow hedge that is reclassified and disclosed on income statement		-	-
11.3 Net foreign investment hedge that is reclassified and disclosed on income statement		-	-
11.4 Others		-	-
XXIII. TOTAL PROFIT OR LOSS RECOGNIZED DURING THE YEAR		139,069	(258,526)

	Notes Section 5	Audited Current Year 31 December 2007	Restated Audited Prior Year 31 December 2006
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities	VI-1	770,514	522,942
1.1.1 Interests received		5,034,852	4,216,355
1.1.2 Interests paid		3,606,329	2,750,757
1.1.3 Dividends received		34,718	16,557
1.1.4 Fees and commissions received		516,005	413,628
1.1.5 Other income		550,062	390,385
1.1.6 Collections from previously written-off loans and other receivables		73,145	234,351
1.1.7 Payments to personnel and service suppliers		457,156	363,621
1.1.8 Taxes paid		173,017	681,701
1.1.9 Others		(1,201,766)	(952,255)
1.2 Changes in operating assets and liabilities	VI-1	(405,340)	(1,260,947)
1.2.1 Net (increase)/decrease in financial assets held for trading		129,802	517,436
1.2.2 Net (increase)/decrease in financial assets designated at fair value through profit or loss		-	-
1.2.3 Net (increase)/decrease in due from banks and other financial institutions		(104,662)	43,713
1.2.4 Net (increase)/decrease in loans		(5,346,079)	(5,856,505)
1.2.5 Net (increase)/decrease in other assets		89,922	(358,964)
1.2.6 Net increase/(decrease) in bank deposits		195,462	1,171,303
1.2.7 Net increase/(decrease) in other deposits		3,834,552	1,720,606
1.2.8 Net increase/(decrease) in funds borrowed		(309,260)	1,450,155
1.2.9 Net increase/(decrease) in matured payables		-	-
1.2.10 Net increase/(decrease) in other liabilities		1,104,923	51,309
I. Net cash flow from banking operations	VI-1	365,174	(738,005)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		(570,631)	642,228
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures	VI-2	5,685	7,690
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures	VI-3	752	6,599
2.3 Purchases of tangible assets		160,428	66,838
2.4 Sales of tangible assets		71,842	296,031
2.5 Cash paid for purchase of financial assets available-for-sale		-	103,228
2.6 Cash obtained from sale of financial assets available-for-sale		868,127	-
2.7 Cash paid for purchase of investments held-to-maturity		1,345,239	446,324
2.8 Cash obtained from sale of investments held-to-maturity		-	758,713
2.9 Others		-	204,965
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		(423,653)	(402,088)
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)	(440,352)
3.5 Payments for financial leases		(12,995)	(10,617)
3.6 Others		25,207	48,881
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-	-
V. Net decrease in cash and cash equivalents		(629,110)	(497,865)
VI. Cash and cash equivalents at the beginning of the year	VI-4	5,888,998	6,386,863
VII. Cash and cash equivalents at the end of the year	VI-5	5,259,888	5,888,998

	Notes Section 5	Current Year 31 December 2007	Prior Year 31 December 2006
I. DISTRIBUTION OF CURRENT YEAR PROFIT			
1.1 CURRENT YEAR'S PROFIT		1,258,099	1,017,965
1.2 TAXES AND LEGAL DUTIES PAYABLE		227,399	256,389
1.2.1 Corporate tax (income tax)		255,483	180,612
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties		(28,084)	75,777
A. NET PROFIT FOR THE YEAR		1,030,700	761,576
1.3 ACCUMULATED LOSSES		-	-
1.4 FIRST LEGAL RESERVES		50,131	38,486
1.5 OTHER STATUTORY RESERVES		50,131	38,486
B. NET PROFIT AVAILABLE FOR DISTRIBUTION		902,354	684,604
1.6 FIRST DIVIDEND TO SHAREHOLDERS	V-5	-	384,865
1.6.1 To owners of ordinary shares		-	384,865
1.6.2 To owners of privileged shares		-	-
1.6.3 To owners of redeemed shares		-	-
1.6.4 To profit sharing bonds		-	-
1.6.5 To holders of profit and loss sharing certificates		-	-
1.7 DIVIDENDS TO PERSONNEL	V-5	-	51,000
1.8 DIVIDENDS TO BOARD OF DIRECTORS		-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS		-	-
1.9.1 To owners of ordinary shares		-	-
1.9.2 To owners of privileged shares		-	-
1.9.3 To owners of redeemed shares		-	-
1.9.4 To profit sharing bonds		-	-
1.9.5 To holders of profit and loss sharing certificates		-	-
1.10 SECOND LEGAL RESERVES		-	-
1.11 STATÜS RESERVES		-	-
1.12 EXTRAORDINARY RESERVES		-	248,739
1.13 OTHER RESERVES		-	-
1.14 SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES			
2.1 DISTRIBUTION OF RESERVES		-	-
2.2 SECOND LEGAL RESERVES		-	-
2.3 DIVIDENDS TO SHAREHOLDERS		-	-
2.3.1 To owners of ordinary shares		-	-
2.3.2 To owners of privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
2.4 DIVIDENDS TO PERSONNEL		-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS		-	-
III. EARNINGS PER SHARE			
3.1 TO OWNERS OF ORDINARY SHARES		0.4123	0.3046
3.2 TO OWNERS OF ORDINARY SHARES (%)		41.2	30.5
3.3 TO OWNERS OF PRIVILEGED SHARES		-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1 TO OWNERS OF ORDINARY SHARES		-	0.1539
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	15.4
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-

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 as of 31 December 2006 is disclosed in prior periods.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for the securities designated 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 to 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 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 received and paid are recognized according to either accrual basis of accounting or effective interest rate method depending on nature of fees and commissions, incomes derived from agreements and asset purchases for third parties are recognized as income when realized.

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 designated 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 "valuation differences of the marketable securities" under 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 rate method. 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 and liabilities arising from 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

Tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of 31 December 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs indexed to the inflation rates for 31 December 2004. For the tangible assets that have been purchased after 1 January 2005; they have been recorded at their costs excluding their exchange rate disparity and financial expenses.

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:

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

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 labour law in Turkey, the Bank is required to pay certain amounts to the employees retired or fired except for resignation or misbehaviours.

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".

As of 31 December 2007 the main actuarial assumptions used in the calculation of the total liability are as follows:

	Current Year	Prior Year
Discount Rate	5.71%	5.71%
Expected Rate of Salary/Limit Increase	5.00%	5.00%
Estimated Employee Turnover Rate	0.51%	0.51%

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 non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, increased to 15% from 10%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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

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

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

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 31 December 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 X of the fourth section.

XXII. Other disclosures

Disclosures for the first-time adoption of Reporting Standards

The errors made in the reported financial statements of prior periods are also adjusted in accordance with Turkish Accounting Standard ("TAS 8") "Accounting policies, changes in accounting estimates and errors" and adjustments made to the previous periods' financial statements are also summarized below.

	Valuation Difference of Marketable Securities	Current Year's Profit/ (Loss)	Other Profit Reserves	Prior Years' Profit/ (Loss)	Shareholders' Equity
Reported Balances as at 31 December 2005 Before Reporting Standards	332,592	535,170	127,352	-	4,261,408
Adjustments in accordance with TFRS 1:					
Reserve for Employee Severance Indemnities	-	(8,982)	-	(59,799)	(68,781)
Financial assets valuation differences	66,734	1,385	-	106,625	174,744
Reported Balances as at 31 December 2005 After Reporting Standards	399,326	527,573	127,352	46,826	4,367,371
Adjustments in accordance with TAS 8:					
Valuation adjustments for the equity securities classified as financial assets available-for-sale, associates and subsidiaries	(22,334)	-	-	-	(22,334)
Exchange rate difference on investments in foreign subsidiaries (*)	-	4,320	-	8,198	12,518
Adjustments to deferred taxes	(7,577)	-	(10,000)	-	(17,577)
Restated Balances as at 31 December 2005	369,415	531,893	117,352	55,024	4,339,978
	Valuation Difference of Marketable Securities	Current Year's Profit/ (Loss)	Other Profit Reserves	Prior Years' Profit/ (Loss)	Shareholders' Equity
Reported Balances as at 31 December 2006	154,778	769,730	161,974	39,229	4,487,429
Adjustments in accordance with TAS 8:					
Valuation adjustments for the equity securities classified as financial assets available-for-sale, associates and subsidiaries	(15,134)	-	-	-	(15,134)
Exchange rate difference on investments in foreign subsidiaries (*)	-	(4,632)	-	12,518	7,886
Adjustments to deferred taxes	(3,258)	(3,522)	(10,000)	-	(16,780)
Restated Balances as at 31 December 2006	136,386	761,576	151,974	51,747	4,463,401

(*) 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.
- Leasehold improvements which were previously presented as "Intangible assets" amounting to YTL 28,320, has been reclassified as "Tangible assets" in the comparative financial statements.
- "Provision expense for employee termination benefits" which was previously presented as "Provision for losses on loans and other receivables" amounting to YTL 15,002, has been reclassified as "Other operating expenses" in the 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 year ended 31 December 2007, earnings per share is YTL 0.4123 (31 December 2006: YTL 0.3046).

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 VII.

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.

Information Related to Financial Position of the Bank

I. Capital adequacy ratio

The Bank's unconsolidated capital adequacy ratio is 15.35% (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

	31 December 2007 Risk Weights			
	0%	20%	50%	100%
Value at Credit Risk				
Balance Sheet Items (Net)	13,901,234	2,811,121	4,876,113	20,041,188
Cash on Hand	419,619	338	-	-
Securities in Redemption	-	-	-	-
Balances with the Central Bank of Turkey	1,444,251	-	-	-
Domestic and Foreign Banks, Foreign Head Offices and Branches	-	2,667,963	-	76,584
Interbank Money Market Placements	-	-	-	-
Receivables from Reverse Repurchase Agreements	715,000	-	-	-
Reserve Deposits	584,283	-	-	-
Loans	123,899	195	4,800,180	18,180,246
Loans under Follow-Up (Net)	-	-	-	-
Lease Receivables	-	-	-	-
Financial Assets Available-for-Sale	8,425,534	77,356	-	-
Investments Held-to-Maturity	1,358,188	34,950	-	-
Receivables from Term Sale of Assets	-	-	-	138,749
Miscellaneous Receivables	-	-	-	127,018
Accrued Interest and Income	776,046	30,319	75,933	287,636
Investments in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	517,604
Tangible Assets (Net)	-	-	-	678,242
Other Assets	54,414	-	-	35,109
Off-Balance Sheet Items	-	1,752,251	334,243	3,416,498
Non-Cash Loans and Commitments	-	1,729,314	334,243	3,416,498
Derivative Financial Instruments	-	22,937	-	-
Non-Risk-Weighted Accounts	-	-	-	-
Total Risk-Weighted Assets	13,901,234	4,563,372	5,210,356	23,457,686

Summary information related to capital adequacy ratio

	Current Year	Prior Year
Value at Credit Risk	26,975,538	20,625,699
Value at Market Risk (**)	650,125	215,125
Value at Operational Risk (*)	3,642,163	-
Shareholders' Equity	4,799,690	4,320,483
Shareholders' Equity/ (VaCR+VaMR+VaOR)*100	15.35	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.BYD.126.01 and dated 7 February 2008, value at operational risk based on gross income for the years ended 31 December 2004, 2005 and 2006 is used for the calculation of capital adequacy standard ratio as of and for the year ended 31 December 2007.

(**) 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

	Current Year	Prior Year
CORE CAPITAL		
Paid-in Capital	2,500,000	2,500,000
Nominal Capital	2,500,000	2,500,000
Capital Commitments (-)	-	-
Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-
Share Premium	723,918	723,918
Share Cancellation Profits	-	-
Legal Reserves	179,631	102,658
I. Legal Reserve (Turkish Commercial Code 466/1)	89,815	51,329
II. Legal Reserve (Turkish Commercial Code 466/2)	-	-
Reserves allocated as per Special Legislations	89,816	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	1,038,586	813,323
Current Year's Profit	1,030,700	761,576
Prior Years' Profit	7,886	51,747
Provision for Possible Losses (upto 25% of Core Capital)	-	21,000
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	25	-
Primary Subordinated Debt (upto 15% of Core Capital)	-	-
Loss excess of Reserves (-)	-	-
Current Year's Loss	-	-
Prior Years' Loss	-	-
Leasehold Improvements (-)	46,865	28,320
Prepaid Expenses (-)	204,343	48,733
Intangible Assets (-)	13,496	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 (-)	-	-
Total Core Capital	4,886,733	4,312,873
SUPPLEMENTARY CAPITAL		
General Provisions	173,745	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 Valuation Differences of Marketable Securities	123,944	61,374
Associates and Subsidiaries	71,671	37,491
Available for Sale Investment Securities	52,273	23,883
Other Profit Reserves	-	-
Total Supplementary Capital	361,808	226,979
TIER III CAPITAL		
CAPITAL	5,248,541	4,539,852
DEDUCTIONS FROM CAPITAL	448,851	219,369
Unconsolidated investments in Entities (domestic/foreign) operating in Banking and Financial Sectors exceeding 10% of ownership	3,224	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	180,923	134,672
Others	-	-
TOTAL SHAREHOLDERS' EQUITY	4,799,690	4,320,483

II. Credit risk

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

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

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

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

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

For credit risk management purposes Risk Management Department performs

- the determination of credit risk policies in coordination with the Bank's other units,

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

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

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

The Bank's largest 200 cash loan customers compose 40.12% of the total cash loan portfolio. The Bank's largest 200 non-cash loan customers compose 75.25% of the total non-cash loan portfolio.

