KPMG

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

Consolidated Interim Financial Statements
As at 30 June 2009
Together With
Independent Auditors' Review Report

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ

16 October 2009

This report includes "Independent Auditors' Report on Review of Consolidated Interim Financial Statements" comprising 1 page and; "Consolidated Interim Financial Statements Together with their Explanatory Notes" comprising 67 pages.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Subsidiaries

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Independent Auditors' Report on Review of Consolidated Interim Financial Information

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("the Bank") and its subsidiaries (collectively "the Group") as at 30 June 2009 and related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes ("the consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34 – *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

We did not review the financial statements of certain consolidated companies as at 30 June 2009, which statements reflect total assets constituting 5.18 percent; and total operating income constituting 4.01 percent as at and for the six-month period ended 30 June 2009 of the related consolidated totals. Those statements were reviewed by other auditors whose reports have been furnished to us, and our review report, insofar as it relates to the amounts included for those companies is based solely on the reports of the other auditors.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements does not present fairly, in all material respects, the financial position of the Group as at 30 June 2009, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 – *Interim Financial Reporting*.

KPMG Akis Bağımsız Denetim ve SMMM AŞ

Istanbul, Turkey
16 October 2009

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Subsidiaries
Consolidated Statement of Financial Position
At 30 June 2009
(Currency – Thousands of Turkish Lira (TL))

	Notes	30 June 2009	31 December 2008
ASSETS			
Cash and balances with the Central Bank	6	2,469,220	1,293,930
Financial assets at fair value through profit or loss	7	152,426	146,496
Receivables from reverse repurchase agreements	8	-	532
Loans and advances to banks	9	7,743,870	6,309,435
Loans and advances to customers	10,11	32,744,866	31,126,899
Investment securities	12	14,262,490	12,036,327
Investment in equity participations	13	121,870	114,960
Property and equipment	14	892,343	905,109
Intangible assets	14	35,277	33,518
Deferred tax assets	20	95,746	76,252
Other assets	15	2,579,592	2,514,899
Total assets		**61,097,700**	**54,558,357**
LIABILITIES AND EQUITY			
Deposits from banks	16	1,929,679	1,489,387
Deposits from customers	17	40,579,940	36,108,006
Obligations under repurchase agreements	8	2,566,161	1,717,055
Funds borrowed	18	5,993,446	6,202,317
Other liabilities and provisions	19	2,861,160	2,680,031
Current tax liabilities	20	71,073	48,585
Deferred tax liabilities	20	7,802	6,088
Total liabilities		**54,009,261**	**48,251,469**
Share capital	21	3,300,146	3,300,146
Fair value reserves of available-for-sale financial assets	21	143,776	692
Share premium		724,320	724,320
Revaluation surplus		14,282	14,282
Translation reserve		46,889	45,653
Legal reserves	21	384,293	306,750
Retained earnings	21	2,160,966	1,608,461
Total equity attributable to equity holders of the Bank		**6,774,672**	**6,000,304**
Non-controlling interest	21	**313,767**	**306,584**
Total equity		**7,088,439**	**6,306,888**
Total liabilities and equity		**61,097,700**	**54,558,357**
Commitments and contingencies	26	**16,068,999**	**14,392,798**

The notes on pages 8 to 67 are an integral part of these consolidated interim financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Subsidiaries
Consolidated Statement of Comprehensive Income
For the Six-Month Period Ended 30 June 2009
(Currency – Thousands of Turkish Lira (TL))

	Notes	30 June 2009	30 June 2008
Interest income			
Interest on loans and receivables		2,330,277	1,993,080
Interest on securities		872,077	831,110
Interest on deposits with banks		82,485	158,004
Interest on money market placements		46,654	37,690
Other interest income		31,189	20,300
Total interest income		**3,362,682**	**3,040,184**
Interest expense			
Interest on deposits		(1,572,250)	(1,791,852)
Interest on money market deposits		(97,359)	(108,088)
Interest on funds borrowed		(101,274)	(127,761)
Other interest expense		(19,699)	(27,558)
Total interest expense		**(1,790,582)**	**(2,055,259)**
Net interest income		**1,572,100**	**984,925**
Fees and commission income		331,886	337,397
Fees and commission expense		(116,706)	(113,128)
Net fees and commission income		**215,180**	**224,269**
Other operating income			
Trading income, (net)	7	64,968	15,886
Foreign exchange gain, (net)		20,705	25,206
Other income	23	302,341	307,468
Total other operating income		**388,014**	**348,560**
Other operating expense			
Salaries and employee benefits	24	(404,587)	(354,845)
Provision for possible loan losses, net off recoveries		(334,121)	160
Depreciation and amortization	14	(58,552)	(47,628)
Taxes other than on income		(26,202)	(18,997)
Other expenses	25	(580,778)	(467,371)
Total other operating expense		**(1,404,240)**	**(888,681)**
Profit from operations		**771,054**	**669,073**
Income tax expense	20	**(131,578)**	**(122,115)**
Net profit for the period		**639,476**	**546,958**

The notes on pages 8 to 67 are an integral part of these consolidated interim financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Subsidiaries
Consolidated Statement of Comprehensive Income *(continued)*
For the Six-Month Period Ended 30 June 2009
(Currency – Thousands of Turkish Lira (TL))

	Notes	30 June 2009	30 June 2008
Other comprehensive income			
Revaluation of property, plant and equipment		-	944
Foreign currency translation differences for foreign operations		1,373	9,780
Change in fair value of available for sale financial assets		151,955	(320,626)
Change in fair value of available for sale financial assets transferred to profit or loss	21	18,928	(20,675)
Income tax on other comprehensive income	21	(23,804)	64,207
Other comprehensive income for the period, net of income taxes		**148,452**	**(266,370)**
Total comprehensive income for the period		**787,928**	**280,588**
Profit attributable to:			
Equity holders of the Bank		630,048	526,441
Non-controlling interest	21	9,428	20,517
Net profit for the period		**639,476**	**546,958**
Total comprehensive income attributable to:			
Equity holders of the Bank		774,368	259,568
Non-controlling interest		13,560	21,020
Total comprehensive income for the period		**787,928**	**280,588**
Earnings per share from continuing operations (full TL)		0.2558	0.2188
Earnings per share total comprehensive income (full TL)		0.3152	0.1122

The notes on pages 8 to 67 are an integral part of these consolidated interim financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Subsidiaries
Consolidated Statement of Changes in Equity
For the Six-Month Period Ended 30 June 2009
(Currency – Thousands of Turkish Lira (TL))

		Attributable to equity holders of the Bank								
	Notes	Share capital	Fair value reserves	Share premium	Revaluation surplus	Translation reserve	Legal reserves	Retained earnings	Non-controlling interest	Total equity
Balances at 1 January 2008		**3,300,146**	**126,725**	**724,320**	**14,282**	**30,905**	**210,402**	**963,032**	**269,806**	**5,639,618**
Total comprehensive income for the period										
Net profit for the period		-	-	-	-	-	-	526,441	20,517	**546,958**
Other comprehensive income										
Change in revaluation surplus, net off tax		-	-	-	442	-	-	-	502	944
Foreign currency translation differences		-	-	-	-	8,825	-	-	955	9,780
Net changes in fair value of available for sale financial assets, net off tax	21	-	(276,140)	-	-	-	-	-	(954)	(277,094)
Total other comprehensive income		-	**(276,140)**	-	**442**	**8,825**	-	-	**503**	**(266,370)**
Total comprehensive income for the period		-	**(276,140)**	-	**442**	**8,825**	-	**526,441**	**21,020**	**280,588**
Transactions with owners, recorded directly in equity										
Transfer to reserves		-	-	-	-	-	96,271	(96,271)	-	-
Dividends to equity holders		-	-	-	-	-	-	(142,200)	(5,622)	(147,822)
Total contributions by and distributions to owners		-	-	-	-	-	**96,271**	**(238,471)**	**(5,622)**	**(147,822)**
Total transactions with owners		-	-	-	-	-	**96,271**	**(238,471)**	**(5,622)**	**(147,822)**
Balances at 30 June 2008		**3,300,146**	**(149,415)**	**724,320**	**14,724**	**39,730**	**306,673**	**1,251,002**	**285,204**	**5,772,384**

The notes on pages 8 to 67 are an integral part of these consolidated interim financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Subsidiaries
Consolidated Statement of Changes in Equity *(continued)*
For the Six-Month Period Ended 30 June 2009
(Currency – Thousands of Turkish Lira (TL))

		Attributable to equity holders of the Bank								
	Notes	Share capital	Fair value reserves	Share premium	Revaluation surplus	Translation reserve	Legal reserves	Retained earnings	Non-controlling interest	Total equity
Balances at 1 January 2009		**3,300,146**	**692**	**724,320**	**14,282**	**45,653**	**306,750**	**1,608,461**	**306,584**	**6,306,888**
Total comprehensive income for the period										
Net profit for the period		-	-	-	-	-	-	630,048	9,428	**639,476**
Other comprehensive income										
Foreign currency translation differences		-	-	-	-	1,236	-	-	137	1,373
Net changes in fair value of available for sale financial assets, net off tax	21	-	143,084	-	-	-	-	-	3,995	147,079
Total other comprehensive income		-	**143,084**	-	-	**1,236**	-	-	**4,132**	**148,452**
Total comprehensive income for the period		-	**143,084**	-	-	**1,236**	-	**630,048**	**13,560**	**787,928**
Transactions with owners, recorded directly in equity										
Transfer to reserves		-	-	-	-	-	77,543	(77,543)	-	-
Dividends to equity holders		-	-	-	-	-	-	-	(6,377)	(6,377)
Total contributions by and distributions to owners		-	-	-	-	-	**77,543**	**(77,543)**	**(6,377)**	**(6,377)**
Total transactions with owners		-	-	-	-	-	**77,543**	**(77,543)**	**(6,377)**	**(6,377)**
Balances at 30 June 2009		**3,300,146**	**143,776**	**724,320**	**14,282**	**46,889**	**384,293**	**2,160,966**	**313,767**	**7,088,439**

The notes on pages 8 to 67 are an integral part of these consolidated interim financial statements.

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı and Its Subsidiaries
Consolidated Statement of Cash Flows
For the Six-Month Period Ended 30 June 2009
(Currency – Thousands of Turkish Lira (TL))

	Notes	30 June 2009	30 June 2008
Cash flows from operating activities:			
Net profit for the period		639,476	546,958
Adjustments for:			
Income tax expense	20	131,578	122,115
Provision for possible loan losses		334,121	(160)
Depreciation and amortization	14	58,552	47,628
Provision for retirement pay liability and unused vacations	24	15,367	13,235
Provision for short term employee benefits	24	40,000	35,100
Unearned premium reserve	23	2,398	29,493
Provision for outstanding claims	25	227	4,600
Life mathematical provisions	25	(13,946)	(22,499)
Other provision expenses	25	2,941	7,829
Net interest income		(1,572,100)	(984,925)
Income from associates	23	(5,871)	(4,664)
Currency translation differences		1,373	9,780
Other non-cash adjustments		52,679	(80,967)
Changes in operating assets and liabilities:			
Loans and advances to banks		(146,409)	(163,257)
Reserve deposits		45,201	(193,086)
Financial assets at fair value through profit or loss		(25,246)	26,898
Loans and advances to customers		(2,105,199)	(4,662,844)
Derivative financial instruments		22,471	6,712
Other assets		(34,058)	(76,293)
Deposits from banks		434,295	(203,975)
Deposits from customers		4,489,249	6,223,248
Obligation under repurchase agreements		920,402	(190,208)
Other liabilities and provisions		129,290	(6,243)
Interest received		3,442,007	3,011,726
Interest paid		(1,880,636)	(2,112,313)
Income taxes paid		(150,619)	(128,889)
Cash provided by operating activities		**4,827,543**	**1,254,999**
Cash flows from investing activities:			
Dividends received		3,287	4,390
Acquisition of property and equipment	14	(46,203)	(80,756)
Proceeds from the sale of property and equipment		7,176	12,515
Acquisition of intangible assets	14	(4,550)	(10,605)
Proceeds from the sale of intangible assets		-	49
Acquisition of investment securities		(3,813,980)	(2,496,953)
Proceeds from sale of investment securities		1,764,429	1,594,750
Cash used in investing activities		**(2,089,841)**	**(976,610)**
Cash flows from financing activities:			
Repayments of funds borrowed		(601,194)	(404,641)
Proceeds from funds borrowed		350,736	373,575
Dividends paid		(6,377)	(147,822)
Cash used in financing activities		**(256,835)**	**(178,888)**
Net increase in cash and cash equivalents		2,480,867	99,501
Cash and cash equivalents at the beginning of the period	6	7,379,620	5,396,573
Cash and cash equivalents at the end of the period	6	**9,860,487**	**5,496,074**

The notes on pages 8 to 67 are an integral part of these consolidated interim financial statements.