The Bank's largest 200 cash loan customers compose 22.20% of total assets of the Bank and the Bank's largest 200 non-cash loan customers compose 32.96% of total off-balance sheet items.

The general provision for credit risk amounts to YTL 173,745 (31 December 2006: 130,463).

Sectoral and geographical concentration of the credit risk

	Personal and Commercial Loans		Banks and Other Financial Institution		Marketable Securities(*)		Other Loans(**)	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Sectoral Concentration								
Private Sector	13,330,048	11,826,756	652,685	230,798	-	-	4,896,925	3,895,273
Public Sector	2,919,427	888,451	1,042	-	10,839,215	10,282,523	785,588	926,912
Banks	-	-	5,553,003	6,400,343	35,170	42,319	498,792	353,461
Consumers	6,545,646	5,005,629	-	-	-	-	-	-
Equity Securities	-	-	-	-	77,356	100,041	520,828	408,840
Geographical Concentration								
Domestic	22,590,734	17,707,281	4,385,685	3,782,442	10,916,571	10,382,564	3,816,623	3,021,634
EU Countries	191,401	-	1,570,837	2,215,416	-	-	1,273,582	1,201,491
OECD Countries (***)	-	-	23,880	265,711	-	-	306,974	311,922
Off-Shore Banking Regions	-	-	12,465	80,579	-	-	1,175	-
USA, Canada	12,986	6,555	206,618	286,393	35,170	42,319	387,357	356,463
Other Countries	-	7,000	7,245	600	-	-	916,422	692,976
Total	22,795,121	17,720,836	6,206,730	6,631,141	10,951,741	10,424,883	6,702,133	5,584,486

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

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

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

Geographical Concentration

Current Year	Assets	Liabilities	Non- Cash Loans	Capital Expenditures	Net Profit/ (Loss)
Domestic	39,797,225	35,619,420	3,026,179	160,428	1,030,700
EU Countries	1,791,146	6,502,810	1,203,601	-	-
OECD Countries (*)	23,880	60,461	306,974	-	-
Off-Shore					
RegionsRegions	13,337	72,596	303	-	-
USA, Canada	254,815	86,545	387,316	-	-
Other Countries	7,245	66,644	916,422	-	-
Subsidiaries, Affiliates and Joint-Ventures	520,828	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	42,408,476	42,408,476	5,840,795	160,428	1,030,700

Prior Year	Assets	Liabilities	Non- Cash Loans	Capital Expenditures	Net Profit/ (Loss)
Domestic	33,519,892	30,681,611	2,401,245	66,838	761,576
EU Countries	2,256,489	5,122,866	1,119,345	-	-
OECD Countries (*)	265,711	175,488	311,922	-	-
Off-Shore					
Regions	80,579	29,646	-	-	-
USA, Canada	345,296	578,437	346,434	-	-
Other Countries	7,600	296,359	692,976	-	-
Subsidiaries, Affiliates and Joint-Ventures	408,840	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	36,884,407	36,884,407	4,871,922	66,838	761,576

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

Sectoral distribution of cash loans

	Current Year				Prior Year			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	272,203	1.59	94,935	1.48	113,754	0.92	59,741	1.05
Farming and Stockbreeding	234,847	1.37	35,947	0.56	99,666	0.81	15,916	0.28
Forestry	29,134	0.17	21,314	0.33	11,749	0.09	28,964	0.51
Fishery	8,222	0.05	37,674	0.59	2,339	0.02	14,861	0.26
Manufacturing	2,279,296	13.33	2,785,864	43.70	1,235,558	9.99	2,746,455	48.38
Mining	488,795	2.86	73,994	1.16	352,998	2.85	61,431	1.08
Production	1,667,156	9.75	2,650,375	41.58	836,916	6.77	2,621,371	46.18
Electricity, Gas, Water	123,345	0.72	61,495	0.96	45,644	0.37	63,653	1.12
Construction	1,131,998	6.62	393,296	6.17	512,267	4.14	964,721	16.99
Services	3,653,285	21.37	2,418,155	37.95	2,381,646	19.26	1,704,863	30.03
Wholesale and Retail Trade	1,483,792	8.68	708,022	11.11	784,797	6.35	440,014	7.75
Hotel, Food and Beverage								
Services	146,479	0.86	231,104	3.63	100,810	0.82	310,730	5.47
Transportation and								
Telecommunication	1,578,251	9.23	878,506	13.78	1,219,145	9.86	628,614	11.07
Financial Institutions	290,492	1.70	483,781	7.59	206,455	1.67	120,000	2.11
Real Estate and Renting Services	17,039	0.10	8,666	0.14	4,833	0.03	-	-
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Educational Services	22,089	0.13	12,519	0.20	8,203	0.07	15,393	0.27
Health and Social Services	115,143	0.67	95,557	1.50	57,403	0.46	190,112	3.36
Other	9,758,390	57.09	682,581	10.70	8,123,038	65.69	201,197	3.55
Total	17,095,172	100.00	6,374,831	100.00	12,366,263	100.00	5,676,977	100.00

Gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade

31 December 2007	Loans		Other assets	
	Gross	Net	Gross	Net
Grade 8 : Individually Impaired	67,684	-	-	-
Grade 9 : Individually Impaired	148,064	-	-	-
Grade 10 : Individually Impaired	927,107	-	-	-
Total	1,142,855	-	-	-

31 December 2007	Loans		Other assets	
	Gross	Net	Gross	Net
Grade 8 : Individually Impaired	196,943	-	-	-
Grade 9 : Individually Impaired	30,429	-	-	-
Grade 10 : Individually Impaired	774,675	-	-	-
Total	1,002,047	-	-	-

The Bank's rating system has grades between 1 to 10 according to the criteria set in the analyze report. Grades 1 to 7 are used to define performing loans while grades 8 to 10 are used to define non-performing loans. While grading customers, the Bank considers revenues, cash flows, operational performance of the companies, position of the companies in their sector, market intelligence, efficiency of the management, off balance sheet risks, balance sheet analysis, and general economic and market conditions.

Performing cash and non-cash loans by type of collateral

Cash loans	31 December 2007	31 December 2006
Secured Loans:	17,200,279	14,961,288
Secured by cash collateral	5,377	7,782
Secured by mortgages	6,568,223	5,950,218
Secured by government institutions or government securities	161,984	120,728
Guarantees issued by financial institutions	-	-
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	10,464,695	8,882,560
Unsecured Loans	6,269,724	3,081,952
Total performing loans	23,470,003	18,043,240

Non-cash loans	31 December 2007	31 December 2006
Secured Loans:	3,242,020	2,738,170
Secured by cash collateral	195,264	170,321
Secured by mortgages	1,003,575	1,075,354
Secured by government institutions or government securities	-	-
Guarantees issued by financial institutions	210,669	206,965
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	1,832,512	1,285,530
Unsecured Loans	2,598,775	2,133,752
Total non-cash loans	5,840,795	4,871,922

Fair value of collateral held against impaired loans

	31 December 2007	31 December 2006
Cash collateral (*)	-	-
Mortgage	428,998	358,188
Promissory note (*)	-	-
Others (**)	713,857	643,859
Total	1,142,855	1,002,047

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

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

Sectoral and geographical concentration of impaired loans

Sectoral	31 December 2007	31 December 2006
Textile	99,836	89,450
Food	92,755	91,920
Durable consumption	90,840	115,624
Consumer loans	53,716	31,711
Construction	44,183	36,273
Service sector	34,546	42,655
Agriculture and stockbreeding	11,366	8,251
Metal and metal products	11,085	5,320
Financial institutions	948	795
Other	703,580	580,048
Total non-performing loans	1,142,855	1,002,047

Geographical	31 December 2007	31 December 2006
Turkey	1,142,855	1,002,047
Total non-performing loans	1,142,855	1,002,047

Past due but not impaired loans and receivables

	31 December 2007	31 December 2006
Grade 1-3 : Low risk loans and receivables	483,538	359,626
Grade 4-5 : Loans and receivables under follow-up	87,851	14,492
Total	571,389	374,118

Aging of past due but not impaired loans and receivables

	31 December 2007	31 December 2006
0-30 days	10,694	877
30-60 days	270,329	225,901
60-90 days	290,366	147,340
Total	571,389	374,118

Undue and not impaired loans and receivables

	31 December 2007	31 December 2006
Grade 1-3 : Low risk loans and receivables	21,848,927	15,851,472
Grade 4-5 : Loans and receivables under follow-up	859,202	1,626,461
Total	22,708,129	17,477,933
Restructured loans	190,485	191,189
Total	22,898,614	17,669,122

III. 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.

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

In addition to the standard method, the 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 analysis 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

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	30,442
(II) Capital Obligation against Specific Risks - Standard Method	-
(III) Capital Obligation against Currency Risk - Standard Method	21,568
(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)	52,010
(IX) Value-At-Market Risk ((12.5*VIII) or (12.5*VII))	650,125

Monthly average values at market risk

	Current Year			Prior Year		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	21,224	30,442	10,705	88,079	112,757	8,844
Common Share Risk	296	1,930	-	2,328	3,690	876
Currency Risk	16,551	39,964	3,442	16,407	29,065	7,359
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Total Value at Risk	475,884	650,125	213,038	1,335,178	1,703,525	215,125

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Bank's investment portfolio.

The effect on equity as a result of change in the fair value of equity instruments held as available for sale financial assets at 31 December 2007 and 31 December 2006 due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

		31 December 2007	31 December 2006
	Change in index	Equity	Equity
ISE - 100 (IMKB- 100)	10%	24,364	14,962

IV. Operational risk

The Bank calculated the value at operational risk in accordance with the fourth section which was effective starting from 1 June 2007, "Computation of Value of Operational Risk" of "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 26333 and dated 1 November 2006. In accordance with the BRSA circular numbered BDDK.BYD.126.01 and dated 7 February 2008, value at market risk is calculated from gross income for the years ended 31 December 2005, 2006 and 2007.

The amount calculated as YTL 291,373 from gross income for the years ended 31 December 2004, 2005 and 2006 and used for the calculation of capital adequacy ratio as of 31 December 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.

	31 December 2007	31 December 2006	31 December 2005	31 December 2004
(I) Net Interest Income	1,675,834	1,585,250	1,319,391	1,184,774
(II) Net Fees and Commission Income	360,490	288,374	293,672	250,222
(III) Dividends Income	34,718	16,557	10,278	51,828
(IV) Net Trading Income/(Loss)	193,349	43,150	179,990	116,857
(V) Other Operating Income	356,713	343,326	129,026	245,581
(VI) Income/(Loss) from sale of AFS and HTM Marketable Securities	46,155	43,437	118,354	44,028
(VII) Extraordinary Income	2,428	4,281	6,618	14,100
(VIII) Gross Income (I+II+III+IV+V+VI-VII)	2,572,521	2,228,939	1,807,386	1,791,134
(IX) Capital Requirement (Gross Income x %15)	385,878	334,341	271,108	268,670
(X) Average Operational Risk Capital Requirement	330,442	291,373	-	-
(XI) Value at Operational Risk (IX x 12.5)	4,130,525	3,642,163	-	-

V. 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.

The foreign currency assets and liabilities and the foreign currency forward 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 calculation of capital requirement.

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

As of 31 December 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:

	US DOLLAR	EURO
The Bank's foreign currency purchase rate at the balance sheet date		
Foreign currency rates for the days before balance sheet date;		
Day 1	1.1650	1.7121
Day 2	1.1300	1.6351
Day 3	1.1300	1.6392
Day 4	1.1300	1.6287
Day 5	1.1300	1.6265
	1.1400	1.6394
	US DOLLAR	EURO
Last 30-days arithmetical average rate	1.1365	1.6653

Information on currency risk

Current Year	Euro	US Dollar	Yen	Other FCs	Total
Assets					
Cash and Central Banks	835,135	26,617	78	2,854	864,684
Banks	229,311	1,647,158	3,418	56,130	1,936,017
Financial Assets Designated at Fair Value through Profit or Loss (*)	95,033	228,056	5	-	323,094
Interbank Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale	577,030	2,088,021	-	-	2,665,051
Loans (**)	2,181,280	4,528,162	6,714	66,332	6,782,488
Subsidiaries, Affiliates and Joint-Ventures	41,073	-	-	-	41,073
Investments Held-to-Maturity	35,682	90,007	-	-	125,689
Derivative Financial Assets Held for Risk Management	-	-	-	-	-
Tangible Assets	-	455	-	-	455
Intangible Assets	-	-	-	-	-
Other Assets (***)	21,495	181,550	-	14	203,059
Total Assets	4,016,039	8,790,026	10,215	125,330	12,941,610
Liabilities					
Bank Deposits	129	187,277	-	154	187,560
Foreign Currency Deposits	2,960,598	3,261,598	3,945	46,618	6,272,759
Interbank Money Market Takings	179,023	1,103,147	-	-	1,282,170
Other Funding	1,002,234	3,590,275	-	47,546	4,640,055
Securities Issued	-	-	-	-	-
Miscellaneous Payables	16,844	50,260	12	182	67,298
Derivative Financial Liabilities Held for Risk Management	-	-	-	-	-
Other Liabilities (*)	59,171	103,808	98	16,554	179,631
Total Liabilities	4,217,999	8,296,365	4,055	111,054	12,629,473
Net 'On Balance Sheet' Position	(201,960)	493,661	6,160	14,276	312,137
Net 'Off-Balance Sheet' Position	215,235	(233,402)	(3,882)	(57)	(22,106)
Derivative Assets	292,797	198,364	-	114	491,275
Derivative Liabilities	77,562	431,766	3,882	171	513,381
Non-Cash Loans	1,064,403	1,887,798	15,585	99,674	3,067,460
Prior Year	Euro	US Dollar	Yen	Other FCs	Total
Total Assets	3,667,579	10,266,335	2,219	74,845	14,010,978
Total Liabilities	3,612,455	10,170,591	2,901	69,127	13,855,074
Net 'On Balance Sheet' Position	55,124	95,744	(682)	5,718	155,904
Net 'Off-Balance Sheet' Position	1,245	(79,772)	-	1	(78,526)
Derivative Assets	30,744	78,414	-	2,483	111,641
Derivative Liabilities	29,499	158,186	-	2,482	190,167
Non-Cash Loans	1,039,545	1,859,327	24,241	91,254	3,014,367

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

(**) Foreign currency indexed loans amounting to YTL 407,657 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 407,657 results position for the Bank when foreign exchange rates increase.

(***) Prepaid expenses amounting to YTL 35,576 is not included.

Exposure to currency risk

A 10 percent devaluation of the YTL against the following currencies as at 31 December 2007 and 31 December 2006 would have effect on equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2007		31 December 2006	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	21,607	26,026	(2,012)	1,597
EUR	(2,557)	(2,780)	345	2,318
Other currencies	1,650	1,650	504	504
Total, net	20,700	24,896	(1,163)	4,419

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

VI. 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"

Current Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Non-Interest Bearing (*)	Total
Assets:							
Cash and Central Banks	2,070,245	-	-	-	-	419,957	2,490,202
Banks	2,604,174	-	-	-	-	142,094	2,746,268
Financial Assets at Fair Value through Profit/Loss	37,051	9,475	21,097	110,461	171,903	-	349,987
Interbank Money Market Placements	715,335	-	-	-	-	-	715,335
Financial Assets Available-for-Sale	1,158,097	2,328,838	2,663,164	1,798,883	1,133,994	77,356	9,160,332
Loans	9,362,346	3,513,693	5,313,690	3,502,338	1,777,936	-	23,470,003
Investments Held-to-Maturity	215,099	648,011	262,072	281,608	69,572	-	1,476,362
Other Assets (**)	31,344	3,539	25,124	77,680	1,062	1,861,238	1,999,987
Total Assets	16,193,691	6,503,556	8,285,147	5,770,970	3,154,467	2,500,645	42,408,476
Liabilities:							
Bank Deposits	729,371	26,269	162	-	-	1,224	757,026
Other Deposits	14,678,860	7,993,927	1,326,543	587,525	-	3,518,632	28,105,487
Interbank Money Market Takings	567,855	68,377	667,547	772,306	-	-	2,076,085
Miscellaneous Payables	-	15,219	45,990	-	-	368,180	429,389
Securities Issued	-	-	-	-	-	-	-
Other Funding	1,285,400	2,765,613	617,416	24,429	-	-	4,692,858
Other Liabilities (***)	129,422	3,494	11,846	24,198	-	6,178,671	6,347,631
Total Liabilities	17,390,908	10,872,899	2,669,504	1,408,458	-	10,066,707	42,408,476
On Balance Sheet Long Position	-	-	5,615,643	4,362,512	3,154,467	-	13,132,622
On Balance Sheet Short Position	(1,197,217)	(4,369,343)	-	-	-	(7,566,062)	(13,132,622)
Off-Balance Sheet Long Position	83,160	85,856	-	69,343	-	-	238,359
Off-Balance Sheet Short Position	73,394	15,219	45,991	95,671	-	-	230,275
Total Position	(1,187,451)	(4,298,706)	5,569,652	4,336,184	3,154,467	(7,566,062)	8,084

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

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

Prior Year	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Non-Interest Bearing (*)	Total
Assets:							
Cash and Central Bank	2,373,446	-	-	-	-	409,737	2,783,183
Banks	2,947,756	-	-	-	-	115,735	3,063,491
Financial Assets at Fair Value through Profit/Loss	154,191	-	99,305	5,658	212,480	8,842	480,476
Interbank Money Market Placements	871,800	-	-	-	-	-	871,800
Financial Assets Available-for-Sale	1,567,840	2,817,850	3,775,994	565,582	1,087,130	91,649	9,906,045
Loans	9,135,331	3,562,523	1,780,218	2,155,830	1,409,338	-	18,043,240
Investments Held-to-Maturity	43,979	4,412	-	-	-	-	48,391
Other Assets (*)	39,557	-	2,037	-	-	1,646,187	1,687,781
Total Assets	17,133,900	6,384,785	5,657,554	2,727,070	2,708,948	2,272,150	36,884,407
Liabilities:							
Bank Deposits	423,889	131,304	-	-	-	3,129	558,322
Other Deposits	3,394,995	13,420,571	2,514,881	660,112	-	4,293,179	24,283,738
Interbank Money Market Takings	244,078	158,901	699,011	268,104	-	-	1,370,094
Miscellaneous Payables	-	-	-	-	-	318,360	318,360
Securities Issued	-	-	-	-	-	-	-
Other Funding	1,173,410	2,584,286	1,239,440	-	-	-	4,997,136
Other Liabilities (**)	33,555	5,201	23,424	108,689	-	5,185,888	5,356,757
Total Liabilities	5,269,927	16,300,263	4,476,756	1,036,905	-	9,800,556	36,884,407
On Balance Sheet Long Position	11,863,973	-	1,180,798	1,690,165	2,708,948	-	17,443,884
On Balance Sheet Short Position	-	(9,915,478)	-	-	-	(7,528,406)	(17,443,884)
Off-Balance Sheet Long Position	-	1	-	4,633	-	-	4,634
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	11,863,973	(9,915,477)	1,180,798	1,694,798	2,708,948	(7,528,406)	4,634

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

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

Average interest rates applied to monetary financial instruments

Current Year	Euro %	US Dollar %	Yen %	YTL %
Assets				
Cash and Central Bank	1.80	1.95	-	11.81
Banks	3.67	4.69	-	16.74
Financial Assets at Fair Value through Profit/Loss	9.45	11.66	-	-
Interbank Money Market Placements	-	-	-	17.10
Financial Assets Available-for-Sale	6.02	6.82	-	17.93
Loans	6.36	7.07	-	20.49
Investments Held-to-Maturity	5.31	6.34	-	18.82
Liabilities				
Bank Deposits	-	4.52	-	18.03
Other Deposits	3.30	3.84	-	15.15
Interbank Money Market Takings	5.19	5.41	-	18.37
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Other Funding	4.81	5.90	-	14.77

Prior Year	Euro %	US Dollar %	Yen %	YTL %
Assets				
Cash and Central Bank	1.73	2.52	-	13.12
Banks	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	-	-
Liabilities				
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

Interest sensitivity

Interest rate sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2007. Interest rate sensitivity of equity is calculated by revaluing available for sale financial assets at 31 December 2007 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 31 December 2006. The following tables also include the sensitivity of trading portfolio of the Group.

31 December 2007	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets designated at fair value through profit or loss	(19,368)	22,250	(19,368)	22,250
Available for sale financial assets	-	-	(134,071)	138,934
Floating rate financial assets	163,254	(163,254)	163,254	(163,254)
Floating rate financial liabilities	(45,775)	45,775	(45,775)	45,775
Total, net	98,111	(95,229)	(35,960)	43,705

31 December 2006	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets designated at fair value through profit or loss	(28,543)	32,290	(28,543)	32,290
Available for sale financial assets	-	-	(133,769)	147,210
Floating rate financial assets	114,913	(114,913)	114,913	(114,913)
Floating rate financial liabilities	(47,485)	47,485	(47,485)	47,485
Total, net	38,885	(35,138)	(94,884)	112,072

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

VII. 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 Year	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Undistributed (*)	Total
Assets								
Cash and Central Bank	2,490,202	-	-	-	-	-	-	2,490,202
Banks	142,094	2,604,174	-	-	-	-	-	2,746,268
Financial Assets at Fair Value through Profit/Loss	-	20,411	9,219	21,097	110,716	188,544	-	349,987
Interbank Money Market Placements	-	715,335	-	-	-	-	-	715,335
Financial Assets Available-for-Sale	77,356	25,174	34,368	3,131,344	3,787,624	2,104,466	-	9,160,332
Loans	-	3,421,671	1,836,465	5,403,684	10,217,959	2,590,224	-	23,470,003
Investments Held-to-Maturity	-	-	38,786	366,633	1,001,371	69,572	-	1,476,362
Other Assets	-	70,830	15,465	33,866	214,721	2,895	1,662,210	1,999,987
Total Assets	2,709,652	6,857,595	1,934,303	8,956,624	15,332,391	4,955,701	1,662,210	42,408,476
Liabilities								
Bank Deposits	1,224	729,371	26,269	162	-	-	-	757,026
Other Deposits	3,518,632	14,678,860	7,993,927	1,326,543	587,525	-	-	28,105,487
Other Funding	-	4,542	56,541	1,668,124	577,158	2,386,493	-	4,692,858
Interbank Money Market Takings	-	163,742	68,377	756,329	897,897	189,740	-	2,076,085
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	275,684	18,840	-	61,209	-	73,656	429,389
Other Liabilities	-	118,722	9,285	210,093	100,968	34,555	5,874,008	6,347,631
Total Liabilities	3,519,856	15,970,921	8,173,239	3,961,251	2,224,757	2,610,788	5,947,664	42,408,476
Liquidity Gap	(810,204)	(9,113,326)	(6,238,936)	4,995,373	13,107,634	2,344,913	(4,285,454)	-
Prior Year								
Total Assets	2,182,942	7,738,085	1,516,709	6,776,911	15,698,263	1,301,202	1,670,295	36,884,407
Total Liabilities	4,296,310	13,973,334	5,889,089	3,625,660	1,264,479	2,400,704	5,434,831	36,884,407
Liquidity Gap	(2,113,368)	(6,235,249)	(4,372,380)	3,151,251	14,433,784	(1,099,502)	(3,764,536)	-

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

VIII. Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Year	Prior Year	Current Year	Prior Year
Financial Assets				
Receivables from Interbank	715,335	871,800	715,335	871,800
Banks	2,746,268	3,063,491	2,746,268	3,063,491
Financial Assets Available-for-Sale	9,160,332	9,906,045	9,160,332	9,906,045
Investments Held-to-Maturity	1,476,362	48,391	1,482,109	48,805
Loans	23,470,003	18,043,240	23,512,911	18,044,225
Financial Liabilities				
Bank Deposits	757,026	558,322	757,026	558,322
Other Deposits	28,105,487	24,283,738	28,105,487	24,283,738
Funds Obtained	4,692,858	4,997,136	4,692,858	4,997,136
Securities Issued	-	-	-	-
Miscellaneous Payables	429,389	318,360	429,389	318,360

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

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

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

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

The Bank provides buying, selling and custody services and management and advisory services in financial matters for its customers.

The Bank is not involved in trust activities.

X. 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:

Current Year	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Operating profit	770,789	1,668,224	147,373	-	2,586,386
Undistributed expenses	-	-	-	(1,363,005)	(1,363,005)
Operating profit	770,789	1,668,224	147,373	(1,363,005)	1,223,381
Income from associates	-	-	-	-	34,718
Income before taxes	-	-	-	-	1,258,099
Provision for taxes	-	-	-	-	(227,399)
Net profit	-	-	-	-	1,030,700
Segment assets	5,464,663	21,519,678	13,934,061	-	40,918,402
Investments in associates and subsidiaries	-	-	-	520,828	520,828
Undistributed assets	-	-	-	969,246	969,246
Total assets	5,464,663	21,519,678	13,934,061	1,490,074	42,408,476
Segment liabilities	10,420,143	23,913,130	2,178,685	-	36,511,958
Shareholders' equity	-	-	-	5,226,282	5,226,282
Undistributed liabilities	-	-	-	670,236	670,236
Total Liabilities and Shareholders' Equity	10,420,143	23,913,130	2,178,685	5,896,518	42,408,476

Disclosure And Footnotes On Unconsolidated Financial Statements

I. Information and disclosures related to assets

1. Cash and balances with Central Bank

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Cash	363,150	55,921	365,660	43,764
Central Bank of Turkey (*)	1,262,351	807,894	1,286,484	1,086,962
Other	17	869	20	293
Total	1,625,518	864,684	1,652,164	1,131,019

(*) YTL 587,886 (31 December 2006: YTL 791,039) of the foreign currency deposit at Central Bank of Turkey is comprised of foreign currency reserve deposits and related interest income accruals; YTL 38,108 (31 December 2006: YTL 32,921) of Turkish Lira balances is comprised of interest income accruals from unrestricted portion of the deposit at Central Bank of Turkey held as reserve requirement.

According to the "Reserve Deposits Decree" of the Central Bank of Turkey which is numbered 2005/1, all banks operating in Turkey should provide a reserve amounting to 6% of the liabilities in YTL and 11% of the liabilities in foreign currencies. YTL liabilities and 3% of foreign currency liabilities are held as unrestricted demand deposits at Central Bank of Turkey. The interest rates given by the Central Bank of Turkey are 11.81% for YTL, 1.95% for US Dollar and 1.80% for Euro as of 31 December 2007 (31 December 2006: YTL 13.12%, FC 2.52% , 1.73%).