Notes to the consolidated interim financial statements:

1. Overview of the Bank

- **Brief History**

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ("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.
- 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.

The Bank provides corporate, commercial and retail banking services through a network of 527 domestic branches and 2 foreign branches in New York and Bahrain (31 December 2008: 523 domestic, 2 foreign, in total 525 branches). Additionally, the Bank has two banks which are located in Austria and Turkish Republic of Northern Cyprus. As at 30 June 2009, the Bank has 9,493 (31 December 2008: 9,567) employees. The Bank's head office is located at Atatürk Bulvarı No:207, Kavaklıdere - Ankara.

- **Ownership**

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

The 25.18% of the Bank's outstanding shares, were publicly offered at a price between TL 5.13-5.40 for each share having a nominal value of TL 1 on November 2005.

(Currency – Thousands of Turkish Lira (TL))

1. Overview of the Bank *(continued)*

• Ownership *(continued)*

As at 30 June 2009 and 31 December 2008, The Bank's paid-in capital is TL 2,500,000, divided into 2.500.000.000 shares with each has a nominal value of 1 Turkish Lira. As at 30 June 2009 and 31 December 2008, the Bank's shareholders' structure is disclosed below:

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

2. Basis of preparation

(a) Statement of compliance

The Bank and its consolidated subsidiaries located in Turkey maintain their books of account and prepare their statutory financial statements in TL, the functional currency of the Bank and the related subsidiaries, in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency ("BRSA"), the Capital Markets Board of Turkey ("CMBT"), the Republic of Turkey Prime Ministry Undersecretariat of Treasury ("the Turkish Treasury"), the Turkish Commercial Code, and the Turkish Tax Legislation. The Bank's foreign subsidiaries maintain their books of account and prepare their statutory financial statements in US Dollar and in Euro in accordance with the regulations of the countries in which they operate.

The accompanying consolidated interim financial statements of the Bank and its subsidiaries (collectively "the Group") are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRSs").

The accompanying consolidated interim financial statements were authorized by the Bank management on 16 October 2009.

(b) Basis of measurement

The accompanying consolidated interim financial statements are prepared in accordance with the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except for the items presented on a fair value basis that are financial assets at fair value through profit or loss, derivative financial assets and liabilities held for trading purpose, available-for-sale financial assets and equity participations whose fair value can be reliably measured.

(c) Functional currency and presentation currency

These consolidated interim financial statements are presented in TL, which is the Bank's functional currency. Except as indicated, financial information presented in TL has been rounded to the nearest thousand.

2. Basis of preparation *(continued)*

(d) Accounting in hyperinflationary countries

Financial statements of the entities located in Turkey have been restated for the changes in the general purchasing power of the Turkish Lira based on IAS 29 – *Financial Reporting in Hyperinflationary Economies* as at 31 December 2005. *IAS 29* requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms. One characteristic that necessitates the application of *IAS 29* is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey was 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute. This, together with the sustained positive trend in quantitative factors, such as the stabilization in capital and money markets, decrease in interest rates and the appreciation of TL against the US Dollar and other hard currencies have been taken into consideration to categorize Turkey as a non-hyperinflationary economy under *IAS 29* effective from 1 January 2006.

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the consolidated interim financial statements are described in the following notes:

- Note 4 – Financial risk management
- Note 10 – Loans and advances to customers
- Note 11 – Finance lease receivables
- Note 13 – Investment in equity participations
- Note 14 – Property and equipment and intangible assets
- Note 19 – Other liabilities and provisions including insurance contract liabilities
- Note 20 – Income taxes

(f) Presentation of the consolidated interim financial statements

The Group applies revised IAS 1 – *Presentation of Financial Statements* (2007), which became effective as at 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these consolidated interim financial statements as at and for the six months period ended 30 June 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

3. Significant accounting policies

(a) Basis of consolidation

The accompanying consolidated interim financial statements include the accounts of the parent company, the Bank, its subsidiaries and associates on the basis set out in sections below. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated interim financial statements.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Associates

Associates are those entities in which the Bank and its subsidiaries have significant influence, but not control, over the financial and operating policies. The consolidated interim financial statements include the Bank and its subsidiaries' share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Bank and its subsidiaries' share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank and its subsidiaries has incurred obligations in respect of the associate.

Special purpose entities

Special purpose entities are the entities that are created to accomplish a narrow and well defined objective such as the securitization of particular assets, or the execution of a specific borrowing or lending transaction. Special purpose entities are consolidated when the substance of the relationship between the Group and the special purpose entity indicates that the special purpose entity is controlled by the Group.

Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized gains and losses arising from inter-company transactions, are eliminated in preparing the consolidated interim financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Bank and its subsidiaries' interest in the entity. Unrealized gains arising from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. Significant accounting policies *(continued)*

(b) Foreign currency

Foreign currency transactions

Transactions are recorded in TL, which represents the Group's functional currency except for World Vakıf Offshore Banking Ltd. and Vakıfbank International AG. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates ruling at the reporting date with the resulting exchange differences recognized in the consolidated statement of comprehensive income as foreign exchange gains or losses.

Foreign operations

The functional currencies of the foreign subsidiaries, World Vakıf Offshore Banking Ltd. and Vakıfbank International AG, are US Dollar and Euro, respectively, and their financial statements are translated to the presentation currency, TL, for consolidation purposes, as summarized in the following paragraphs.

-The assets and liabilities of the foreign subsidiaries are translated at the exchange rate ruling at the reporting date.

-The income and expenses of foreign operations are translated to TL using average exchange rates.

-Foreign currency differences arising from the translation of the financial statements of the net investment in foreign operations into TL for consolidation purpose are recognized in other comrehensive income as the foreign currency translation reserve ("translation reserve"). Where a foreign operation is disposed of, in part or full, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

(c) Interest income and expense

Interest income and expense are recognized in the consolidated statement of comprehensive income using the effective interest method, except for the interest income on overdue loans. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial assets or liabilities.

Interest income and expense presented in the consolidated statement of comprehensive income include:

- interest on financial assets and liabilities at amortized cost on an effective interest rate basis,
- interest on available-for-sale investment securities on an effective interest rate basis,
- interest earned till the disposal of financial assets at fair value through profit or loss.

3. Significant accounting policies *(continued)*

(d) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(e) Net trading income

Net trading income includes gains and losses arising from disposals of financial assets at fair value through profit or loss, available-for-sale financial assets, and gains and losses on derivative financial instruments held for trading purpose.

(f) Dividends

Dividend income is recognized when the right to receive the income is established. Dividends are reflected as a component of other operating income.

(g) Lease payments made

Payments made under operating leases are recognized in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(h) Income taxes

Corporate tax

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. Except for the dividend payments to those institutions, the withholding tax rate on the dividend payments is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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

3. Significant accounting policies *(continued)*

(h) Income taxes *(continued)*

Corporate tax *(continued)*

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

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

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

The corporate tax rate for the Group's subsidiary in Austria has been determined as 25%. Pre-paid corporate taxes for every three months are computed and paid using the related period's tax rate. Taxes which have been paid for the previous periods can be deducted from corporate taxes computed on annual taxable income. According to the Double Taxation Treaty Agreement between Turkey and Austria, Turkish corporations in Austria possess the right to benefit from tax returns of 10%.

Deferred taxes

Deferred tax assets and liabilities are recognized, 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 consolidated interim financial statements only if the Group has legal right to present the net value of current year tax assets and current year tax liabilities and the deferred tax assets and deferred tax liabilities are income taxes of the same taxable entity.

In case where gains/losses resulting from the subsequent measurement of financial assets are recognized in profit or loss, then the related current and/or deferred tax effects are also recognized in profit or loss. On the other hand, if such gains/losses are recognized in other comprehensive income, then the related current and/or deferred tax effects are also recognized directly in other comprehensive income.

Transfer pricing regulations

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

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

3. Significant accounting policies *(continued)*

(i) Financial instruments

Recognition

The Group initially recognizes held-to-maturity investment securities, loans and advances, deposits, funds borrowed, and obligations under repurchase agreements on the date at they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the group commits to purchase or sell the asset. Financial assets at fair value through profit or loss and available-for-sale financial assets are recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets are recognized.

Classification

Financial assets at fair value through profit or loss are trading financial assets acquired principally with the intention of disposal within a short period for the purpose of short-term profit making and *derivative financial instruments.* All trading derivatives in a net receivable position (positive fair value) are reported as financial assets at fair value through profit or loss. All trading derivatives in a net payable position (negative fair value) are reported as trading liabilities under other liabilities and provisions.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods and services directly to a debtor with no intention of trading the receivable. Loans and receivables comprise loans and advances to banks and customers.

Held-to-maturity investment securities are financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity. These include certain debt securities.

Available-for-sale financial assets are the financial assets that are not held for trading purposes, loans and advances to banks and customers, or held to maturity. Available-for-sale financial assets mainly include certain debt securities issued by the Turkish Government.

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

See also *specific instruments* below.

Measurement

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable ot its acquisition or issue.

Subsequent to initial recognition, all financial assets at fair value through profit or loss and all available-for-sale financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity investment securities are measured at amortized cost less impairment losses. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are recognized in the consolidated statement of comprehensive income as interest on securities.

Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognized directly in the other comprehensive income as fair vlue reserve of available for sale financial assets. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognized in the other comprehensive income is transferred to profit or loss. Interest earned whilst holding available-for-sale financial assets, held-to-maturity securities and financial assets at fair value through profit or loss is reported as interest income.

Derecognition

A financial asset is derecognised when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognized when it is extinguished.

Available-for-sale financial assets and financial assets at fair value through profit or loss that are sold are derecognized and corresponding receivables from the buyer for the payment are recognized as at the date the Group commits to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

Held-to-maturity assets and loans and receivables are derecognized on the date they are transferred by the Group.

See also accounting policies *3(j)* and *(k)*.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Specific instruments

Cash and balances with the Central Bank: Cash and balances with the Central Bank comprise cash balances on hand, cash deposited with the Central Bank and other cash items. Money market placements are classified in loans and advances to banks.

Cash and cash equivalents: Cash and cash equivalents which is a base for preparation of consolidated statement of cash flows includes cash in TL, cash in FC, cheques, balances with the Central Bank, money market placements and loans and advances to banks whose original maturity is less than 3 months.

Investments: Investments held for the purpose of short-term profit taking are classified as trading instruments. Debt investments that the Bank and its subsidiaries have the intent and ability to hold to maturity are classified as held-to-maturity assets.

Loans and advance to banks and customers: Loans and advances provided by the Group to banks and customers are classified as loans and receivables, and reported net of allowances to reflect the estimated recoverable amounts.

Minimum lease receivables: Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee, are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognized. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognized over the term of the lease using the effective interest rate method. Minimum lease receivables are included in the loans and receivables.

Deposits from banks and customers and funds borrowed: Deposits from banks and customers and funds borrowed are the Group's sources of debt funding. Deposits from banks and customers and funds borrowed are initially measured at fair value plus directly attributable transactions costs, and subsequently measured at their amortised cost using the effective interest method.