Balances with the Central Bank of Turkey

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Unrestricted Demand Deposits	1,224,243	220,008	1,253,563	295,923
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Total	1,224,243	220,008	1,253,563	295,923

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

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

None.

Trading securities subject to repurchase agreements

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Government Bonds	-	-	-	-
Treasury Bills	-	-	-	-
Other Debt Securities	-	191,407	-	198,472
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	-	191,407	-	198,472

Derivatives held for trading purpose

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Forward Transactions	5,115	3	-	36
Swap Transactions	17,149	12,673	9,969	24
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	22,264	12,676	9,969	60

3. Banks

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Banks	810,251	1,936,017	512,809	2,550,682
Domestic	747,194	186,425	283,945	14,006
Foreign	63,057	1,749,592	228,864	2,536,676
Foreign Head Offices and Branches	-	-	-	-
Total	810,251	1,936,017	512,809	2,550,682

Due from foreign banks

	Unrestricted Balance		Restricted Balances	
	Current Year	Prior Year	Current Year	Prior Year
EU Countries	1,505,458	2,087,556	63,866	44,702
USA, Canada	206,618	286,393	-	-
OECD Countries (*)	23,880	265,711	-	-
Off-shore Banking Regions	12,465	80,578	-	-
Other	362	600	-	-
Total	1,748,783	2,720,838	63,866	44,702

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

4. Information on investment securities available-for-sale

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

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Share Certificates	-	-	-	-
Bonds, Treasury Bills and Similar Marketable Securities	947,286	-	2,134,808	319,308
Others	-	-	-	-
Total	947,286	-	2,134,808	319,308

Investment securities available-for-sale subject to repurchase agreements

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Government Bonds	931,117	906,987	911	1,114,622
Treasury Bills	-	-	-	-
Other Debt Securities	-	392,035	-	450,447
Bonds Issued or Guaranteed by Banks	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	931,117	1,299,022	911	1,565,069

Information related with available for sale assets

	Current Year	Prior Year
Debt instruments	9,107,249	9,864,051
Quoted	9,107,249	8,539,422
Unquoted	-	1,324,629
Equity instruments	83,803	91,829
Quoted	65,143	65,770
Unquoted	18,660	26,059
Impairment provision (-)	30,720	49,835
Total	9,160,332	9,906,045

Equity shares having a carrying value of YTL 77, representing the 0.73% of the outstanding shares of EGS Gayrimenkul Yatırım Ortaklığı A.Ş. which were classified in the available for sale portfolio of the Bank in the prior years, 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 25 in its financial statements.

The Bank has provided 100% impairment for İzmir Enternasyonel Otelcilik A.Ş. and Güçbirliği Holding A.Ş. 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 on loans

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

	Current Year		Prior Year	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	669	-	451
Corporate Shareholders	-	669	-	451
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	126	893	-	117
Loans Granted to Employees	31,670	-	25,163	-
Total	31,796	1,562	25,163	568

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

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Cash Loans				
Loans	22,182,788	-	947,053	235,182
Discounted Bills	154,288	-	-	17
Export Loans	1,360,443	-	22,071	178,658
Import Loans	-	-	-	51
Loans to Financial Sector	674,882	-	-	-
Foreign Loans	21,382	-	-	-
Consumer Loans	5,301,302	-	183,868	1,154
Credit Cards	549,310	-	11,693	417
Precious Metal Loans	-	-	-	-
Other	14,121,181	-	729,421	54,885
Specialization Loans	104,980	-	-	-
Other Receivables	-	-	-	-
Total	22,287,768		947,053	235,182

Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Short-term Loans	10,907,445	-	443,720	212,355
Loans	10,907,445	-	443,720	212,355
Specialization loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	11,380,323	-	503,333	22,827
Loans	11,275,343	-	503,333	22,827
Specialization loans	104,980	-	-	-
Other Receivables	-	-	-	-

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

	Short-Term	Medium and Long-Term	Total
Consumer Loans - YTL	1,225,313	4,239,351	5,464,664
Housing Loans	63,186	2,340,981	2,404,167
Automobile Loans	16,631	117,800	134,431
General Purpose Loans	849,826	1,780,566	2,630,392
Other	295,670	4	295,674
Consumer Loans - FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans - FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Retail Credit Cards - YTL	525,114	-	525,114
With Instalment	91,831	-	91,831
Without Instalment	433,283	-	433,283
Retail Credit Cards - FC	1,440	-	1,440
With Instalment	-	-	-
Without Instalment	1,440	-	1,440
Personnel Loans - YTL	856	20,804	21,660
Housing Loan	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	856	20,804	21,660
Other	-	-	-
Personnel Loans - FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards - YTL	9,965	-	9,965
With Instalment	1,482	-	1,482
Without Instalment	8,483	-	8,483
Personnel Credit Cards - FC	45	-	45
With Instalment	-	-	-
Without Instalment	45	-	45
Overdraft Checking Accounts- YTL (real persons)	522,513	-	522,513
Overdraft Checking Accounts- FC (real persons)	-	-	-
Total	2,285,246	4,260,155	6,545,401

Instalment based commercial loans and corporate credit cards

	Short-Term	Medium and Long-Term	Total
Instalment-based Commercial Loans - YTL	1,660,343	2,726,233	4,386,576
Real Estate Loans	4,773	105,414	110,187
Automobile Loans	151,908	643,058	794,966
General Purpose Loans	1,503,662	1,977,761	3,481,423
Other	-	-	-
Instalment-based Commercial Loans - FC-indexed	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Instalment-based Commercial Loans - FC	-	44,846	44,846
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	44,846	44,846
Corporate Credit Cards - YTL	24,569	-	24,569
With Instalment	1,889	-	1,889
Without Instalment	22,680	-	22,680
Corporate Credit Cards - FC	287	-	287
With Instalment	-	-	-
Without Instalment	287	-	287
Overdraft Checking Accounts- YTL (corporate)	25,497	-	25,497
Overdraft Checking Accounts- FC (corporate)	-	-	-
Total	1,710,696	2,771,079	4,481,775

Allocation of loan customers

	Current Year	Prior Year
Public Sector	3,302,303	1,986,736
Private Sector	20,167,700	16,056,504
Total	23,470,003	18,043,240

Allocation of domestic and foreign loans

	Current Year	Prior Year
Domestic Loans	23,257,220	17,949,581
Foreign Loans	212,783	93,659
Total	23,470,003	18,043,240

Loans to associates and subsidiaries

	Current Year	Prior Year
Direct Loans Granted to Subsidiaries and Investments	63,102	12,752
Indirect Loans Granted to Subsidiaries and Investments	3,993	-
Total	67,095	12,752

Specific provisions for loans

Specific Provisions	Current Year	Prior Year
Loans and Receivables with Limited Collectibility	67,684	196,943
Loans and Receivables with Doubtful Collectibility	148,064	30,429
Uncollectible Loans and Receivables	927,107	774,675
Total	1,142,855	1,002,047

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

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

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current Year		2,557	-
129,055			
(Gross amounts before the specific reserves)	-	-	-
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	2,557	-	129,055
Prior Year	22	-	170,431
(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 Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Prior year end balance	196,943	30,429	774,675
Additions (+)	381,687	300	6,350
Transfers from other categories of loans under follow-up (+)	28,874	190,373	266,145
Transfers to other categories of loans under follow-up (-)	395,751	62,116	46,918
Collections (-)	144,069	10,922	73,145
Write-offs (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current year end balance	67,684	148,064	927,107
Specific provision (-)	67,684	148,064	927,107
Net Balance on balance sheet		-	-

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

None.

Loan customer concentration of non-performing loans

	III. Group Loans and receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
Current Year (Net)			
Consumer and Commercial Loans (Gross)	58,997	147,503	911,238
Special Provision (-)	58,997	147,503	911,238
Consumer and Commercial Loans (Net)	-	-	-
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	8,687	561	14,318
Special Provision (-)	8,687	561	14,318
Other Loans and Receivables (Net)	-	-	-
Prior Year (Net)			
Consumer and Commercial Loans (Gross)	196,844	30,411	757,842
Special Provision (-)	196,844	30,411	757,842
Consumer and Commercial Loans (Net)	-	-	-
Banks (Gross)	-	-	1,551
Special Provision (-)	-	-	1,551
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	99	18	15,282
Special Provision (-)	99	18	15,282
Other Loans and Receivables (Net)	-	-	-

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

Write-off policy for uncollectible loans and receivables

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

6. Information on investment securities held-to-maturity

Public sector debt securities held-to-maturity

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Government Bonds	1,350,673	-	-	-
Treasury Bills	-	-	-	-
Other Government Securities	-	90,519	-	6,072
Total	1,350,673	90,519	-	6,072

Information on investments held-to-maturity

	Current Year	Prior Year
Debt Securities	1,476,946	48,870
Quoted at Stock Exchange	1,441,776	-
Unquoted at Stock Exchange	35,170	48,870
Impairment Losses (-)	584	479
Total	1,476,362	48,391

The movement of investments held-to-maturity

	Current Year	Prior Year
Balances at Beginning of Year	48,391	371,574
Foreign Currency Differences On Monetary Assets	(4,032)	(22,693)
Purchases during the year	1,643,570	446,020
Disposals through Sales/Redemptions	(294,194)	(736,020)
Impairment Losses (-)	(105)	(175)
Change in Redeemed Costs (*)	82,732	(10,315)
Balances at End of Year	1,476,362	48,391

(*) 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 year" 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.

Additionally, the Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of USD 40,000,000 and EUR 20,000,000 to its investment securities held-to-maturity portfolio at their fair values of USD 41,706,400 and EUR 19,475,000 as of their reclassification dates. These reclassifications are presented in "purchases during the year" line in the movement table of investments held-to-maturity. The value increases of such securities amounting USD 774,816 and EUR (448,178), respectively, are recorded under shareholders' equity and will be amortized through the income statement until their maturities.

Information about held-to-maturity securities

Current Year	Cost		Carrying Value	
	YTL	FC	YTL	FC
Collateralized / Blocked Investments	1,269,887	-	1,350,673	-
Investments subject to Repurchase Agreements	-	16,927	-	17,330
Held for structural position	-	-	-	-
Receivable from Security Borrowing Market	-	-	-	-
Collateral For Security Borrowing Market	-	-	-	-
Other (*)	-	106,908	-	108,359
Total	1,269,887	123,835	1,350,673	125,689

Prior Year	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
Total	-	48,378	-	48,391

(*) 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

Investments in associates

Associate	Address (City/ Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Kıbrıs Vakıflar Bankası Ltd. (*)	Lefkosa/NCTR	15.00	15.00
2 İşkur İşçi İşadamı Kimya Kuruluşları A.Ş. (in liquidation)	In liquidation	25.00	25.13
3 Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	11.75	21.63
4 Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	Ankara/Turkey	27.63	29.45
5 Vakıf Gayrimenkul Ekspertiz ve Değ. A.Ş.	Ankara/Turkey	20.00	27.44
6 Roketsan Roket Sanayi ve Ticaret A.Ş.	Ankara/Turkey	10.00	10.00

	Total Assets	Shareholders' Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/Loss	Prior Years' Profit/Loss	Company's Fair Value
1	562.958	38.364	3.038	59.425	5.157	9.496	3.328	-
2	-	-	-	-	-	-	-	-
3	14.259	14.103	97	911	105.412	2.228	(274)	1.216
4	62.932	62.701	39.143	40	3.464	5.197	4.510	12.408
5	10.621	7.865	649	947	135	4.387	2.355	-
6	308.861	136.408	147.865	895	14	(3.642)	(19.488)	-

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

Movement of investments in associates

	Current Year	Prior Year
Balance at beginning of year	17,381	26,454
Movements during the year	7,542	(9,073)
Transfers (*)	7,594	-
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	(214)	(3,757)
Impairment losses (-)	-	(74)
Balance at the end of year	24,923	17,381

(*) In the current year; Roketsan Roket Sanayi ve Ticaret A.Ş. shares which were previously presented as "Equity securities" under "Financial assets available for sale" has been reclassified as "Non-financial associates".

In the current year, Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş., 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 are disclosed under the section of bonus shares received, in the table above. The share of the Bank amounting to YTL 450 is presented bonus shares received in the movement of investments in associated table.

Sectoral distribution of investments and associates

	Current Year	Prior Year
Banks	3,119	2,669
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Associates	13,625	13,374
Total	16,744	16,043

Quoted associates

	Current Year	Prior Year
Quoted to domestic stock exchanges	13,625	13,374
Quoted to international stock exchanges	-	-
Total	13,625	13,374

As per the resolution no.74887 of the Board of Directors of the Bank 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 year

The Bank sold its 9% shares in Orta Doğu Yazılım Hizmetleri A.Ş. 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 A.Ş., 25% of outstanding shares owned by Obaköy Gıda İşletmecilik A.Ş., 15% of outstanding shares owned by Vakıf Girişim Sermayesi A.Ş. and 6% of outstanding shares owned by Vakıf Sistem Pazarlama A.Ş. 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 year

None.