Identification and measurement of impairments

At each reporting date the Group assesses whether there is objective evidence that financial asset or group of financial assets is impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Loans and receivables are presented net of specific allowances for uncollectibility. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts. In assessing the recoverable amounts of loans and receivables, the estimated future cash flows are discounted to their present value. Increases in the allowance account are recognized in the statement of comprehensive income. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly. If in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through profit or loss.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans re measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Identification and measurement of impairments *(continued)*

All impairment losses are recognized in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to statement of comprehensive income, when related asset is derecognized.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(j) Repurchase transactions

The Group enters into purchases/sales of investments under agreements to resell/repurchase substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized as receivables from reverse repurchase agreements in the accompanying consolidated financial statements. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the statement of financial position and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as obligations under repurchase agreements.

Income and expenses arising from the repurchase and resale agreements over investments are recognized on an accrual basis over the period of the transactions and are included in "interest income" or "interest expense".

(k) Securitizations

Group securitises its diversified payment rights. In applying its policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Group over the other entity.

When the Group, in substance, controls the entity to which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognised in the Group's consolidated statement of financial position.

When the Group has transferred financial assets to another entity, but has not transferred substantially all of the risk and rewards relating to the transferred assets, the assets are recognized in the Group's consolidated statement of financial position.

(Currency – Thousands of Turkish Lira (TL))

3. Significant accounting policies *(continued)*

(l) Property and equipment

The cost of the property and equipment purchased before 31 December 2005 are restated from the purchasing dates to 31 December 2005, the date the hyperinflationary period is considered to be ended. The property and equipment purchased after this date are recorded at their historical costs. The inflation adjustment of the property and equipment that is subject to correction for the first time until 31 December 2005 has been calculated on the basis of cost obtained by deducting foreign exchange differences, financing expenses and revaluation increases, if any, from the historical cost. Property and equipment obtained after 31 December 2005 have been recorded at the cost derived after the deduction of foreign exchange differences, financing expenses and revaluation increases, if any.

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

Maintenance and repair costs incurred for property and equipment are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on the property and equipment.

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

Depreciation rates and estimated useful lives are:

Property and equipment	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

Property and equipment are depreciated based on the straight line method.

(m) Investment properties

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

Investment properties are measured initially at cost including transaction costs.

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

(n) Intangible assets

The Group's intangible assets consist of software. Intangible assets are are recorded at cost.

The costs of the intangible assets purchased before 31 December 2005 are restated from the purchasing dates to 31 December 2005, 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.

3. Significant accounting policies *(continued)*

(o) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the consolidated statement of comprehensive income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(Currency – Thousands of Turkish Lira (TL))

3. Significant accounting policies *(continued)*

(q) Employee benefits

Pension and other post-retirement obligations

The Bank has a defined benefit plan for its employees as described below:

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

T. Vakıflar Bankası T.A.O. Memur ve Hizmetleri Emekli ve Sağlık Yardım Sandığı Vakfı ("the Fund"), is a separate legal entity and a foundation recognized by an official decree, providing pension and post-retirement medical benefits to all qualified Bank employees. The Fund is a defined benefit plan ("the Plan") under which the Bank pays fixed contributions, and is obliged to pay amounts other than the fixed contribution to the Fund through constructively paying additional amounts or through contractual benefits that are not solely linked to the fixed contributions. The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506 and these contributions are as follows:

	Employer %	Employee %
Pension contributions	11.0	9.0
Medical benefit contributions	8.0	5.0

This Plan is composed of the contractual benefits of the employees, which are subject to transfer to Social Security Foundation ("SSF") ("pension and medical benefits transferable to SSF") and other excess social rights and payments provided in the existing trust indenture but not transferable to SSF and medical benefits provided by the Bank for its constructive obligation ("excess benefits").

As a result of the changes in legislation described below, the Bank will transfer a substantial portion of its pension liability under the Plan to SSF. This transfer, which will be a settlement of the Bank's obligation in respect of the pension and medical benefits transferable to SSF, will occur within three years from the enactment of the Law no.5754: "Law regarding the changes in Social Insurance and General Health Insurance Law and other laws and regulations" ("New Law") in May 2008. The actual date of the transfer has not been specified yet.

Pension and medical benefits transferable to SSF:

As per the provisional Article no.23 of the Turkish Banking Law no.5411 as approved by the Turkish Parliament on 19 October 2005, pension funds which are in essence similar to foundations are required to be transferred directly to SSF within a period of three years. In accordance with the Banking Law, the actuarial calculation of the liability, if any on the transfer should be performed regarding the methodology and parameters determined by the commission established by Ministry of Labor and Social Security. Accordingly, the Bank calculated the pension benefits transferable to SSF in accordance with the Decree published by the Council of Ministers in the Official Gazette no. 26377 dated 15 December 2006 ("Decree") for the purpose of determining the principles and procedures to be applied during the transfer of funds. However the said Article was vetoed by the President and at 2 November 2005 the President initiated a lawsuit before the Turkish Constitutional Court in order to rescind certain paragraphs of the provisional article no.23.

(Currency – Thousands of Turkish Lira (TL))

3. Significant accounting policies *(continued)*

(q) Employee benefits *(continued)*

Pension and other post-retirement obligations *(continued)*

On 22 March 2007, the Turkish Constitutional Court reached a verdict with regards to the suspension of the execution of the first paragraph of provisional article no.23 of the Turkish Banking Law, which requires the transfer of pension funds to SSF, until the decision regarding the cancellation thereof is published in the Official Gazette. The Constitutional Court stated in its reasoned ruling published in the Official Gazette numbered 26731, dated 15 December 2007 that the reason behind this cancellation was the possible loss of antecedent rights of the members of pension funds. Following the publication of the verdict, the Grand National Assembly of Republic of Turkey ("Turkish Parliament") worked on the new legal arrangements by taking the cancellation reasoning into account. At 17 April 2008, the New Law has been accepted by the Turkish Parliament and the New Law has been enacted at 8 May 2008 following its publishment in the Official Gazette no 26870. In accordance with the New Law, members of the funds established in accordance with the Social Security Law should be transferred to SSF within three years following its enactment date.

Excess benefit not transferable to SSF:

The other social rights and payments representing benefits in excess of social security limits are not subject to transfer to SSF.

The technical financial statements of the Fund are audited by the certified actuary according to the the "Actuaries Regulation" which is issued as per the Article no.21 of the 5684 numbered Insurance Law. As per the actuarial report dated February 2009 which is prepared in accordance with IAS 19 – *Employee Benefits*, there is no technical or actual deficit determined which requires provision against.

Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Bank and its subsidiaries arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment are TL 2.26 and TL 2.17 as at 30 June 2009 and 31 December 2008, respectively.

IFRSs require actuarial valuation methods to be developed to estimate the entity's obligation under reserve for employee severance indemnity. The principal actuarial assumptions used in the calculation of the total liability in the accompanying consolidated interim financial statements at 30 June 2009 and 31 December 2008 are as follows:

	30 June 2009	31 December 2008
Discount rate	6.26%	6.26%
Expected rate of salary/limit increase	5.40%	5.40%
Turnover rate to estimate the probability of retirement	0.84%	0.84%

The above rate for salary/limit increase was determined based on the Turkish Government's future targets for annual inflation.

Other benefits to employees

The Group has provided for undiscounted employee benefits earned during the financial period as per services rendered in the accompanying consolidated interim financial statements.

3. Significant accounting policies *(continued)*

(r) Items held in trust

Assets, other than cash deposits, held by the Group in fiduciary or agency capacities for their customers and government entities are not included in the accompanying consolidated statement of financial position, since such items are not the assets of the Group.

(s) Financial guarantee contracts

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognized at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable).

(t) Insurance business

Through its insurance subsidiaries, the Group issues contracts to customers that contain insurance risk. An insurance contract is a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risks except for financial risks.

Investment contracts are those contracts which transfer financial risk without significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable. Premiums received for such contracts are recognized directly as liabilities under mathematical provisions. These liabilities are increased by bonus rate calculated by the Group and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

Insurance and investment contracts issued/signed by the insurance sabsidiaries are accounted for as follows:

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

Reserve for unearned premiums: Reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the reporting date, without deductions of commission or any other expense. Reserve for unearned premiums is calculated for all contracts except for the insurance contracts for which the Group provides mathematical provisions. Reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long-term insurance contracts. Reserve for unearned premiums is presented under "other liabilities and provisions" in the accompanying consolidated statement of financial position.

3. Significant accounting policies *(continued)*

(t) Insurance contracts *(continued)*

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

Mathematical provisions: Mathematical provisions are the provisions recorded against the liabilities of the Group to the beneficiaries of long-term life, health and individual accident policies based on actuarial assumptions. Mathematical provisions consist of actuarial mathematical provisions for long term insurance contracts, saving portion of the saving life products classified as investment contracts and related profit sharing reserves.

Actuarial mathematical provisions are calculated as the difference between the net present values of premiums written in return of the risk covered by the Group and the liabilities to policyholders for long-term insurance contracts based on the basis of actuarial mortality assumptions as approved by the Republic of Turkey Prime Ministry Undersecretariat of Treasury, which are applicable for Turkish insurance companies.

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

Mathematical provisions are presented under "other liabilities and provisions" in the accompanying consolidated interim financial statements.

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

Liability adequacy test: At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs. In performing the test, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities are used. Any inadequacy is immediately charged to the statement of comprehensive income by establishing an unexpired risk provision.

Private pension system: Private pension system receivables mainly consist of termed participation fees received for the entrance to the system, the capital advances made to pension investment funds, fund management fee receivables from funds and receivables from the pension investment funds on behalf of the participants. At the same time, receivables from the pension investment funds is presented in the private pension system payables account as payables to participants for funds sold.

3. Significant accounting policies *(continued)*

(u) Earnings per share

Earnings per share from continuing operations disclosed in the accompanying consolidated statement of comprehensive income is determined by dividing the net profit for the period by the weighted average number of shares outstanding during the year attributable to the shareholders of the Bank. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Shares issued are regarded as issued shares.

(v) Subsequent events

Post-balance sheet events that provide additional information about the Group's position at the reporting dates (adjusting events) are reflected in the consolidated financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

(w) Segment reporting

A segment is a distinguishable component of the Bank and its subsidiaries that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(x) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at and for the six month period ended 30 June 2009, and have not been applied in preparing these consolidated interim financial statements:

- IFRIC 17 – *Distributions of Non-Cash Assets to Owners* clarifies that:

  - a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity.

  - an entity should measure the dividend payable at the fair value of the net assets to be distributed.

  - an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

  The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

  Recognizing the difficulty that entities would face in recognizing past distributions at their fair values the IFRIC requires prospective application of the guidance. The amendment is effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the consolidated financial statements of the Group.

3. Significant accounting policies *(continued)*

(x) New standards and interpretations not yet adopted *(continued)*

- *IFRIC 18* clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

  The basic principle of *IFRIC 18* is that when the item of property, plant and equipment transferred from a customer meets the definition of an asset under the IASB Framework from the perspective of the recipient, the recipient must recognize the asset in its financial statements. If the customer continues to control the transferred item, the asset definition would not be met even if ownership of the asset is transferred to the utility or other recipient entity.

  The deemed cost of that asset is its fair value on the date of the transfer.

  IFRIC 18 must be applied prospectively to transfers of assets from customers received on or after 1 July 2009. Earlier application is permitted provided the valuations and other information needed to apply to the Interpretation to past transfers were obtained at the time those transfers were made.

- The amendments to IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations* requires an entity which is committed to a sale plan involving loss of control of a subsidiary to classify all the assets and liabilities of that subsidiary as held for sale when the criteria for classification as held for sale in *IFRS 5* are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 – *First-time Adoption of International Financial Reporting Standards* states that these amendments are applied prospectively from the date of transition to IFRSs. The amendment is effective for annual periods beginning on or after 1 July 2009, although entities are permitted to adopt them earlier if the amendments to IAS 27 – *Consolidated and Separate Financial Statements* also are applied, is not expected to have any impact on the consolidated financial statements of the Group.