8. Investments in subsidiaries

Investments in subsidiaries

Subsidiaries	Address (City / Country)	Bank's Share -If Different, Voting Rights (%)	Diğer Ortakların Pay Oranı (%)
1 Güneş Sigorta A.Ş. (*)	Istanbul/Turkey	36.35	36.35
2 Vakıf Emeklilik A.Ş. (*)	Istanbul/ Turkey	53.90	74.93
3 Vakıf Enerji ve Madencilik A.Ş.	Ankara/ Turkey	65.50	84.87
4 Ataköy Mağazacılık Ticaret A.Ş. (in liquidation)	In Liquidation	45.79	45.79
5 Taksim Otelcilik A.Ş.	Istanbul/ Turkey	51.00	51.51
6 Vakıf Finans Factoring Hizmetleri A.Ş.	Istanbul/ Turkey	78.39	86.53
7 Vakıf Finansal Kiralama A.Ş.	Istanbul/ Turkey	58.71	64.24
8 Vakıf Deniz Finansal Kiralama A.Ş.	Istanbul/ Turkey	68.55	73.85
9 Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş. (*)	Ankara/ Turkey	31.00	31.09
10 Vakıf Yatırım Menkul Değerler A.Ş.	Istanbul/ Turkey	99.00	99.42
11 Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret A.Ş.	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 A.Ş.	Istanbul/ Turkey	99.99	99.99

	Total Assets	Shareholder's Equity	Tangible Assets	Interest Income	Income on Securities Portfolio	Current Year's Profit/(Loss)	Prior Years' Profit/(Loss)	Company's Fair Value
1	497,424	206,246	160,785	816	10,886	(7,149)	3,963	99,233
2	707,893	100,541	38,040	1,937	19,293	19,118	12,714	73,223
3	269,176	256,653	257,064	812	62	2,672	38,262	21,722
4	-	-	-	-	-	-	-	-
5	201,595	203,760	85,390	8,537	55	(8,354)	5,001	-
6	67,096	43,805	260	9,720	-	(31,409)	1,151	24,301
7	223,589	33,161	5,652	16,347	127	(3,382)	6,643	89,078
8	128,183	255	64	11,987	-	(2,376)	1,246	-
9	4,181	4,155	234	388	463	(34)	(57)	3,224
10	50,517	48,810	9,031	8,449	606	5,176	4,545	-
11	13,035	8,690	422	323	638	2,249	1,979	-
12	719,297	78,460	1,358	26,625	12,656	9,318	9,603	-
13	35,569	(8,929)	-	2,683	-	(13,423)	2,529	-
14	4,229	3,925	71	226	482	832	361	-

(*) Financial Statements are as of and for the nine-month period ended 30 September 2007

Movement of investments in subsidiaries

	Current Year	Prior Year
Balance at the beginning of the year	391,459	585,282
Movements during the year	104,446	(193,823)
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 difference on Foreign Subsidiaries	69,383	33,386
Impairment Losses (+)	-	(261,244)
Balance at the End of the Year	495,905	391,459
Capital Commitments	-	-
Share Percentage at the End of Year (%)	-	-

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

As per the resolution of the Board of Directors of the Bank on 7 February 2008, it is decided that the Bank's share in Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş. will be sold to domestic or foreign investors.

In the current year, Güneş Sigorta A.Ş., 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 the Bank on 22 August 2006, it is decided to merge Vakıf Deniz Finansal Kiralama A.Ş. and Vakıf Finansal Kiralama A.Ş.

Valuation methods of investments in subsidiaries

	Current Year	Prior Year
Valued at Cost	185,124	177,320
Valued at Fair Value	310,781	214,139
Valued by Equity Method of Accounting	-	-
Total	495,905	391,459

Sectoral distribution of financial investments in subsidiaries

	Current Year	Prior Year
Banks	41,073	41,073
Insurance Companies	172,456	141,271
Factoring Companies	24,301	24,301
Leasing Companies	89,078	23,555
Finance Companies	-	-
Other Financial Subsidiaries	43,559	37,938
Total	370,467	268,138

Quoted subsidiaries

	Current Year	Prior Year
Quoted at Domestic Stock Exchanges	191,536	98,183
Quoted at International Stock Exchanges	-	-
Total	191,536	98,183

Investments in subsidiaries disposed during the current year

None.

Investments in subsidiaries purchased during the current year

As per the resolution of the Board of Directors, the Bank acquired the 99.99% shares of Vakıf Portfoy Yönetim A.Ş. previously owned by Vakıf Yatırım Ortaklığı A.Ş., within the extent of restructuring of investment in associates and subsidiaries. The sale price amounting to USD 4,300,000, determined by independent institutions is paid for the shares having YTL 1,500 nominal value.

The Board of Directors of the Bank has also decided to purchase the shares of the Vadeli İşlem ve Opsiyon Borsası A.Ş. within the extent of restructuring of investments in associates and subsidiaries, whose 6% shares are owned by Vakıf Yatırım Menkul Değerler A.Ş. The shares of Vadeli İşlem ve Opsiyon Borsası A.Ş. will be purchased at YTL 540 which is equal to its nominal value. Paid-in capital of Vadeli İşlem ve Opsiyon Borsası A.Ş. is amounting to YTL 9,000.

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 tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the end of the prior year:					
Cost	908,367	167,208	24,809	269,253	1,369,637
Accumulated depreciation(-)	157,311	103,134	13,516	205,249	479,210
Net book value	751,056	64,074	11,293	64,004	890,427
Balance at the end of the current year:					
Net book value at the beginning of the current year	751,056	64,074	11,293	64,004	890,427
Additions	56,689	30,735	2,032	60,320	149,776
Disposals (-)	45,508	327	1,137	13,626	60,598
Impairment losses	-	-	-	-	-
Depreciation of the current year (-)	28,416	18,757	3,259	23,143	73,575
Currency translation diff. on foreign operations (-)	-	-	-	-	-
Cost at the end of the current year	919,548	197,616	25,704	315,947	1,458,815
Accumulated depreciation at the end of the year	185,727	121,891	16,775	228,392	552,785
Net book value at the end of the current year	733,821	75,725	8,929	87,555	906,030

In the current year the Bank has not recorded any impairment loss for a specific tangible asset that could individually or collectively effect financial statements.

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

13. Information on intangible assets

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

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

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

14. Information on investment property

None.

15. Information on deferred tax asset

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

	Current Year	Prior Year
Deferred tax assets	82,337	73,090
BRSA - Tax Code depreciation differences	26,704	27,937
ETI and vacation pay provisions	27,070	22,737
Valuation difference for associates and subsidiaries	21,270	18,216
Other provisions	3,954	4,200
Tax reduction exception	1,882	-
Valuation differences of financial assets and liabilities	1,457	-
Deferred tax liabilities	(32,617)	(31,979)
Valuation differences of financial assets and liabilities	(27,151)	(28,721)
Valuation difference for associates and subsidiaries	(5,328)	(3,258)
Others	(138)	41,111
Deferred tax assets, net	49,720	41,111

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

None.

17. 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

Current Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	682,210	-	253,577	5,608,530	261,908	28,971	29,534	-	6,864,730
Foreign Currency Deposits	788,874	-	1,292,105	3,020,712	361,773	227,137	582,158	-	6,272,759
Residents in Turkey	772,058	-	1,208,746	2,994,491	356,560	225,370	555,824	-	6,113,049
Residents in Abroad	16,816	-	83,359	26,221	5,213	1,767	26,334	-	159,710
Public Sector Deposits	971,314	-	658,695	1,030,009	207,687	116,796	185	-	2,984,686
Commercial Deposits	666,430	-	1,333,137	2,704,773	258,461	445	14,529	-	4,977,775
Other	409,804	-	508,604	5,258,438	762,278	7,762	58,651	-	7,005,537
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	1,224	-	154,234	521,339	80,229	-	-	-	757,026
Central Bank	12	-	-	-	-	-	-	-	12
Domestic Banks	303	-	148,094	495,131	50,358	-	-	-	693,886
Foreign Banks	775	-	6,140	26,208	29,871	-	-	-	62,994
Participation Banks	134	-	-	-	-	-	-	-	134
Other	-	-	-	-	-	-	-	-	-
Total	3,519,856	-	4,200,352	18,143,801	1,932,336	381,111	685,057	-	28,862,513

Current Year	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	729,350	-	153,455	4,527,173	517,966	28,364	31,950	-	5,988,258
Foreign Currency Deposits	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
Public Sector Deposits	1,037,666	-	368,103	1,257,913	54,168	368	3,185	-	2,721,403
Commercial Deposits	666,345	-	748,511	1,823,193	272,308	145,590	2,652	-	3,658,599
Other	553,642	-	377,096	2,928,225	773,806	78,904	31,509	-	4,743,182
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	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
Total	4,296,308	-	3,820,162	13,551,412	2,195,903	318,167	660,108	-	24,842,060

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

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Year	Prior Year	Current Year	Prior Year
Saving Deposits	3,654,728	3,100,191	3,208,160	2,828,939
Foreign Currency Saving Deposits	1,286,065	1,298,659	1,893,244	2,144,796
Other Saving Deposits	-	-	-	--
Foreign branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	4,940,793	4,398,850	5,101,404	4,973,735

Saving deposits out of insurance coverage limits

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

2. Information on trading derivatives

Negative value of trading purpose derivatives

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Forwards	4,959	1	-	35
Swaps	15,044	2,286	-	3,707
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	20,003	2,287	-	3,742

3. Information on banks and other financial institutions

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic Bank and Institutions	52,803	247,370	61,991	310,536
Foreign Bank, Institutions and Funds	-	4,392,685	-	4,624,609
Total	52,803	4,640,055	61,991	4,935,145

Maturity information of funds borrowed

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Short-term	52,803	1,339,388	61,991	1,800,619
Medium and Long term	-	3,300,667	-	3,134,526
Total	52,803	4,640,055	61,991	4,935,145

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 12.62% 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+0.825%, respectively, with the participation of 26 international banks through club deal. On 3 December 2007, the Bank has renewed syndication loan of US Dollar 375 million with one year of maturity and Libor+0.25% with the participation of 23 international banks.

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

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 instalments 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 Year		Prior Year	
	Gross	Net	Gross	Net
Up to 1 year	1,627	1,494	-	-
1-4 years	25,012	23,212	13,422	12,494
More than 4 years	-	-	-	-
Total	26,639	24,706	13,422	12,494

6. Information on liabilities arising from hedging derivatives

Negative value of hedging purpose derivatives

None.

7. Information on provisions

Information on general provisions

	Current Year	Prior Year
Provisions for Loans and Receivables in Group I	151,077	115,632
Provisions for Loans and Receivables in Group II	7,099	5,225
Provisions for Non Cash Loans	15,390	9,606
Other	179	-
Total	173,745	130,463

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

	Balance sheet items		Off balance sheet items	
	Book value	Provision	Book value	Provision
Grade 1-3 : Low risk loans and receivables	21,937,130	141,534	8,302,084	15,075
Grade 4-5 : Loans under follow-up	947,053	6,049	173,207	315
Restructured loans	235,182	1,050	-	-
Other not graded assets	2,283,973	9,543	738,696	179
Total	25,403,338	158,176	9,213,987	15,569

Prior Year	Balance sheet items		Off balance sheet items	
	Book value	Provision	Book value	Provision
Grade 1-3 : Low risk loans and receivables	17,143,890	96,775	7,575,791	9,450
Grade 4-5 : Loans under follow-up	645,138	3,225	125,433	156
Restructured loans	254,212	2,000	-	-
Other not graded assets	3,860,668	18,857	-	-
Total	21,903,908	120,857	7,701,224	9,606

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

None.

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

	Current Year	Prior Year
Non-cash Loans with Limited Collectibility	1,956	5,302
Non-cash Loans with Doubtful Collectibility	11,613	344
Uncollectible Non-cash Loans	68,823	93,214
Total	82,392	98,860

Information on other provisions

	Current Year	Prior Year
General Reserves for Possible Loan Losses	-	21,000

Information on other provisions exceeding 10% of total provisions

None.

8. Taxation

Current Taxes

Tax provision

As of 31 December 2007, Bank has tax liabilities of YTL 82,561, 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, the tax returns of 2002, 2003 and 2004 were submitted with a condition stating that such losses should have been deducted and the Bank may appeal to the tax court for claiming the taxes paid. The Bank appealed to the tax court for the corporate tax return on 22 February 2007. Ankara 5. Tax court decided in favour of the Bank and YTL 125,187 was transferred to the Bank's accounts on 5 September 2007.

Information on taxes payable

	Current Year	Prior Year
Corporate taxes payable	82,561	85,640
Taxation on securities	52,709	41,138
Capital gains tax on property	468	380
Banking and Insurance Transaction Tax (BITT)	21,545	16,455
Taxes on foreign exchange transactions	1,311	2,463
Value added tax payable	1,007	437
Other	10,785	7,944
Total	170,386	154,457

Information on premiums payable

	Current Year	Prior Year
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	275	222
Unemployment insurance- employer share	485	379
Other	-	-
Total	760	601

Information on deferred tax liability

Disclosed in Note 15 of information and disclosures for assets.

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

None.

10. Information on subordinated loans

None.

11. Information on shareholders' equity

Paid-in capital

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

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

Board of Directors' members; one member appointed by the Prime Minister representing The General Directorate of the Foundations (Group A), three members representing Group (A),

one member representing Group (B), and two members representing Group (C); among the nominees shown by the majority of each group, and one member among the nominees offered by the shareholders at the General Assembly are selected. Preference of Group (D) is primarily taken into account in the selection of the last mentioned member.

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

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

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

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

There is no share capital increase in the current year.

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.

Increment Date	Increment Amount	Cash	Increment from Profit Reserves	Increment from Supplementary Capital
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 year

None.

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

None.