- IASB has completed the second phase of its business combinations project by issuing a revised version of IFRS 3 – *Business Combinations* and an amended version of IAS 27 – *Consolidated and Separate Financial Statements* which also brings revisions to IAS 28 – *Investments in Associates* and IAS 31 – *Interest in Joint Ventures*.

  Accordingly, the acquirer can elect to measure any non-controlling (minority) interest at:

  - fair value at the date of acquisition, which means that goodwill includes a portion attributable to the non-controlling interests; or

  - its proportionate interest in the fair value of the identifiable assets and liabilities of the acquirer, which means that goodwill relates only to the controlling interest acquired by the parent.

  This election is made on a transaction-by-transaction basis.

  The new requirements take effect on 1 July 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the consolidated financial statements of the Group.

4. Financial risk management

(a) Introduction and overview

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group has exposure to the following risks from its use of financial instruments:

- credit risk,
- liquidity risk,
- market risks,
- operational risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the auditing committee. Consequently, the Risk Management Department, which carries out the risk management activities and works independently from executive activities, report directly to the Board of Directors.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The risks are measured with the internationally accepted methodologies in compliance with local and international regulations, the Bank's structure, policy and procedures. They are effectively managed and assessed in a continuously growing manner. At the same time, studies for compliance with the international banking applications, such as Basel II, are carried out.

In order to ensure the compliance with the rules altered pursuant to the Articles 23, 29 to 31 of the Banking Law no.5411 and the Articles 36 to 42 of Regulation on Internal Systems within the Banks, dated 1 November 2006, the Bank revised the current written policies and implementation procedures regarding management of each risk encountered in its activities in February 2007.

Auditing Committee: The Auditing Committee consists of two members of the Board of Directors who do not have any executive functions. The Auditing Committee, established to assist the Board of Directors in its auditing and supervising activities, is responsible for:

- The supervision of the efficiency and effectiveness of the internal control, risk management and internal audit systems of the Bank, functioning of these systems as well as accounting and reporting systems within the framework of related procedures, and the integrity of information generated;
- The preliminary assessment on the selection process of independent audit firms and the systematic monitoring of the activities of these companies;
- The maintenance and coordination of the internal audit functions of corporations subject to consolidated internal audits.

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(b) Credit risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk is defined as the probability of loss if the customer or counterparty fails to meet its obligations partially or completely on the terms set. Credit risk is considered in depth covering the counterparty risks arising from not only from future or option contracts but also credit risks originating from the transactions in Banking Law.

Management of credit risk

For credit risk management purposes Risk Management Department operates in

- 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 submitting to the Board of Directors and the senior management of not only credit risk management reports about credit portfolio's distribution (borrower, sector, geographical region), credit quality (impaired loans, credit risk ratings) and credit concentration but also scenario analysis reports, stress tests and other analyses
- the studies regarding the formation of advanced credit risk measurement approaches.

Exposure to credit risk

	Loans and advances to customers		Other assets expose to credit risk (inc. financial assets other than loans and advances to customers)	
	30 June 2009	**31 December 2008**	**30 June 2009**	**31 December 2008**
Individually impaired	2,097,062	1,624,390	11,898	9,386
Allowance for impairment	(1,829,573)	(1,511,749)	(7,387)	(6,522)
Carrying amount	**267,489**	**112,641**	**4,511**	**2,864**
Past due but not impaired	126,129	422,786	96,190	85,361
Carrying amount	**126,129**	**422,786**	**96,190**	**85,361**
Neither past due nor impaired	32,169,615	30,324,569	29,339,426	24,461,086
Loans with renegotiated terms	181,633	266,903	-	-
Carrying amount	**32,351,248**	**30,591,472**	**29,339,426**	**24,461,086**
Total carrying amount	**32,744,866**	**31,126,899**	**29,440,127**	**24,549,311**

As at 30 June 2009 and 31 December 2008, the Group has no allowance for loans and advances to banks and investment securities.

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(b) Credit risk *(continued)*

Sectoral distribution of the performing loans and advances to customers

	30 June 2009	31 December 2008
Consumer loans *(Note 10)*	8,417,730	7,896,314
Manufacturing	6,118,092	6,184,962
Wholesale and retail trade	3,523,627	3,438,341
Transportation and telecommunication	2,086,228	2,091,478
Construction	1,855,278	2,078,394
Financial institutions *(Note 10)*	1,319,699	1,220,189
Hotel, food and beverage services	894,486	857,824
Credit cards *(Note 10)*	877,318	761,975
Agriculture and stockbreeding	455,399	503,119
Health and social services	186,302	182,125
Others	6,743,218	5,799,537
Total performing loans and advances to customers	**32,477,377**	**31,014,258**

Impaired loans and receivables

Impaired loans and receivables are loans and receivables for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. These loans are graded 3 to 5 in the Group's internal credit risk grading system.

Past due but not impaired loans

Loans and receivables where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to temporary deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio.

Write-off policy

The Group writes off a loan/security balance (and any related allowances for impairment losses) when it is concluded that the loans/securities are uncollectible. This conclusion is reached 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.

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(b) Credit risk *(continued)*

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

30 June 2009	Loans and advances to customers		Other assets	
	Gross	Net	Gross (*)	Net (*)
Grade 3 : Individually Impaired	323,822	257,916	-	-
Grade 4 : Individually Impaired	437,068	383	-	-
Grade 5 : Individually Impaired	1,336,172	9,190	11,898	4,511
Total	**2,097,062**	**267,489**	**11,898**	**4,511**

31 December 2008	Loans and advances to customers		Other assets	
	Gross	Net	Gross (*)	Net (*)
Grade 3 : Individually Impaired	129,165	104,012	-	-
Grade 4 : Individually Impaired	274,052	-	-	-
Grade 5 : Individually Impaired	1,221,173	8,629	9,386	2,864
Total	**1,624,390**	**112,641**	**9,386**	**2,864**

(*) Impaired insurance receivables consist of non-rated customers which are presented as "Grade 5" in above table.

Collateral policy

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. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 30 June 2009 and 31 December 2008.

The breakdown of performing cash and non-cash loans and advances to customers by type of collateral are as follows:

Cash loans	30 June 2009	31 December 2008
Secured loans:	22,747,474	22,662,579
Secured by mortgages	9,126,403	9,175,011
Secured by government institutions or government securities	217,541	228,250
Secured by cash collateral	73,129	71,540
Guarantees issued by financial institutions	11,834	109,411
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	13,318,567	13,078,367
Unsecured loans	9,729,903	8,351,679
Total performing loans and advances to customers	**32,477,377**	**31,014,258**

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(b) Credit risk *(continued)*

Non-cash loans	**30 June 2009**	**31 December 2008**
Secured loans:	3,995,424	4,243,119
Secured by mortgages	781,029	310,482
Secured by government institutions or government securities	207,419	249,551
Secured by cash collateral	101,226	1,442,811
Guarantees issued by financial institutions	300	9,908
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	2,905,450	2,230,367
Unsecured loans	4,575,081	3,869,669
Total non-cash loans	**8,570,505**	**8,112,788**

An estimate of the fair value of collaterals held against non-performing loans and receivables are as follows:

	30 June 2009	**31 December 2008**
Cash collateral (*)	-	-
Mortgages	906,615	654,864
Promissory notes	7,459	1,501
Others	164,322	827,009
Total	**1,078,396**	**1,483,374**

(*) 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 amount is shown as zero in the table above.

Sectoral and geographical concentration of impaired loans

The Bank and its subsidiaries monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of non-performing loans, lease and factoring receivables is shown below:

Sectoral concentration	**30 June 2009**	**31 December 2008**
Construction	398,035	152,949
Service sector	343,665	464,447
Consumer loans	329,787	217,646
Food	153,919	131,978
Textile	149,672	111,430
Durable consumption	115,178	107,401
Metal and metal products	89,266	36,577
Agriculture and stockbreeding	68,430	37,179
Financial institutions	6,388	7,336
Others	442,722	357,447
Total non-performing loans and advances to customers	**2,097,062**	**1,624,390**

Geographical concentration	**30 June 2009**	**31 December 2008**
Turkey	2,088,106	1,615,975
Austria	8,956	8,415
Total non-performing loans and advances to customers	**2,097,062**	**1,624,390**

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Treasury Department of the Bank receives information from other business departments regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury Department then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, short-term loans and advances to domestic and foreign banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of business departments and subsidiaries are met through short-term loans from Treasury Department to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Asset-Liability Committee ("ALCO"). Daily reports cover the liquidity position of both the Bank and foreign branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

Exposure to liquidity risk

The calculation method used to measure the banks' compliance with the liquidity limit is set by BRSA. Currently, this calculation is performed on a bank only basis (not including consolidated subsidiaries). In November 2006, BRSA issued a new communiqué on the measurement of liquidity adequacy of the banks. This new legislation requires the banks to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities based on arithmetic average computations on a weekly and monthly basis effective from 1 June 2007.

The Bank's banking subsidiary in the Austria is subject to a similar liquidity measurement, however the Austrian National Bank does not impose limits, rather monitors the banks' overall liquidity position to ensure there is no significant deterioration in the liquidity of banks operating in the Austria.

Residual contractual maturities of the financial liabilities

30 June 2009	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Deposits from banks	1,929,679	1,935,355	11,490	1,685,442	219,395	19,028	-	-
Deposits from customers	40,579,940	41,004,158	5,337,737	25,113,084	9,156,499	1,130,888	265,208	742
Obligations under repurchase agreements	2,566,161	2,690,389	-	1,282,245	366,232	949,978	91,934	-
Funds borrowed	5,993,446	6,258,601	-	1,128,055	238,692	1,616,813	1,613,952	1,661,089
Other liabilities and provisions	2,331,656	2,331,656	1,312,488	869,516	39,049	35,876	63,659	11,068
Current tax liabilities	71,073	71,073	-	-	71,073	-	-	-
Total	**53,471,955**	**54,291,232**	**6,661,715**	**30,078,342**	**10,090,940**	**3,752,583**	**2,034,753**	**1,672,899**

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

31 December 2008	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Deposits from banks	1,489,387	1,502,249	1,825	1,480,662	19,762	-	-	-
Deposits from customers	36,108,006	36,542,862	5,325,869	17,040,228	11,601,420	1,639,081	933,078	3,186
Obligations under repurchase agreements	1,717,055	1,915,640	-	475,154	21,693	462,964	955,829	-
Funds borrowed	6,202,317	7,203,198	-	138,638	169,986	2,703,066	406,763	3,784,745
Other liabilities and provisions	2,112,391	2,112,391	1,985,593	12,162	99,380	6,364	8,892	-
Current tax liabilities	48,585	48,585	-	-	-	48,585	-	-
Total	**47,677,741**	**49,324,925**	**7,313,287**	**19,146,844**	**11,912,241**	**4,860,060**	**2,304,562**	**3,787,931**

The previous table shows the undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury Department, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Exposure to market risk – trading portfolios

The market risk arising from trading portfolio is monitored, measured and reported using Standardised Approach according to the legal legislation. The monthly market risk report and the weekly currency risk reports prepared using Standardised Approach are reported to BRSA.

Value at Risk ("VaR") is also used to measure and control market risk exposure within the Bank's trading portfolios. The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 10-day holding period. The VaR model used is based on historical simulation and Monte Carlo simulation.