Information on the privileges given to stocks representing the capital

None.

Valuation differences of marketable securities

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Associates, subsidiaries and JV's	159,268	-	83,312	-
FV differences	74,202	41,960	(2,747)	55,821
Foreign exchange differences	-	-	-	-
Total	233,470	41,960	80,565	55,821

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

1. Disclosures related to other contingent liabilities

Type and amount of irrevocable commitments

	Current Year	Prior Year
Letters of Guarantee in Foreign Currency	1,489,200	1,423,832
Letters of Guarantee in YTL	2,773,207	1,857,461
Letters of Credit	1,118,055	1,225,892
Bills of Exchange and Acceptances	456,865	354,923
Other Guarantees and Warranties	3,468	9,814
Total	5,840,795	4,871,922

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

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

The Bank provided 100% specific provision for unliquidated non-cash loans amounted to YTL 82,392 recorded under off-balance sheet items.

Final guarantees, provisional guarantees, sureties and similar transactions

	Current Year	Prior Year
Provisional Letters of Guarantee	107,807	78,522
Final Letters of Guarantee	3,432,155	2,700,200
Letters of Guarantee for advances	545,641	301,306
Letters of Guarantee given to Customs Offices	82,595	60,465
Other Letters of Guarantee	94,209	140,800
Total	4,262,407	3,281,293

2. Non-cash Loans

	Current Year	Prior Year
Non-Cash Loans Given for Cash Loan Risks	375,627	444,043
With Original Maturity of 1 Year or Less	158,732	154,617
With Original Maturity of More Than 1 Year	216,895	289,426
Other Non-Cash Loans	5,465,168	4,427,879
Total	5,840,795	4,871,922

3. Sectoral risk concentrations of non-cash loans

	Current Year				Prior Year			
	YTL	%	FC	%	YTL	%	FC	%
Agricultural	24,187	0.87	25,727	0.84	21,224	1.14	7,652	0.25
Farming and Stockbreeding	18,843	0.67	14,693	0.48	17,295	0.93	4,918	0.16
Forestry	3,803	0.14	90	0.00	3,316	0.18	-	-
Fishing	1,541	0.06	10,944	0.36	613	0.03	2,734	0.09
Manufacturing	1,083,730	39.08	1,532,477	49.95	722,417	38.89	1,300,730	43.15
Mining	23,992	0.87	89,892	2.93	23,407	1.26	65,849	2.18
Production	830,040	29.93	1,292,455	42.13	567,105	30.53	1,073,679	35.62
Electric, gas and water	229,698	8.28	150,130	4.89	131,905	7.10	161,202	5.35
Construction	369,941	13.34	566,647	18.47	259,075	13.95	510,489	16.94
Services	1,023,770	36.91	428,728	13.97	570,590	30.72	552,833	18.34
Wholesale and retail trade	526,053	18.97	172,466	5.62	265,392	14.29	129,123	4.29
Hotel, food and beverage services	31,633	1.14	9,569	0.31	26,555	1.44	1,877	0.06
Transportation and telecommunication	144,200	5.20	60,812	1.98	116,618	6.28	196,338	6.51
Financial institutions	294,295	10.61	169,557	5.53	141,936	7.64	201,496	6.68
Real estate and renting services	1,787	0.06	-	-	1,189	0.06	-	-
“Self-employment” type services	-	-	-	-	-	-	-	-
Education services	5,423	0.20	5,945	0.19	2,122	0.11	10,279	0.34
Health and social services	20,379	0.73	10,379	0.34	16,778	0.90	13,720	0.46
Other	271,707	9.80	513,881	16.77	284,249	15.30	642,663	21.32
Total	2,773,335	100.00	3,067,460	100.00	1,857,555	100.00	3,014,367	100.00

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

	I. Group		II. Group	
	YTL	FC	YTL	FC
Letters of Guarantee	2,679,273	1,373,530	57,092	71,177
Confirmed Bills of exchange and Acceptances	-	447,672	-	9,063
Letters of Credit	128	1,081,124	-	35,876
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	-	3,468	-	-
Total	2,679,401	2,905,794	57,092	116,116

5. Information on derivative transactions

	Current Year	Prior Year
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	995,354	9,837
Currency Forwards	484,726	9,837
Currency Swaps	510,628	-
Currency Futures	-	-
Currency Options	-	-
Interest Rate Derivative Transactions (II)	468,634	375,131
Interest Rate Forwards	-	-
Interest Rate Swaps	468,634	375,131
Interest Rate Futures	-	-
Interest Rate Options	-	-
Other Trading Derivatives (III)	-	-
A. Total Trading Derivatives (I+II+III)	1,463,988	384,968
Hedging Derivatives	-	-
Fair Value Hedges	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	-	-
Derivative Transactions (A+B)	1,463,988	384,968

	31 December 2007					
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	254,012	-	3,879	-	-	257,891
Sale	248,855	-	3,882	-	-	252,737
Currency forwards:						
Purchase	148,336	47,591	46,519	-	-	242,446
Sale	148,226	47,561	46,493	-	-	242,280
Cross currency interest rate swaps:						
Purchase	-	-	-	78,000	83,160	161,160
Sale	-	-	-	87,815	73,395	161,210
Interest rate swaps:						
Purchase	-	-	-	77,199	-	77,199
Sale	-	-	-	69,065	-	69,065
Total of purchases	402,348	47,591	50,398	155,199	83,160	738,696
Total of sales	397,081	47,561	50,375	156,880	73,395	725,292
Total of transactions	799,429	95,152	100,773	312,079	156,555	1,463,988

31 December 2007						
	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Currency swaps:						
Purchase	-	-	-	-	-	-
Sale	-	-	-	-	-	-
Currency forwards:						
Purchase	-	3,678	1,241	-	-	4,919
Sale	-	3,677	1,241	-	-	4,918
Cross currency interest rate swaps:						
Purchase	-	-	-	-	83,160	83,160
Sale	-	-	-	-	88,200	88,200
Interest rate swaps:						
Purchase	-	-	-	30,744	75,422	106,166
Sale	-	-	-	29,499	68,106	97,605
Total of purchases	-	3,678	1,241	30,744	158,582	194,245
Total of sales	-	3,677	1,241	29,499	156,306	190,723
Total of transactions	-	7,355	2,482	60,243	314,888	384,968

6. Contingent assets and liabilities

None.

7. Services rendered on behalf of third parties

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

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

IV. Information on disclosures related to the income statement

1. Interest income

Information on interest income received from loans

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Short-term Loans	1,718,940	142,020	1,327,595	153,682
Medium and Long-term Loans	1,086,953	232,900	764,423	192,390
Loans under follow-up	75,073	-	48,657	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	2,880,966	374,920	2,140,675	346,072

Information on interest income received from banks

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	4,626	-	3,818
Domestic Banks	20,015	891	25,281	2,651
Foreign Banks	65,012	85,441	10,710	76,501
Foreign Head Office and Branches	-	-	-	-
Total	85,027	90,958	35,991	82,970

Information on interest income received from securities portfolio

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Trading Financial Assets	3,583	33,694	14,772	116,628
Financial Assets Valued at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	1,198,897	219,308	1,045,613	225,368
Investments Held-to-Maturity	105,089	5,007	11,833	312
Toplam	1,307,569	258,009	1,072,218	342,308

Information on interest income received from associates and subsidiaries

	Current Year	Prior Year
Interest Received from Associates and Subsidiaries	1,229	837

2. Interest Expense

Interest expenses on funds borrowed

	Current Year		Prior Year	
	YTL	FC	YTL	FC
Banks	8,058	247,204	5,156	198,241
Central Bank of Turkey	-	-	-	-
Domestic Banks	8,039	2,415	4,775	3,139
Foreign Banks	19	244,789	381	195,102
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	39	19	-	89
Total	8,097	247,223	5,156	198,330

Interest expenses paid to associates and subsidiaries

	Current Year	Prior Year
Interest Paid to Associates and Subsidiaries	11,161	7,904

Interest expense on securities issued

None.

Maturity structure of interest expense on deposits i

Account Description	Time Deposit						Accumulating c Deposit counts	Total
	Demand Deposits	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	1 Year and Over		
Turkish Lira:								
Bank Deposits	-	72,380	-	-	-	-	-	72,380
Saving Deposits	5,070	30,578	906,443	85,622	5,015	3,654	-	1,036,382
Public Sector Deposits	4,389	71,440	254,491	20,080	20,142	281	-	370,823
Commercial Deposits	2,196	89,652	310,014	15,920	3,185	1,180	-	422,147
Other Deposits	684	149,177	805,254	112,059	27,762	2,288	-	1,097,224
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total	12,339	413,227	2,276,202	233,681	56,104	7,403	-	2,998,956
Foreign Currency:								
Foreign Currency Deposits	5,135	57,977	95,216	19,620	9,056	21,517	-	208,521
Bank Deposits	-	33,549	-	-	-	-	-	33,549
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metals Deposits	-	-	-	-	-	-	-	-
Total	5,135	91,526	95,216	19,620	9,056	21,517	-	242,070
Grand Total	17,474	504,753	2,371,418	253,301	65,160	28,920	-	3,241,026

3. Dividend Income

	Current Year	Prior Year
Trading Financial Assets	-	-
Financial Assets Valued at Fair Value Through Profit or Loss	-	-
Financial Assets Available-for-Sale	5,646	6,376
Other	29,072	10,181
Total	34,718	16,557

4. Trading income/losses (Net)

	Current Year	Prior Year
Income	671,441	986,870
Trading Account Income	96,163	105,927
Derivative financial instruments	55,231	15,494
Others	40,932	90,433
Foreign Exchange Gain	575,278	880,943
Losses (-)	478,092	943,720
Trading Account Losses	48,641	60,437
Derivative financial instruments	38,868	12,631
Others	9,773	47,806
Foreign Exchange Losses	429,451	883,283
Income	193,349	43,150

5. Other operating income

As mentioned in detail in the footnote 8, "information and disclosures related to liabilities", the Bank has recorded tax return 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.

6. Provision expenses for losses on loans and other receivables

	Current Year	Prior Year
Specific Provisions on Loans and Other Receivables	220,523	161,144
Loans and Receivables in Group III	215,518	122,754
Loans and Receivables in Group IV	5,005	23,864
Loans and Receivables in Group V	-	14,526
Non-performing commissions and other receivables	-	-
General Provision Expenses	43,282	42,000
Provision for Possible Losses	-	-
Impairment Losses on Securities:	11,711	7,781
Trading securities	992	1,047
Investment Securities Available-for-Sale	10,719	6,734
Other Impairment Losses:	584	74,062
Associates	-	75
Subsidiaries	-	73,508
Joint Ventures	-	-
Investment Securities Held-to-Maturity	584	479
Other	92,334	23,372
Total	368,434	308,359

7. Other operating expenses

	Current Year	Prior Year
Personnel Costs	457,156	363,621
Reserve for Employee Termination Benefits	21,663	15,002
Deficit Provision for Pension Funds	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses on Tangible Assets	73,575	62,256
Impairment Losses on Intangible Assets	-	-
Amortization Expenses on Intangible Assets	2,101	1,562
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses on Assets to be Disposed	-	-
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	333,907	288,265
Operational lease related expenses	51,840	41,335
Repair and maintenance expenses	11,792	9,878
Advertisement expenses	32,543	32,124
Other expenses	237,732	204,928
Loss on sale of assets	7,425	8,646
Other	98,744	210,981
Total	994,571	950,333

8. Information on income/loss from discontinued operations

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

9. Information on tax provision from discontinued operations

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

10. Information on net profit/loss from discontinued operations

The Bank has no discontinued operations. Information on net income is presented in disclosures 1-13 in this section.

11. Provision for taxes on income

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

In the current year, the Bank recorded a tax provision of YTL 255,483 from the operating profit in accordance with the Corporate Tax Law and other laws and regulations.

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

Sources of deferred tax benefit/charge	Current Year	Prior Year
Arising from Origination (+)/ Reversal (-) of Deductible Temporary Differences	9,247	-
Arising from Origination (+)/ Reversal (-) of Taxable Temporary Differences	18,837	(75,777)
Arising from Origination (+)/ Reversal (-) of Tax Losses	-	-
Arising from tax rate change	-	-
Total	28,084	(75,777)

12. Net profit and loss

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

None.

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

None.

13. 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 statement of changes in shareholders' equity

1. Information on increases after revaluation of available-for-sale investments

Movement table related to increases after revaluation of available-for-sale investments is explained below:

Valuation Differences of Marketable Securities	Current Year	Prior Year
Valuation differences at the beginning of the year	53,074	239,788
Fair value changes in the current year	113,841	(272,065)
Effect of deferred and corporate taxes	(24,497)	88,654
Valuation differences transferred to the income statement	(28,861)	(6,065)
Effect of deferred and corporate taxes	2,605	2,762
Valuation differences at the end of the year	116,162	53,074

Valuation Difference of the Subsidiaries and Affiliates	Current Year	Prior Year
Valuation differences at the beginning of the year	83,312	129,627
Fair value changes in the current year	78,043	(47,610)
Effect of deferred and corporate taxes	(2,087)	1,295
Valuation differences transferred to the income statement	-	-
Effect of deferred and corporate taxes	-	-
Valuation differences at the end of the year	159,268	83,312

2. Information on increases in cash flow hedges

None.

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

None.

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

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

5. Information on profit distribution

Based on the resolution of 53rd Annual General Assembly held on 30 March 2007, net profit of the year 2006 amounting to YTL 769,730 was 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.