The consolidated value at market risks as at 30 June 2009 and 31 December 2008 calculated as per the statutory consolidated financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006, are as follows:

	30 June 2009			31 December 2008		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	70,516	79,004	62,008	90,289	113,111	55,397
Common share risk	3,763	6,541	984	1,067	1,124	1,003
Currency risk	9,426	9,532	9,319	12,286	15,721	9,797
Option risk	2,639	2,684	2,594	-	-	-
Total value at risk	**1,079,288**	**1,220,888**	**937,688**	**1,295,510**	**1,624,450**	**834,638**

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(d) Market risk *(continued)*

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

30 June 2009	Less than one month	1-3 months	3-12 months	1-5 year	Over 5 year	Non-interest bearing	Carrying amount
Cash and balances with the Central Bank	1,609,287	-	-	-	-	859,933	2,469,220
Loans and advances to banks	7,235,707	167,637	54,283	1,801	-	284,442	7,743,870
Loans and advances to customers	8,353,679	9,639,879	6,962,459	5,461,094	2,060,266	267,489	32,744,866
Investment securities	2,276,330	3,837,193	4,092,857	1,944,652	2,110,134	1,324	14,262,490
Other assets	11,783	10,594	52,068	127,785	1,250	1,570,302	1,773,782
Total assets	**19,486,786**	**13,655,303**	**11,161,667**	**7,535,332**	**4,171,650**	**2,983,490**	**58,994,228**
Deposits from banks	1,682,500	217,018	18,671	-	-	11,490	1,929,679
Deposits from customers	24,844,098	9,054,294	1,105,183	238,009	619	5,337,737	40,579,940
Obligations under repurchase agreements	1,242,564	424,060	824,770	74,767	-	-	2,566,161
Funds borrowed	1,537,914	2,904,148	1,499,145	46,428	5,811	-	5,993,446
Other liabilities and provisions	2,749	12,565	41,977	1,259	10,351	2,262,755	2,331,656
Current tax liabilities	-	-	-	-	-	71,073	71,073
Total liabilities	**29,309,825**	**12,612,085**	**3,489,746**	**360,463**	**16,781**	**7,683,055**	**53,471,955**
Net	**(9,823,039)**	**1,043,218**	**7,671,921**	**7,174,869**	**4,154,869**	**(4,699,565)**	**5,522,273**

31 December 2008	Less than one month	1-3 months	3-12 months	1-5 year	Over 5 year	Non-interest bearing	Carrying amount
Cash and balances with the Central Bank	849,916	-	-	-	-	444,014	1,293,930
Receivables from reverse repurchase agreements	532	-	-	-	-	-	532
Loans and advances to banks	5,804,201	193,029	119,765	2,126	-	190,314	6,309,435
Loans and advances to customers	8,863,804	9,203,529	5,769,750	4,920,459	2,256,716	112,641	31,126,899
Investment securities	685,424	3,548,274	4,436,926	1,465,964	1,898,830	909	12,036,327
Other assets	872,170	11,131	37,937	150,717	-	702,854	1,774,809
Total assets	**17,076,047**	**12,955,963**	**10,364,378**	**6,539,266**	**4,155,546**	**1,450,732**	**52,541,932**
Deposits from banks	1,470,894	16,668	-	-	-	1,825	1,489,387
Deposits from customers	16,684,966	11,570,841	1,609,370	913,901	3,059	5,325,869	36,108,006
Obligations under repurchase agreements	522,355	70,236	278,786	845,678	-	-	1,717,055
Funds borrowed	1,219,784	3,451,860	1,288,615	242,058	-	-	6,202,317
Other liabilities and provisions	12,162	99,380	6,364	8,892	-	1,985,593	2,112,391
Current tax liabilities	-	-	-	-	-	48,585	48,585
Total liabilities	**19,910,161**	**15,208,985**	**3,183,135**	**2,010,529**	**3,059**	**7,361,872**	**47,677,741**
Net	**(2,834,114)**	**(2,253,022)**	**7,181,243**	**4,528,737**	**4,152,487**	**(5,911,140)**	**4,864,191**

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(d) Market risk *(continued)*

The following table indicates the average effective interest rates applied to monetary financial instruments by major currencies for the six-month period ended 30 June 2009 and for the year ended 31 December 2008:

30 June 2009	US Dollar %	EUR %	TL %
Cash and balances with the Central Bank	-	-	7.00
Loans and advances to banks	0.40 - 3.86	0.37 - 3.70	8.75 - 13.01
Loans and advances to customers	2.70 - 7.12	3.20 - 7.12	17.93 – 21.57
Investment securities	6.63 - 8.92	5.48 - 7.51	14.86 – 18.36
Deposits from banks	1.31	1.50	11.43
Deposits from customers	3.27 - 4.06	3.20 - 4.27	11.86
Obligations under repurchase agreements	1.65 - 3.75	1.25 - 1.55	9.70 – 12.81
Funds borrowed	1.79 - 5.42	2.36 - 4.02	9.00 – 13.52

31 December 2008	US Dollar %	EUR %	TL %
Cash and balances with the Central Bank	-	-	12.00
Loans and advances to banks	2.44 - 2.75	1.90 - 2.82	16.64 - 22.92
Loans and advances to customers	4.35 - 7.00	5.95 - 7.53	21.91 - 24.00
Investment securities	5.04 - 8.92	5.03 - 7.61	18.09 - 19.40
Deposits from banks	1.34	2.70	17.49
Deposits from customers	2.00 - 3.43	3.37 - 4.13	15.18
Obligations under repurchase agreements	1.39 - 3.71	3.25 - 5.45	16.50 - 17.83
Funds borrowed	3.26 - 5.96	3.44 - 6.45	16.24 - 20.38

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(d) Market risk *(continued)*

Interest rate sensivity

Interest rate sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss held as at 30 June 2009 and six month effect on net interest income of floating rate non-trading financial assets and financial liabilities held at 30 June 2009.

Interest rate sensitivity of the consolidated other comprehensive income is calculated by considering the effects of the assumed changes in interest rates on the fair values of fixed rate available-for-sale financial assets as at 30 June 2009.

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

This analysis is performed on the same basis for 30 June 2008.

	Profit or loss		Total comprehensive income	
30 June 2009	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit or loss	(5,981)	6,318	(5,981)	6,318
Available-for-sale financial assets	19,665	(19,732)	(120,909)	128,780
Floating rate financial assets	108,544	(108,544)	108,544	(108,544)
Floating rate financial liabilities	(32,607)	32,607	(32,607)	32,607
Total, net	**89,621**	**(89,351)**	**(50,953)**	**59,161**

	Profit or loss		Total comprehensive income	
30 June 2008	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit or loss	(16,593)	18,916	(16,593)	18,916
Available-for-sale financial assets	15,887	(15,940)	(126,026)	136,194
Floating rate financial assets	97,103	(97,103)	97,103	(97,103)
Floating rate financial liabilities	(29,838)	29,838	(29,838)	29,838
Total, net	**66,559**	**(64,289)**	**(75,354)**	**87,845**

Exposure to interest rate risk – non-trading portfolios

Credit spread risk (not relating to changes in the obligor/issuer's credit standing) on debt securities held by Treasury Department and equity price risk is subject to regular monitoring by Risk Management Department, but is not currently significant in relation to the overall results and financial position of the Group.

Currency risk

The Group is exposed to currency risk through transactions in foreign currencies and through its investment in foreign operations.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency denominated assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the statement of comprehensive income except for foreign exchange gain/loss arising from the conversion of the net investments in associates and subsidiaries in foreign countries into TL.

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(d) Market risk *(continued)*

Management of currency risk

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.

30 June 2009	US Dollar	EUR	Other currencies	Total
Cash and balances with the Central Bank	404,640	38,028	5,499	448,167
Financial assets at fair value through profit or loss	36,303	1,405	-	37,708
Loans and advances to banks	3,669,337	1,167,095	46,632	4,883,064
Loans and advances to customers	6,662,198	4,049,921	72,462	10,784,581
Investment securities	2,375,436	868,248	-	3,243,684
Other assets	950,804	29,370	478	980,652
Total foreign currency denominated monetary assets	**14,098,718**	**6,154,067**	**125,071**	**20,377,856**
Deposits from banks	407,137	189,390	415	596,942
Deposits from customers	8,464,504	3,655,375	48,249	12,168,128
Obligations under repurchase agreements	566,318	113,919	-	680,237
Funds borrowed	3,432,192	2,339,668	50,134	5,821,994
Other liabilities and provisions	128,025	123,456	7,542	259,023
Total foreign currency denominated monetary liabilities	**12,998,176**	**6,421,808**	**106,340**	**19,526,324**
Net statement of financial position	**1,100,542**	**(267,741)**	**18,731**	**851,532**
Net off balance sheet position	**(1,049,477)**	**463,305**	**(6,154)**	**(592,326)**
Net long/short position	**51,065**	**195,564**	**12,577**	**259,206**

31 December 2008	US Dollar	EUR	Other currencies	Total
Cash and balances with the Central Bank	429,344	30,336	4,187	463,867
Financial assets at fair value through profit or loss	39,057	6,672	-	45,729
Loans and advances to banks	1,838,113	777,029	44,845	2,659,987
Loans and advances to customers	7,433,125	3,930,554	77,899	11,441,578
Investment securities	2,323,987	822,789	-	3,146,776
Other assets	885,997	193,746	191	1,079,934
Total foreign currency denominated monetary assets	**12,949,623**	**5,761,126**	**127,122**	**18,837,871**
Deposits from banks	527,106	18,124	120	545,350
Deposits from customers	7,076,136	3,912,907	47,542	11,036,585
Obligations under repurchase agreements	431,985	240,053	-	672,038
Funds borrowed	3,572,480	2,321,179	56,147	5,949,806
Other liabilities and provisions	216,296	152,839	7,116	376,251
Total foreign currency denominated monetary liabilities	**11,824,003**	**6,645,102**	**110,925**	**18,580,030**
Net statement of financial position	**1,125,620**	**(883,976)**	**16,197**	**257,841**
Net off balance sheet position	**(1,042,489)**	**851,207**	**(6,198)**	**(197,480)**
Net long/short position	**83,131**	**(32,769)**	**9,999**	**60,361**

For the purposes of the evaluation of the table above, the figures represent the TL equivalent of the related foreign currencies.

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(d) Market risk *(continued)*

In accordance with the agreements signed with the customers, the customers have to compensate the losses of the Bank due to decline in foreign exchange rates for the foreign currency indexed loans. Accordingly, as at 30 June 2009, foreign currency indexed loans amounting to TL 91,014 (31 December 2008: TL 136,530) results position for the Group when foreign exchange rates only increase.

Exposure to currency risk

A 10 percent devaluation of the TL against the following currencies as at and for six-month period ended 30 June 2009 and 30 June 2008 would have effect on consolidated total comprehensive income and consolidated profit or loss (without tax effects) by the amounts shown below..

The effect of a 10 percent revaluation of the TL against the following currencies will be at the same amount in the opposite direction.

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

	30 June 2009		30 June 2008	
	Profit or loss	Total comprehensive income	Profit or loss	Total comprehensive income
US Dollar	7,540	6,176	10,751	6,675
EUR	18,602	9,834	6,486	6,913
Other currencies	910	910	793	793
Total, net	**27,052**	**16,920**	**18,030**	**14,381**

Equity price risk

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

The effect on other comprehensive income of the Group as a result of change in the fair value of equity instruments held as available-for-sale financial assets and equity participations at 30 June 2009 and 2008 due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in index	30 June 2009	30 June 2008
ISE – 100 (IMKB100)	10%	3,579	5,070

4. Financial risk management *(continued)*

(d) Market risk *(continued)*

Fair value information

The estimated fair values of financial instruments have been determined using available market information by the Bank, and where it exists, appropriate valuation methodologies. However, judgment is necessary required to interpret market data to determine the estimated fair value. Turkey has shown signs of an emerging market and has experienced a significant decline in the volume of activity in its financial market. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

Management has estimated that the fair value of certain financial assets and liabilities are not materially different than their recorded values except for those of loans and advances to customers and security investments. These financial assets and liabilities include loans and advances to banks, obligations under repurchase agreements, loans and advances from banks, and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Fair value of performing loans and advances to customers is TL 32,486,744 (31 December 2008: TL 30,727,643), whereas the carrying amount is TL 32,477,377 (31 December 2008: TL 31,014,258) in the accompanying consolidated statement of financial position as at 30 June 2009.

Fair value of security investments is TL 14,353,743 (31 December 2008: TL 11,973,947), whereas the carrying amount is TL 14,262,490 (31 December 2008: TL 12,036,327) in the accompanying consolidated statement of financial position as at 30 June 2009.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering the whole processes, products and departments. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this context, appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined.