There is no dividend distribution announced about 2007 profit before the release of these financial statements.

6. Decreases from valuation of financial assets available-for-sale

None.

VI. Information and disclosures on cash flow statement

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

In 2007, net cash inflows arising from banking operations amounts to YTL 365,174. YTL (405,340) thousands of this amount is generated from the change in operating assets and liabilities and YTL 770,514 from operating profit. The net cash outflow from investing activities amounts to YTL 570,631. The major item is the cash outflows arising from new investments in securities. Cash and cash equivalents decreased to YTL 5,259,888 at the end of the current year in comparison to YTL 5,888,998 at the beginning of the current year.

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

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 A.Ş., which has a nominal paid in capital of YTL 1,500, previously owned by Vakıf Yatırım Ortaklığı A.Ş.. The sale price amounting to USD 4,300,000 was determined by an independent appraiser. The amount is disclosed in "Net Cash Flow from Investing Activities" section, "Cash Paid for Purchase of Associates, Subsidiaries and Joint-Ventures" account of cash flow statement.

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

The Bank sold its 9% shares in Orta Doğu Yazılım Hizmetleri A.Ş. 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. The amount is disclosed in "Net Cash Flow from Investing Activities" section, "Cash Obtained from Sale of Associates, Subsidiaries and Joint-Ventures" account of cash flow statement.

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

	Current Year 31 December 2006	Prior Year 31 December 2005
Cash on Hand	409,424	280,038
Cash in YTL	365,660	248,913
Cash in Foreign Currency	43,764	31,125
Cash Equivalents	5,479,574	6,106,825
Other	5,479,574	6,106,825
Total	5,888,998	6,386,863

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

	Current Year 31 December 2007	Prior Year 31 December 2006
Cash on Hand	419,071	409,424
Cash in YTL	363,150	365,660
Cash in Foreign Currency	55,921	43,764
Cash Equivalents	4,840,817	5,479,574
Other	4,840,817	5,479,574
Total	5,259,888	5,888,998

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

Bahrain Branch's foreign currency demand deposits at foreign banks include blocked amounts of YTL 63,867.

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

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

	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Current Year						
Loans and Other Receivables						
Balance at the Beginning of the year	12,752	219,239	-	568	-	-
Balance at the End of the year	63,102	175,454	126	1,562	3,993	4,595
Interest and Commission Income Received	1,229	1,048	-	-	7	12

	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Current Year						
Loans and Other Receivables						
Balance at the Beginning of the year	28,062	189,533	-	950	-	-
Balance at the End of the year	12,752	219,239	-	568	-	-
Interest and Commission Income Received	837	83	-	-	-	-

Information on deposits held by the Bank's risk group

	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Current Year						
Deposits						
Balance at the Beginning of the year	128,372	86,210	77,592	-	2,650	-
Balance at the End of the year	278,916	128,372	968,481	77,592	84,950	2,650
Interest on Deposits	11,161	7,904	-	-	-	-

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 0.29% and 3.11%.

Current Year	Amount	Compared With the Financial Statement Amount %
Cash Loans	67,221	0.29
Non-Cash Loans	181,611	3.11
Deposits	1,332,347	4.62
Forward and Option Agreements	-	-

Prior Year	Amount	Compared With the Financial Statement Amount %
Cash Loans	12,752	0.07
Non-Cash Loans	219,807	4.51
Deposits	208,614	0.84
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.

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

Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees			
Domestic Branches (*)	466	8.684			
Foreign Representative Offices			Country		
			1-		
			2-		
			3-		
Foreign Branches	2	16	1-USD	Total Assets	Legal Capital
			2-Bahrain	731.903	19.223
			3-	7.568.689	
Off-shore Branches			1-		
			2-		
			3-		

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

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

During 2007, 39 new domestic branches have been opened and no branches have been closed.

I. Other Disclosures and Footnotes

1. Other disclosures on the Bank's activity

The Bank's management has decided to implement growth target in credit card business with brand sharing with an existing brand in the market and decided to collaborate with Yapı Kredi Bankası A.Ş. in World credit card programme. The Bank has authorized Bank's general manager for signing and preparation of the agreement.

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

May 2006 (*)	Standard Poors
Foreign Currency Credit Rating	BB- / Stable / B
Local Currency Credit Rating	BB / Stable / B
National	trA+ / -- / trA-1
April 2007 (**)	Moody's Investors' Service
Financial Strength Rating	D+
Local Currency Deposit Rating	Baa1 / P-2
Foreign Currency Deposit Rating	B1 / NP
Outlook	Stable
November 2005 (*)	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 (*)	Capital Intelligence
Financial Strength Rate	BBB-
Short Term Foreign Currency	B
Long Term Foreign Currency	BB-
Support Rating	2
Outlook	Stable

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

(**) Updated with report dated 14 December 2007.

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

- In conjunction with the "Regulation for an Adjustment on the Regulation on the Procedures and Principles on the Determination of the Nature of the Loans and Other

Receivables and their Provisions” which has been published in the Official Gazette no. 26779 dated 6 February 2008, general provision for the restructured or rescheduled loans and other receivables has been raised from 1% to 2%, general provisions for the bills of exchange and sureties and other non-cash loans have been raised from 0.2% to 0.4%.

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

“The Law on the Collection of Some of the Public Receivables by Reconciliation” no.5736 has passed on 20 February 2008 in the Parliament and approved on 26 February 2008 by the President of the Turkish Republic. In accordance with this law's first sub clause of the third article, the conflicts resulting from the sub clause no. 13 of the Provisional Article 4 of the abolished Banking Law no.4389 dated 18 June 1999, losses that are subjected to a decrease in capital by decreasing extraordinary and legal reserves subject to seventh sub clause of the fourteenth article changed by the eighteenth article of the abolished Corporate Tax Law numbered 5422 dated 1949, with the banks will not be sustained, if the banks take into consideration of 65 percent of these losses in the determination of revenues for the year 2001 as previous year losses, and admit to correct taxable income for the subsequent years and declare they have abnegated from all of the courts related to this matter in one month after this law come into effect. According to the same article's second sub clause, if there is a refund arising from the disclaim in the judgment decision about this subject, since the time this law come into effect, the amount to be refunded as advance, should be deducted from the refund arising from judgment authority's decision. There will be no interest or due surcharge for the amounts to be rejected and refunded.

As of the report date, The Bank management has taken no decisions for any reconcilements for the point in dispute as stated in the second paragraph specified in the first paragraph above.

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

None.

II. Independent Auditors' Review Report

1. Information on the independent auditors' review report

The Bank's unconsolidated financial statements and footnotes as of 31 December 2007, have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the member firm of KPMG International) and an unqualified opinion has been issued in their independent auditors' report dated 28 February 2008.

2. Explanations and disclosures by Independent Auditors

None.



Göreme National Park and the Rock Sites of Cappadocia (NEVŞEHİR)

Date of Inscription: 6.12.1985
Ref: 357
Criteria: Natural / Cultural

EVALUATION ABOUT THE FINANCIAL SITUATION, PROFITABILITY AND SOLVENCY

Evaluation About The Financial Situation, Profitability And Solvency

State of Progress in the Assets

Vakıfbank grew by 15,0% in 2007 and increased its assets to the amount of TRY 42,4 billion. While the rate of increase in TRY assets was 28,0%, our FX assets increased by 7,4%.

Our credits that increased by 30,1% and reached to TRY 23,5 billion played an important role in the growth of our assets. Applying a widespread credit policy in order to contribute in the increase of production-employment through financing the real sector and to assist in the expansion of the national economy towards the international markets with its credit and foreign exchange services, our Bank continued to provide financing support with suitable maturity periods, interest rates and payment options directly on its own or through mediation within the scope of the protocols concluded with the other entities or institutions in the year of 2007. While the portion of 6,5 billion TRY corresponding to 27,9% of our credits was composed of personal loans, the portion of TRY 16,9 billion corresponding to 72,1% of total credits was composed of commercial loans by the end of 2007.

With these figures, our Bank's share in the commercial loans sector was 8,9% and the share in the personal loans sector was 6,9%.

Considering the composition of our personal loans, it is observed that 91,8% of them are composed of consumer loans and 8,2% of them are composed of credit cards. In respect of distribution of consumer loans, the consumer credits on instalments had a share of 57,8% while the housing loans and vehicle loans had the shares of 40,0% and 2,2%, respectively.

The ratio of the securities portfolio in the banking sector balance decreased in 2007; in parallel to this, the share of our Bank's portfolio which amounted to TRY 11 billion in the total balance decreased from 28,3% to 25,8%.

The number of our participations that was 27 in 2006 decreased to 26 as a result of the sale of 2 participations and participation in 1 company in 2007. The ratio of the participations and affiliates to the assets increased from 1,1% to 1,2%.

While the share of tangible fixed assets within the total assets was 2,4% in 2006, it dropped to 2,1% in 2007.

State of Progress in the Liabilities

The deposits that had the biggest share with the rate of 68,1% in our total resources increased by 16,2% and reached to TRY 28,9 billion in 2007; and while the share of TRY deposits in the total deposits was 70,7% in 2006, it was determined as 77,6% in 2007.

Our Bank received syndication loan facilities with the total amount of USD 1.075 million with 1-year maturity periods including the loan facility with the amount of USD 700 million received with the participation of 29 international banks in July 2007 and the loan facility with the amount of USD 375 million received with the participation of 23 international banks in the month of December. The syndication credit with the amount of USD 375 million that became due upon the expiry of maturity was repaid.

In addition to the syndication loans received, a securitisation loan of USD 500 million was received in May 2007; and total of the securitisation loans received by our Bank including the said credit has reached to USD 1,415 million.

Our Bank's equity increased to TRY 5.2 billion as a result of the increase in the reserves and profitability.

A Capital Adequacy Ratio of 15,35% was achieved as a result of the risk management and investment placement policies followed by our Bank.

Evaluation of the Profitability

Having gained a gross profit of TRY 1.258 million despite the reservation of provisions for all of the receivables in the follow-up in 2007, our Bank closed the year of 2007 with a profit amounting to TRY 1.031 million as a result of deduction of the tax provisions with the amount of 227 million TRY.

With its total incomes earned from interest incomes by 82,9% and non-interest incomes by 17,1%, our Bank increased its interest incomes by 21,4% in 2007. The rate of interests received from the loans within the total interests increased from 56,4% to 60,8% in parallel to the increase in the loans. The share of interests received from securities decreased from 32,1% to 29,2% as a result of decrease in the share of securities portfolio within the assets. The increase in our non-interest incomes was realized by 34,8% in 2007.

Our total expenses were composed of interest expenses by 67,8% and non-interest expenses by 32,2%. The share of the interests for the deposits within our interest incomes which displayed an increase by 30,2% dropped from 90,7% to 88,2% and the share of the interests given for the loans used dropped from 7,2% to 6,9% in 2007.

Therefore, while the rate of covering the interest expenses from the interest incomes was found as 145,6%, the rate of covering the non-interest expenses from non-interest incomes increased from 49,8% to 63,0%.

Our Bank's net interest incomes increased by 5,7% and the net wages and commission incomes increased by 25,0% in 2007. In parallel, the cost/return rate calculated through proportioning our Bank's expenses of other operations to the total of operational incomes dropped from 41,7% to 37,9%.

Solvency

Our Bank continued to strengthen its solvency through maintaining the share of interest-income assets within the total assets, its strong liquidity structure and the policy of reserving 100% provisions for the loans under follow-up in 2007.

Having continued its growth in loans without compromising the risk management, Vakıfbank's capital adequacy ratio of 15,35% determined by the end of the year has been another important indicator of its financial strength.

Moody's, one of the international rating agencies has increased the financial strength score of Vakıfbank from "D-" to "D+" in April 2007. The "D+" rating refers to the increasing financial power of Vakıfbank and shows its strong structure in the banking sector with its market shares in assets and in deposits and its importance in the sector as well as its strong network of branches and its power in the credit cards segment.

On the other hand, the wide customer portfolio and the availability of access to potential personal and corporate customers, the possibility of developing integrated projects with public entities and institutions (TOKI, KOSGEB, etc.), the strong distribution of branch network in Anatolia and the resulting competitive advantages, the differentiation of its brands and the deeply rooted corporate relations can be considered as the significant advantages of our Bank in the sector; and the success in transforming these advantages into opportunities will also contribute in the solvency of the Bank.