The data of operational losses exposed to during the Bank's activities is collected and analyzed regularly by Risk Management Department and reported to Board of Directors, Auditing Committee and senior management.

The Group calculated the value at operational risk in accordance with the fourth section related to the "Computation of Value of Operational Risk" of the circular, "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette dated 1 November 2006, using gross profit of the last three years 2006, 2007 and 2008. The amount calculated as TL 448,797 (31 December 2008: TL 403,602) as at 30 June 2009 represents the operational risk that the Bank may expose and the amount of minimum capital requirement to eliminate this risk. Value at operational risk amounted to TL 5,609,963 (31 December 2008: TL 5,045,400) is calculated as 12.5 times of the operational risk.

(Currency – Thousands of Turkish Lira (TL))

4. Financial risk management *(continued)*

(f) Capital management – regulatory capital

BRSA, the regulator body of the banking industry sets and monitors capital requirements for the Bank. In implementing current capital requirements, BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets. BRSA regulation requires the calculation of capital adequacy ratio based on consolidated financial statements of the Bank and its financial subsidiaries.

The Bank and its financial subsidiaries' consolidated regulatory capital is analysed into two tiers:

- Tier 1 capital, capital is composed of the total amount of paid up capital, legal, voluntary and extra reserves, profits for the period after tax provisions and profits for previous years. The total amount of banks' losses for the period and losses for previous years is taken into account as a deduction item, in the calculation of tier 1 capital.
- Tier 2 capital, is composed of the total amount of general provisions for credits, fixed assets revaluation fund, fair value reserves of available-for-sale financial assets and equity investments, subordinated loans received, free reserves set aside for contingencies and the fund for increase in the value of securities.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. Operational risk capital requirements as at 30 June 2009 and 31 December 2008 are calculated using Basic Indicator Approach and included in the capital adequacy calculations.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the year.

The Bank's and its subsidiaries regulatory capital position on a consolidated basis at 30 June 2009 and 31 December 2008 was as follows:

	30 June 2009	31 December 2008
Tier 1 capital	6,144,171	5,912,538
Tier 2 capital	364,817	268,271
Deductions from capital	(275,248)	(561,136)
Total regulatory capital	6,233,740	5,619,673
Risk-weighted assets	36,155,050	34,108,440
Value at market risk	1,220,888	834,638
Operational risk	5,609,963	5,045,400
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk and operational risk	14.50	14.05
Total tier 1 capital expressed as a percentage of risk-weighted assets, value at market risk and operational risk	14.29	14.79

(Currency – Thousands of Turkish Lira (TL))

5. Segment reporting

Segment information is presented in respect of the Bank and its subsidiaries' geographical and business segments. The primary format, business segments, is based on the Bank and its subsidiaries.

Measurement of segment assets and liabilities and segment results is based on the accounting policies set out in the accounting policy notes.

Geographical segments

The Group operates principally in Turkey, but also has operations in Austria, Turkish Republic of Northern Cyprus, United States of America and Bahrain.

30 June 2009	Assets	Liabilities	Non-cash loans	Capital expenditures	Net profit for the period
Domestic	55,939,782	52,873,766	6,834,720	50,721	641,826
EU countries	2,728,450	7,651,652	385,854	32	(1,367)
OECD countries (*)	165,604	22,476	170,849	-	-
Off-Shore countries	1,220	(4,849)	-	-	(983)
USA, Canada	2,052,817	97,766	55,318	-	-
Other countries	87,957	456,889	1,123,764	-	-
Investment in equity participations	121,870	-	-	-	-
Total	**61,097,700**	**61,097,700**	**8,570,505**	**50,753**	**639,476**

31 December 2008	Assets	Liabilities	Non-cash loans	Capital expenditures	Net profit for the year
Domestic	51,163,730	46,252,301	6,286,149	188,817	909,084
EU countries	1,503,283	7,944,948	707,272	213	9,065
OECD countries (*)	21,608	56,635	131,878	-	-
Off-Shore countries	1,514	215,290	-	-	(6,291)
USA, Canada	1,625,780	18,657	61,062	-	-
Other countries	127,482	70,526	926,427	-	-
Investment in equity participations	114,960	-	-	-	-
Total	**54,558,357**	**54,558,357**	**8,112,788**	**189,030**	**911,858**

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

(Currency – Thousands of Turkish Lira (TL))

5. Segment reporting *(continued)*

Business segments

30 June 2009	Retail Banking	Corporate Banking	Investment Banking	Other Operations	Total Banking	Insurance	Leasing	Factoring	Other Financial	Other Non-Financial	Combined	Eliminations	Total
Operating profit	244,059	356,158	854,614	83,455	**1,538,286**	257,784	9,679	10,017	13,742	13,059	**1,842,567**	(15,340)	**1,827,227**
Undistributed expenses	-	-	-	(796,898)	**(796,898)**	(242,911)	(3,724)	(1,518)	(5,430)	(15,412)	**(1,065,893)**	9,720	**(1,056,173)**
Operating profit	**244,059**	**356,158**	**854,614**	**(713,443)**	**741,388**	**14,873**	**5,955**	**8,499**	**8,312**	**(2,353)**	**776,674**	**(5,620)**	**771,054**
Profit before taxes	244,059	356,158	854,614	(713,443)	**741,388**	14,873	5,955	8,499	8,312	(2,353)	**776,674**	(5,620)	**771,054**
Income tax expense	-	-	-	(131,791)	**(131,791)**	(7,723)	9,854	(1,675)	(888)	645	**(131,578)**	-	**(131,578)**
Net profit for the period	**244,059**	**356,158**	**854,614**	**(845,234)**	**609,597**	**7,150**	**15,809**	**6,824**	**7,424**	**(1,708)**	**645,096**	**(5,620)**	**639,476**

30 June 2009	Retail Banking	Corporate Banking	Investment Banking	Other Operations	Total Banking	Insurance	Leasing	Factoring	Other Financial	Other Non-Financial	Combined	Eliminations	Total
Segment assets	9,316,448	25,916,124	22,032,491	2,092,312	**59,357,375**	1,474,841	337,762	167,383	146,629	219,676	**61,703,666**	(727,836)	**60,975,830**
Investments in associates and subsidiaries	-	-	-	625,281	**625,281**	96,174	4,387	6,160	8,737	2,900	**743,639**	(621,769)	**121,870**
Total assets	**9,316,448**	**25,916,124**	**22,032,491**	**2,717,593**	**59,982,656**	**1,571,015**	**342,149**	**173,543**	**155,366**	**222,576**	**62,447,305**	**(1,349,605)**	**61,097,700**
Segment liabilities	13,976,136	28,853,290	8,527,554	1,744,095	**53,101,075**	1,217,792	288,557	112,910	22,768	4,720	**54,747,822**	(738,561)	**54,009,261**
Shareholders' equity and non-controlling interest	-	-	-	6,881,581	**6,881,581**	353,223	53,592	60,633	132,598	217,856	**7,699,483**	(611,044)	**7,088,439**
Total liabilities and equity	**13,976,136**	**28,853,290**	**8,527,554**	**8,625,676**	**59,982,656**	**1,571,015**	**342,149**	**173,543**	**155,366**	**222,576**	**62,447,305**	**(1,349,605)**	**61,097,700**

(Currency – Thousands of Turkish Lira (TL))

5. Segment reporting *(continued)*

Business segments *(continued)*

30 June 2008	Retail Banking	Corporate Banking	Investment Banking	Other Operations	Total Banking	Insurance	Leasing	Factoring	Other Financial	Other Non-Financial	Combined	Eliminations	Total
Operating profit	114,324	191,778	890,356	70,302	**1,266,760**	244,849	5,988	6,210	13,117	18,156	**1,555,080**	(19,665)	**1,535,415**
Undistributed expenses	-	-	-	(634,067)	**(634,067)**	(218,843)	(3,792)	(1,247)	(5,959)	(11,947)	**(875,855)**	9,513	**(866,342)**
Operating profit	**114,324**	**191,778**	**890,356**	**(563,765)**	**632,693**	**26,006**	**2,196**	**4,963**	**7,158**	**6,209**	**679,225**	**(10,152)**	**669,073**
Profit before taxes	114,324	191,778	890,356	(563,765)	**632,693**	26,006	2,196	4,963	7,158	6,209	**679,225**	(10,152)	**669,073**
Income tax expense	-	-	-	(118,595)	**(118,595)**	(2,613)	(4)	(238)	(665)	-	**(122,115)**	-	**(122,115)**
Net profit for the period	**114,324**	**191,778**	**890,356**	**(682,360)**	**514,098**	**23,393**	**2,192**	**4,725**	**6,493**	**6,209**	**557,110**	**(10,152)**	**546,958**

31 December 2008	Retail Banking	Corporate Banking	Investment Banking	Other Operations	Total Banking	Insurance	Leasing	Factoring	Other Financial	Other Non-Financial	Combined	Eliminations	Total
Segment assets	8,658,315	23,800,506	18,254,381	2,003,750	**52,716,952**	1,411,653	384,034	157,230	134,315	233,353	**55,037,537**	(594,140)	**54,443,397**
Investment in associates and subsidiaries	-	-	-	569,791	**569,791**	89,165	4,184	6,160	8,737	3,244	**681,281**	(566,321)	**114,960**
Total assets	**8,658,315**	**23,800,506**	**18,254,381**	**2,573,541**	**53,286,743**	**1,500,818**	**388,218**	**163,390**	**143,052**	**236,597**	**55,718,818**	**(1,160,461)**	**54,558,357**
Segment liabilities	13,468,802	24,344,143	7,811,325	1,585,545	**47,209,815**	1,161,453	350,645	109,581	17,879	3,880	**48,853,253**	(601,784)	**48,251,469**
Shareholders' equity and non-controlling interest	-	-	-	6,076,928	**6,076,928**	339,365	37,573	53,809	125,173	232,717	**6,865,565**	(558,677)	**6,306,888**
Total liabilities and equity	**13,468,802**	**24,344,143**	**7,811,325**	**7,662,473**	**53,286,743**	**1,500,818**	**388,218**	**163,390**	**143,052**	**236,597**	**55,718,818**	**(1,160,461)**	**54,558,357**

(Currency – Thousands of Turkish Lira (TL))

6. Cash and balances with the Central Bank

As at 30 June 2009 and 31 December 2008, cash and cash balances with the Central Bank are as follows:

	30 June 2009	31 December 2008
Cash on hand	474,982	443,438
Balances with the Central Bank excluding reserve deposits	1,993,206	849,916
Others	1,032	576
Total cash and balances with the Central Bank	**2,469,220**	**1,293,930**

Cash and cash equivalents as at 30 June 2009 and 31 December 2008, included in the accompanying consolidated statement of cash flows are as follows:

	30 June 2009	31 December 2008
Cash on hand	474,982	443,438
Balances with the Central Bank excluding accruals	1,961,833	801,315
Receivable from reverse repurchase agreements	-	500
Loans and advances to banks with original maturity less than three months	7,540,406	6,283,488
Others	1,032	576
	9,978,253	**7,529,317**
Blocked bank deposits	(117,766)	(149,697)
Total cash and cash equivalents in the statement of cash flows	**9,860,487**	**7,379,620**

7. Financial assets at fair value through profit or loss

As at 30 June 2009 and 31 December 2008, financial assets at fair value through profit or loss are as follows:

	30 June 2009		31 December 2008	
	Face Value	Carrying Value	Face Value	Carrying Value
Debt instruments held at fair value:				
Government bonds in TL	114,414	107,573	68,685	62,178
Eurobonds issued by the Turkish Government	10,630	16,727	16,641	21,217
		124,300		**83,395**
Equity and other non-fixed income instruments:				
Derivative financial instruments held for trading purposes		27,601		61,043
Investment funds		266		1,377
Listed shares		259		681
		28,126		**63,101**
Total financial assets at fair value through profit or loss		**152,426**		**146,496**

Income from debt instruments held at fair value is reflected in the consolidated statement of comprehensive income as interest on securities. Gains and losses arising on derivative financial instruments held for trading purposes and changes in fair value of other equity and non-fixed income instruments are reflected in net trading income.

As at and for the six-month period ended 30 June 2009, net income from trading of financial assets amounting to TL 64,968 (30 June 2008: TL 15,886) in total is included in "trading income, net".

7. Financial assets at fair value through profit or loss *(continued)*

The following table summarizes securities that were deposited as collaterals with respect to various banking transactions:

	30 June 2009		31 December 2008	
	Face Value	**Carrying Value**	**Face Value**	**Carrying Value**
Deposited at financial institutions for repurchase transactions	1,694	1,564	-	-
Deposited at Istanbul Stock Exchange ("ISE") for Capital Markets Board	100	90	50	49
Blocked equity shares	-	-	20	27
		1,654		**76**

Change in accounting policy

The Bank reclassified certain investment securities that were previously classified in financial assets at fair value through profit or loss to its held-to-maturity investment securities portfolio in 2008. These investment securities have been included in held-to-maturity investment securities portfolio with their fair values as at the reclassification dates.

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

Derivative financial instruments held for trading purposes

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards and swaps.

The table below shows the notional amounts of derivative instruments analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments is calculated by using forward exchange rates at the reporting date. In the absence of reliable forward rate estimations in a volatile market, current market rate is considered to be the best estimate of the present value of the forward exchange rates.

(Currency – Thousands of Turkish Lira (TL))

7. Financial assets at fair value through profit or loss *(continued)*

Derivative financial instruments held for trading purposes *(continued)*

	30 June 2009					
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 year	Over 5 year	Total
Currency swaps:						
Purchases	1,041,569	3,118	-	-	-	**1,044,687**
Sales	1,032,615	3,100	-	-	-	**1,035,715**
Currency forwards:						
Purchases	13,678	26,548	5,126	-	-	**45,352**
Sales	13,673	26,542	5,124	-	-	**45,339**
Cross currency interest rate swaps:						
Purchases	-	-	18,268	99,125	66,509	**183,902**
Sales	-	-	15,549	91,080	76,860	**183,489**
Interest rate swaps:						
Purchases	-	-	76,250	69,337	-	**145,587**
Sales	-	-	76,250	57,394	-	**133,644**
Currency, interest rate and investment security options:						
Purchases	227,969	-	-	-	2	**227,971**
Sales	233,807	-	-	-	-	**233,807**
Others:						
Purchases	-	77,250	15,250	-	-	**92,500**
Sales	-	76,250	-	30,500	-	**106,750**
Total of purchases	1,283,216	106,916	114,894	168,462	66,511	**1,739,999**
Total of sales	1,280,095	105,892	96,923	178,974	76,860	**1,738,744**
Total of transactions	**2,563,311**	**212,808**	**211,817**	**347,436**	**143,371**	**3,478,743**

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

(Currency – Thousands of Turkish Lira (TL))

8. Repurchase agreements

The Group lends its extra fund as a result of daily operations to other financial institutions through repurchase agreements. Assets purchased under repurchase agreements comprise the following:

	30 June 2009		31 December 2008	
	Fair value of underlying assets	**Carrying Value of corresponding assets**	**Fair value of underlying assets**	**Carrying Value of corresponding assets**
Reverse repurchase agreements	-	-	495	532
	-	**-**	**495**	**532**

Accrued interest on receivables from repurchase agreements amounting to TL 32 is included in the carrying amount of corresponding assets as at 31 December 2008.

The Group raise funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. Assets sold under repurchase agreements comprise the following:

	30 June 2009		31 December 2008	
	Fair value of underlying assets	**Carrying Value of corresponding liabilities**	**Fair value of underlying assets**	**Carrying Value of corresponding liabilities**
Financial assets at fair value through profit or loss	1,564	1,424	-	-
Investment securities	3,096,344	2,564,737	2,119,411	1,717,055
	3,097,908	**2,566,161**	**2,119,411**	**1,717,055**

Accrued interest on obligations under repurchase agreements amounting to TL 29,280 (31 December 2008: TL 101,276) is included in the carrying amount of corresponding liabilities.

In general the carrying values of such assets are more than the corresponding liabilities due to the margins set between parties, since such funding is raised against assets collateralized.

(Currency – Thousands of Turkish Lira (TL))

9. Loans and advances to banks

As at 30 June 2009 and 31 December 2008, loans and advances to banks comprise the followings:

	30 June 2009			31 December 2008		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
Loans and advances to banks – demand:						
Domestic banks	13,606	1,918	15,524	1,228	1,404	2,632
Foreign banks	33	2,043,347	2,043,380	7	1,628,373	1,628,380
	13,639	**2,045,265**	**2,058,904**	**1,235**	**1,629,777**	**1,631,012**
Loans and advances to banks – time:						
Domestic banks	2,622,580	616,678	3,239,258	3,323,274	93,161	3,416,435
Foreign banks	29,417	2,416,291	2,445,708	1,397	1,260,591	1,261,988
	2,651,997	**3,032,969**	**5,684,966**	**3,324,671**	**1,353,752**	**4,678,423**
Total loans and advances to banks	**2,665,636**	**5,078,234**	**7,743,870**	**3,325,906**	**2,983,529**	**6,309,435**

As at 30 June 2009, loans and advances at foreign banks include blocked accounts of TL 130,365 (31 December 2008: TL 149,697) held against the "Diversified Payment Rights" securitizations and insurance business. As at 30 June 2009, blocked laons and advances to banks includes credit card receivables of insurance subsidiaries blocked by the banks for 28 days amounted to TL 12,599 which is presented as cash in the consolidated statement of cash flows, since these amounts are convertible to cash when requested.

10. Loans and advances to customers

As at 30 June 2009 and 31 December 2008, outstanding loans and advances to customers comprise the followings:

	30 June 2009	31 December 2008
Corporate loans	21,444,070	20,682,702
Consumer loans *(Note 4)*	8,417,730	7,896,314
Credit cards *(Note 4)*	877,318	761,975
Loans and advances to financial institutions *(Note 4)*	1,319,699	1,220,189
Total performing loans	32,058,817	30,561,180
Non-performing loans	2,027,019	1,554,476
Total gross loans	**34,085,836**	**32,115,656**
Finance lease receivables, net of unearned income *(Note 11)*	316,055	361,588
Factoring receivables	172,548	161,404
Allowance for possible loan losses from loans and receivables, finance lease receivables, and factoring receivables *(Note 4)*	(1,829,573)	(1,511,749)
Loans and advances to customers, net	**32,744,866**	**31,126,899**

(Currency – Thousands of Turkish Lira (TL))

10. Loans and advances to customers *(continued)*

The specific allowance for possible losses is comprised of amounts for specifically identified as being impaired and non-performing loans and advances plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers.

Movements in the allowance for possible loan losses:

	30 June 2009	31 December 2008
Reserve at the beginning of the period/year	1,511,749	1,243,662
Adjustment for currency translation	324	16,035
Effect of change in estimates	-	(54,147)
Provision for possible loan losses	478,866	419,222
Recoveries	(161,273)	(113,023)
Provision, net of recoveries	1,829,666	1,511,749
Loans written off during the period/year	(93)	-
Reserve at the end of the period/year	**1,829,573**	**1,511,749**

11. Finance lease receivables

The finance leases typically run for a period of one to five years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease.

The receivables are secured by way of the underlying assets. Minimum lease receivables from customers include the following finance lease receivables:

	30 June 2009	31 December 2008
Finance lease receivables, net of unearned incomes	252,752	298,638
Add: non-performing lease receivables	63,303	62,950
Total finance lease receivables *(Note 10)*	316,055	361,588
Less: allowance for possible losses on lease receivables	(56,204)	(54,983)
	259,851	**306,605**

	30 June 2009	31 December 2008
Due within one year	101,068	121,155
Due between 1 and 5 years	201,866	225,831
Finance lease receivables, gross	302,934	346,986
Unearned income	(43,083)	(40,381)
Finance lease receivables, net	**259,851**	**306,605**
Due within one year	87,615	107,135
Due between 1 and 5 years	172,236	199,470
Finance lease receivables, net	**259,851**	**306,605**

(Currency – Thousands of Turkish Lira (TL))

12. Investment securities

As at 30 June 2009 and 31 December 2008, investment securities comprised the following:

	30 June 2009	31 December 2008
Available-for-sale financial assets	10,057,656	8,352,406
Held-to-maturity investment securities	4,204,834	3,683,921
Total investment securities	**14,262,490**	**12,036,327**

Available-for-sale financial assets:

	30 June 2009		31 December 2008	
	Face Value	Carrying Value	Face Value	Carrying Value
Debt and other instruments available-for-sale:				
Government bonds in TL	8,041,732	8,154,444	6,453,152	6,573,228
Eurobonds issued by the Turkish Government	1,178,426	1,228,954	757,383	755,876
Government bonds in foreign currencies	483,255	488,064	837,266	841,898
Treasury bills in TL	11,362	110,324	116,894	113,545
Bonds issued by foreign banks	51,077	50,545	53,439	51,188
Corporate bonds	33,190	24,001	23,956	15,762
		10,056,332		**8,351,497**
Equity and other non-fixed income instruments:				
Listed shares	774	1,324	764	909
		1,324		**909**
Total available-for-sale financial assets		**10,057,656**		**8,352,406**

The following table summarizes available-for-sale financial assets that were deposited as collaterals with respect to various banking transactions:

	30 June 2009		31 December 2008	
	Face Value	Carrying Value	Face Value	Carrying Value
Deposited at financial institutions for repurchase transactions	1,151,037	1,175,108	1,431,158	1,480,774
Deposited at Central Bank of Turkey for foreign currency money market transactions	1,101,760	1,165,480	1,093,916	1,142,634
Deposited at Central Bank of Turkey for repurchase transactions	1,107,081	1,112,063	182,487	195,766
Deposited at Central Bank of Turkey for interbank transactions	424,647	450,430	825,955	849,405
Deposited at Istanbul Stock Exchange for the transaction of financial instruments	340,065	372,812	340,065	375,387
Deposited at Turkish Treasury for insurance operations	302,588	285,182	330,762	311,506
Deposited at Clearing House	30	29	30	27
		4,561,104		**4,355,499**

(Currency – Thousands of Turkish Lira (TL))

12. Investment securities *(continued)*

Held-to-maturity investment securities:

	30 June 2009			31 December 2008		
	Face Value	**Carrying Value**	**Fair Value**	**Face Value**	**Carrying Value**	**Fair Value**
Debt instruments:						
Government bonds in TL	2,628,043	2,620,056	2,686,298	2,065,000	2,049,321	2,072,361
Eurobonds issued by the Turkish Government	1,438,478	1,521,853	1,545,253	1,430,561	1,528,125	1,441,730
Government bonds in foreign currencies	15,052	15,359	16,309	60,461	60,571	61,441
Certificate of deposits	36,600	36,619	36,619	34,960	35,085	35,085
Bonds issued by foreign banks	10,752	10,947	11,608	10,615	10,819	10,924
Total held-to-maturity investment securities		**4,204,834**	**4,296,087**		**3,683,921**	**3,621,541**

The Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 675,000,000 (full TL) to its held-to-maturity investment securities portfolio at their fair values of TL 610,160,500 (full TL) as of their reclassification dates, in 2009. The value increases of such securities amounting TL 1,118,492 (full TL) are recorded under equity as other comprehensive income and will be amortized through the profit or loss until their maturities.

Additionally, the Bank reclassified certain investment securities that were previously classified in available-for-sale portfolio with total face value of TL 1,325,000,000 (full TL), US Dollar 610,000,000 (full US Dollar), and EUR 75,000,000 (full EUR) to its held-to-maturity investment securities portfolio at their fair values of TL 1,213,358,500 (full TL), US Dollar 590,404,170 (full US Dollar), and EUR 68,996,250 (full EUR) respectively as at their reclassification dates, in 2008. The value increases of such securities amounting TL (9,529,171) (full TL), US Dollar (13,044,045) (full US Dollar), and EUR (5,325,575) (full EUR) respectively, are recorded under the equity as other comprehensive income and will be amortized through the profit or loss until their maturities.