Summary Of Financial Data For The Five-Year Period

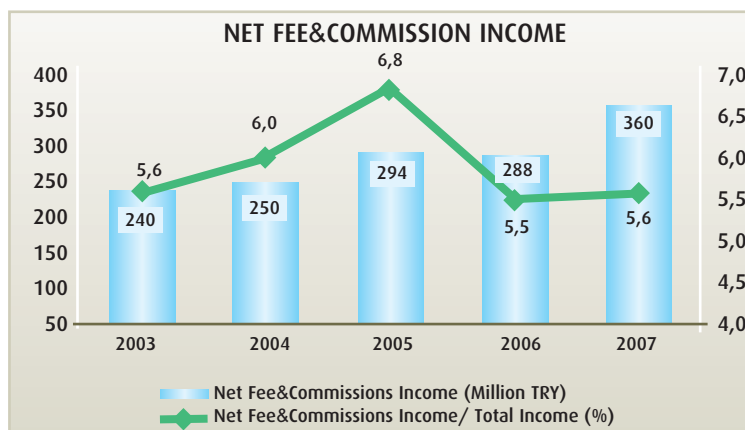
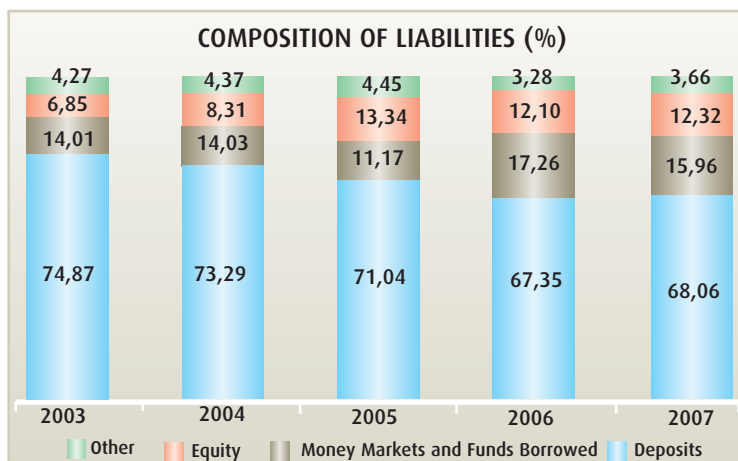
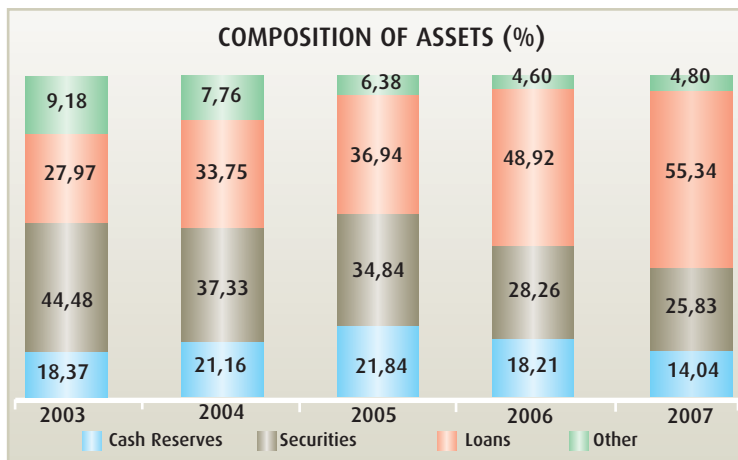
(Million TRY)						Change (%)
ASSETS	2003	2004	2005	2006	2007	2006-2007
Liquid Assets and Banks	3.579	5.121	7.121	6.718	5.952	-11,40
Securities Portfolio	8.667	9.034	11.359	10.425	10.952	5,06
Active Loans	5.450	8.167	12.042	18.043	23.470	30,08
Receivables under Follow-up (Net)	0	0	0	0	0	-
Participations and Affiliates	541	483	603	409	521	27,38
Fixed Assets	1.103	1.116	1.007	890	906	1,80
Other Assets	147	278	469	399	608	52,38
TOTAL	19.487	24.199	32.601	36.884	42.408	14,98

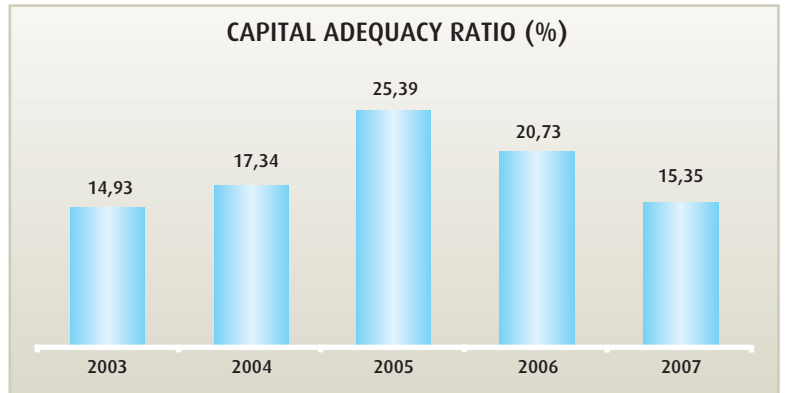
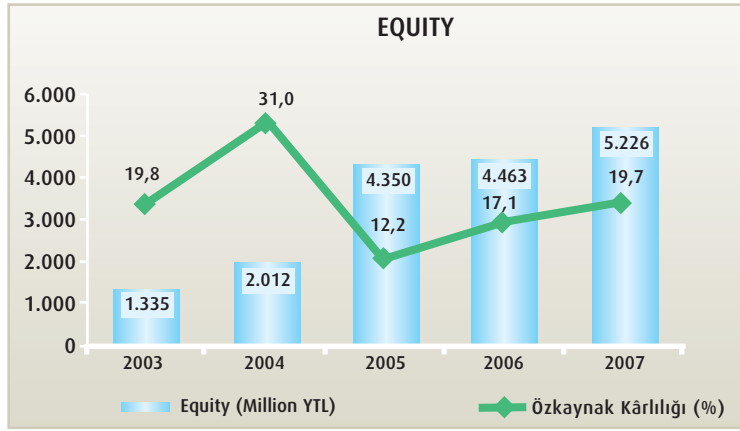
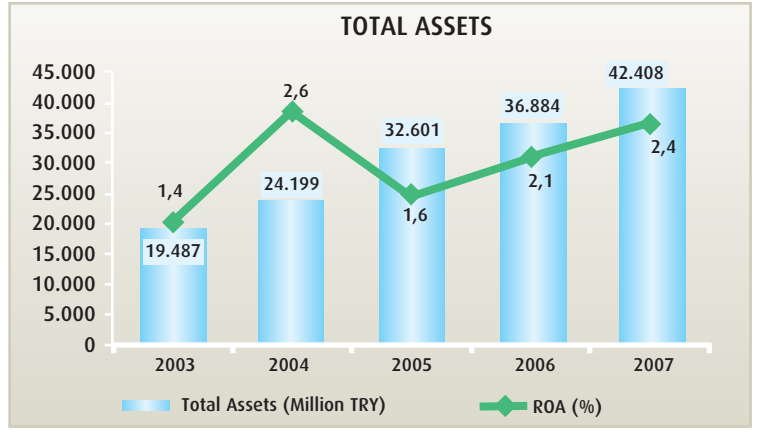
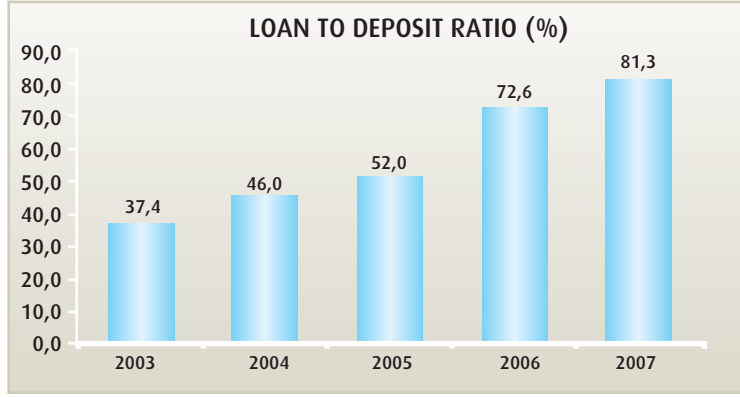
(Million TRY)						Change (%)
LIABILITIES	2003	2004	2005	2006	2007	2006-2007
Deposits	14.589	17.736	23.161	24.842	28.863	16,19
Money Markets	599	614	108	1.370	2.076	51,53
Funds Borrowed	2.131	2.781	3.533	4.997	4.693	-6,08
Provisions	96	181	417	391	499	27,62
Other Liabilities	737	875	1.032	820	1.052	28,29
Equity	1.335	2.012	4.350	4.463	5.226	17,10
-Paid-in Capital	321	420	1.279	2.500	2.500	
Profit or Loss	264	856	587	813	1.039	27,80
-Profit-Loss of the Previous Year	0	232	55	52	8	-84,62
-Net Profit-Loss for the Period	264	624	532	762	1.031	35,30
TOTAL	19.487	24.199	32.601	36.884	42.408	14,98

The Balance Sheet and Profit/Loss Statements for 2003 were rearranged with the current values of 2004 due to the Inflation Accounting Application implemented in 2003 through multiplying the values with yearly correction factor (1,1384).

(Million TRY)						Change (%)
PROFIT / LOSS	2003	2004	2005	2006	2007	2006-2007
Interest Income	2.639	3.068	3.592	4.409	5.352	21,39
Interest Expense	2.267	1.883	2.273	2.824	3.677	30,21
Net Interest Income	372	1.185	1.319	1.585	1.676	5,74
Net Fee&Commission Income	240	250	294	288	360	25,00
Dividend Income	17	52	10	17	35	105,88
Capital Market Trading Profit (Net)	529	64	131	45	48	6,67
Foreign Exchange Profit (Net)	145	53	49	-2	146	7.400,00
Other Operating Income	198	246	129	343	357	4,08
Total of Operating Income	1.500	1.849	1.932	2.277	2.621	15,11
Provision for Loans and Other Receivables	440	344	445	308	368	19,48
Other Operating Expenses	786	722	732	951	995	4,63
Operating Profit	274	783	756	1.018	1.258	23,58
Net Monetary Position Profit/Loss	-10	-16	0	0	0	
Profit before Tax	264	767	756	1.018	1.258	23,58
Provision for Taxes	0	143	224	256	227	-11,33
Net Profit / Loss for the Period	264	624	532	762	1.031	35,30

(%)	2003	2004	2005	2006	2007
Total Loans / Total Deposits	37,4	46,0	52,0	72,6	81,3
Net Profit-Loss of the Period/Total Assets	1,4	2,6	1,6	2,1	2,4
Net Profit-Loss of the Period/Equity	19,8	31,0	12,2	17,1	19,7
Capital Adequacy Ratio	14,93	17,34	25,39	20,73	15,35





**TO THE BOARD OF DIRECTORS OF
TÜRKİYE VAKIFLAR BANKASI T.A.O**

We hereby state that the "Annual Report for 2007" prepared in relation with the Fiscal Year of 2007 pertaining to Türkiye Vakıflar Bankası T.A.O. has been prepared in accordance with the "Regulation on the Principles and Procedures Regarding the Preparation and Publication of the Banks' Annual Reports" published in the Official Gazette dated 01st.11.2006 and numbered 26333 and includes the data specified in the article 6 of the said regulation and the additional information required in the article 7; and you are kindly requested to forward it as stated herein to the Board of Directors.

Yours sincerely,

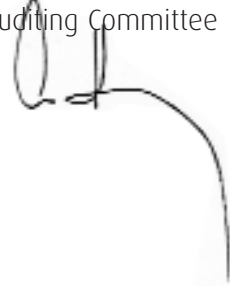
Ragıp DOĞU

Vice-Chairman of The
Board Of Directors



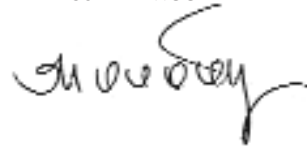
Cem DEMİRAĞ

Member Of The
Auditing Committee



Serdar TUNÇBİLEK

Member Of The Auditing
Committee



Bilal KARAMAN

General Manager



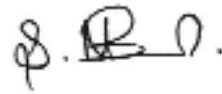
Metin R. ZAFER

Assistant General Manager



Ş. Mehmet BOZ

Head Of General Accounting
Financial Control Dept.



It was approved to execute the following article discussed and resolved in the meeting of our Board of Directors dated 06th.03.2008 and numbered 2396 - 06.

It was resolved that the "Annual Report for 2007" prepared in relation with the Fiscal Year of 2007 pertaining to Türkiye Vakıflar Bankası T.A.O. and approved by our Auditing Committee would be submitted to the General Assembly.

TÜRKİYE VAKIFLAR BANKASI T.A.O.
Board of Directors

**ASSENT OPINION
FOR THE ANNUAL REPORT**

To the General Assembly of Türkiye Vakıflar Bankası T.A.O.;

We have been assigned to audit the annual report of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı prepared by the date of December 31, 2007 on the basis of the unconsolidated financial reports. The annual report specified in the report is under the responsibility of the Bank's management. As the independent audit company, our liability is to express our opinions about the annual report audited in relation with compliance between the financial data included in the annual report and the independently-audited unconsolidated financial statements and the explanatory footnotes.

The audit was performed in accordance with the procedures and principles about the preparation and publishing of annual reports enforced as per the Banking Law No. 5411 and the regulations about the independent audit principles. These regulations require the planning and performance of the audits in order to provide reasonable guarantee in respect of whether there is a material error in respect of compliance between the financial data included in the annual report and the independently-audited previous financial statements and explanatory footnotes. We believe that the audit performed will constitute a reasonable and conclusive basis in the development of our opinion.

According to our opinion, the financial data included in the annual report enclosed truly reflect any information related with the unconsolidated financial conditions of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı by the date of December 31, 2007 in accordance with the principles and procedures specified in the effective regulations as per the article 40 of the Banking Law No. 5411 and include the summary of the board of directors' report and the independent auditors' opinions provided by us; and they are in full compliance with the data presented within the independently-audited previous unconsolidated financial statements and the explanatory footnotes.

Istanbul
March 5, 2008

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi



Özkan Genç
Responsible Partner, Senior Auditor

Resimler
Serap Demirađ

Tasarım ve Uygulama
Sezgi
Basım Yayın, Eđitim, Danıřmanlık, Turizm T.L.ř.