The following table summarizes held-to-maturity investment securities that were deposited as collaterals with respect to various banking transactions:

	30 June 2009		31 December 2008	
	Face Value	**Carrying Value**	**Face Value**	**Carrying Value**
Deposited at Central Bank of Turkey for interbank transactions	1,173,180	1,175,540	1,243,500	1,281,598
Deposited at foreign financial institutions for repurchase transactions	789,913	795,910	458,482	462,370
Deposited at Central Bank of Turkey for foreign currency money market transactions	121,000	159,323	121,000	132,068
Deposited at Turkish Treasury for insurance operations	-	-	84,100	73,815
Others	113,600	110,186	36,936	37,187
		2,240,959		**1,987,038**

(Currency – Thousands of Turkish Lira (TL))

13. Investment in equity participations

	30 June 2009			31 December 2008		
	At Cost	Value Increase / Decrease	Carrying Value	At Cost	Value Increase / Decrease	Carrying Value
Unquoted investments:						
Vakıf Gayrimenkul Ekpertiz ve Değ. AŞ	2,397	14,992	17,389	2,397	15,701	18,098
Vakıf Sistem Pazarlama AŞ	8,001	3,315	11,316	8,001	5,077	13,078
İMKB Takas ve Saklama Bankası AŞ	9,599	-	9,599	9,599	-	9,599
Roketsan Roket Sanayi ve Tic. AŞ	7,594	-	7,594	7,594	-	7,594
Kıbrıs Vakıflar Bankası Ltd.	6,839	-	6,839	5,997	-	5,997
Mastercard Incorporated	6,562	-	6,562	6,562	-	6,562
Visa Inc.	4,188	-	4,188	4,188	-	4,188
Kredi Kayıt Bürosu AŞ	1,792	-	1,792	1,792	-	1,792
Vakıf İnşaat Restorasyon AŞ	8,504	(6,923)	1,581	8,504	(6,923)	1,581
Bankalararası Kart Merkezi AŞ	1,369	-	1,369	1,369	-	1,369
Bayek Tedavi ve Sağlık Hizmetleri AŞ	35,598	(34,376)	1,222	35,598	(34,035)	1,563
Vadeli İşlem ve Opsiyon Borsası AŞ	1,170	-	1,170	1,170	-	1,170
Güney Ege Enerji İşlt. Ltd. Şti.	219,271	(218,916)	355	219,271	(218,913)	358
İzmir Enternasyonal Otelcilik AŞ	6,178	(6,178)	-	6,178	(6,178)	-
İstanbul Reasürans AŞ	2,132	(2,132)	-	2,132	(2,132)	-
Others	1,619	(539)	1,080	1,688	(604)	1,084
	322,813	**(250,757)**	**72,056**	**322,040**	**(248,007)**	**74,033**
Quoted investments:						
Türkiye Sınai Kalkınma Bankası AŞ	51,498	(7,014)	44,484	43,121	(6,009)	37,112
Vakıf Menkul Kıymetler Yat. Ort. AŞ	2,838	-	2,838	2,514	-	2,514
Vakıf Girişim Sermayesi Yat. Ort. AŞ	579	1,913	2,492	579	722	1,301
	54,915	**(5,101)**	**49,814**	**46,214**	**(5,287)**	**40,927**
	377,728	(255,858)	121,870	368,254	(253,294)	114,960

In the year 2000, the Bank acquired a 45% shareholding in Güney Ege Enerji İşletmeleri Limited Şirketi ("Güney Enerji") for a consideration of US Dollar 103,500,000 (TL 161,977) from a borrower experiencing financial difficulty and transferred this shareholding to a newly established participation in 2001, Vakıf Enerji ve Madencilik AŞ ("Vakıf Enerji"), for the same consideration. While, Güney Enerji was holding the operating rights for Yatağan, Yeniköy and Kemerköy power generation plants which are within the scope of privatization programme, the operating of related plants depend on the conclusion on administrative procedures in accordance with the decisions of Council of Ministers. As per the decision no.2002/4518 of the Council of State on 21 January 2003, the operating right of these plants were cancelled. As of 10 July 2003, Vakıf Enerji and the other shareholders of Güney Enerji applied to the International Arbitration Board against the Ministry of Energy for the compensation of lost profit and other expenses. The arbitration process reached a conclusion on 21 October 2004. Accordingly, Güney Enerji was entitled to a total compensation of US Dollar 90,000,000. Güney Enerji has paid compensation to Vakıf Enerji according to its 45% shareholding after deduction of taxes in the year 2006.

13. Investment in equity participations *(continued)*

As per the resolution of the Board of Directors of the Bank on 3 April 2008, it is decided to work on disposal process of Roketsan Roket Sanayi AŞ ("Roketsan"), that the Bank owns 10% shares representing TL 14,600 nominal shares of its capital of TL 146,000 to the third parties or other shareholders of Roketsan.

The sales contract has been signed as at 28 August 2009 for the sale of the Bank's total shares of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ consisting of (A) Group share with a percentage of 25.00 and (B) Group share with a percentage of 6.00, (B) Group share of Vakıf Finansal Kiralama AŞ with a percentage of 0.05, (B) Group share of Vakıf Deniz Finansal Kiralama AŞ with a percentage of 0.05 and (B) Group share of Güneş Sigorta AŞ with a percentage of 0.05, that comprise 31.15% of the company's paid-in capital in total, to Rhea Gayrimenkul Yatırım Proje Geliştirme İnşaat Sanayi ve Ticaret Limited Şirketi. Selling price for the shares has been determined as TL 2,150 in total. Sales transaction and the transfer of the shares are to be realized upon the permission of the Capital Markets Board ("CMB"). In order for the Bank and the counter party to obtain economic benefits expected from the transfer of the shares it has been decided to apply to the CMB for the permission for operations of the Company as a venture-capital trust to be extended for one- year starting from 31 December 2009, as per the resolution of the Board of Directors of Vakıf Girişim Sermayesi Yatırım Ortaklığı AŞ.

(Currency – Thousands of Turkish Lira (TL))

14. Property and equipment and intangible assets

Movements in property and equipment from 1 January to 30 June 2009 and 1 January to 31 December 2008 are as follow:

Property and equipment	1 January 2009	Currency translation difference	Additions	Disposals	30 June 2009
Cost:					
Land and buildings	901,792	38	4,100	(1,705)	904,225
Motor vehicles	32,309	-	411	(4,086)	28,634
Furniture, office equipment and leasehold improvements	535,867	19	31,918	(1,503)	566,301
Other tangibles	38,061	-	9,774	(457)	47,378
	1,508,029	**57**	**46,203**	**(7,751)**	**1,546,538**
Accumulated depreciation:					
Land and buildings	180,882	25	13,392	-	194,299
Motor vehicles	31,188	-	2,472	(3,553)	30,107
Furniture, office equipment and leasehold improvements	383,737	13	27,416	(667)	410,499
Other tangibles	7,113	-	12,480	(303)	19,290
	602,920	**38**	**55,760**	**(4,523)**	**654,195**
Net book value	**905,109**				**892,343**

Intangible assets	1 January 2009	Currency translation difference	Additions	Disposals	30 June 2009
Cost:					
Software	46,054	9	4,550	-	50,613
	46,054	**9**	**4,550**	**-**	**50,613**
Accumulated amortization:					
Software	12,536	8	2,792	-	15,336
	12,536	**8**	**2,792**	**-**	**15,336**
Net book value	**33,518**				**35,277**

(Currency – Thousands of Turkish Lira (TL))

14. Property and equipment and intangible assets *(continued)*

Property and equipment	1 January 2008	Currency translation difference	Additions	Disposals	31 December 2008
Cost:					
Land and buildings	926,560	7	17,189	(41,964)	901,792
Motor vehicles	29,759	-	5,039	(2,489)	32,309
Furniture, office equipment and leasehold improvements	517,534	547	111,353	(93,567)	535,867
Other tangibles	37,393	-	32,693	(32,025)	38,061
	1,511,246	**554**	**166,274**	**(170,045)**	**1,508,029**
Accumulated depreciation:					
Land and buildings	192,984	2	24,563	(36,667)	180,882
Motor vehicles	28,706	-	4,520	(2,038)	31,188
Furniture, office equipment and leasehold improvements	422,464	238	43,528	(82,493)	383,737
Other tangibles	15,880	-	23,247	(32,014)	7,113
	660,034	**240**	**95,858**	**(153,212)**	**602,920**
Net book value	**851,212**				**905,109**

Intangible assets	1 January 2008	Currency translation difference	Additions	Disposals	31 December 2008
Cost:					
Software	23,380	173	22,756	(255)	46,054
	23,380	**173**	**22,756**	**(255)**	**46,054**
Accumulated amortization:					
Software	8,422	156	4,104	(146)	12,536
	8,422	**156**	**4,104**	**(146)**	**12,536**
Net book value	**14,958**				**33,518**

(Currency – Thousands of Turkish Lira (TL))

15. Other assets

	30 June 2009	31 December 2008
Reserve deposit at Central Bank of Turkey	767,233	815,223
Private pension system receivables	453,600	398,490
Assets held for resale	393,952	316,186
Prepaid expenses	274,859	298,965
Receivables from insurance activities	226,938	206,921
Receivables from term sales of fixed assets	136,978	158,266
Deferred acquisition costs for insurance contracts	73,519	61,071
Receivables from derivative financial instruments	68,192	84,558
Investment properties	55,872	55,539
Miscellaneous receivables	48,209	40,865
Receivables from credit card payments	37,692	52,416
Prepaid taxes other than income tax and funds to be refunded	5,724	7,076
Prepaid income taxes	1,884	1,253
Others	34,940	18,070
Total other assets	**2,579,592**	**2,514,899**

At 30 June 2009, reserve deposits at the Central Bank of Turkey are kept as minimum reserve requirement. These funds are not available for the daily operations of the Group. As required by the Turkish Banking Law, these reserve deposits are calculated on the basis of domestic liabilities of the Bank after some deductions, at the rates determined by the Central Bank of Turkey.

In accordance with the current legislation, the reserve deposit rates for TL and foreign currency deposits are 6% (31 December 2008: 6%) and 9% (31 December 2008: 9%), respectively. These reserve deposit rates are applicable to both time and demand deposits. As at 30 June 2009, interest rate given by CBT is 7% for TL reserve deposits and interest rate is nil for foreign currency reserve deposits (31 December 2008: TL 12%, FC nil).

As at 30 June 2009, TL 393,952 (31 December 2008: TL 316,186) of the other assets is comprised of foreclosed real estates acquired by the Bank against its impaired receivables. Such assets are required to be disposed of within three years following their acquisitions per the Turkish Banking Law. This three year period can be extended by a legal permission from BRSA.

16. Deposit from banks

As at 30 June 2009 and 31 December 2008, deposits from banks comprise the following:

	30 June 2009	31 December 2008
Payable on demand	11,490	1,825
Time deposits	1,918,189	1,487,562
Total deposits from banks	**1,929,679**	**1,489,387**

(Currency – Thousands of Turkish Lira (TL))

17. Deposit from customers

As at 30 June 2009 and 31 December 2008, deposits from customers comprise the following:

	30 June 2009		31 December 2008	
	Demand Deposit	**Time Deposit**	**Demand Deposit**	**Time Deposit**
Saving deposits	1,041,838	7,859,858	839,372	7,863,534
Foreign currency deposits	1,074,249	11,819,136	1,108,357	10,603,279
Residents in Turkey	1,033,299	11,081,286	1,077,256	9,904,201
Residents in abroad	40,950	737,850	31,101	699,078
Commercial deposits	880,137	8,410,877	819,684	5,333,750
Public sector deposits	1,010,665	3,645,992	1,078,139	2,888,835
Others	1,330,848	3,506,340	1,480,317	4,092,739
Total deposits from customers	**5,337,737**	**35,242,203**	**5,325,869**	**30,782,137**

18. Funds borrowed

As at 30 June 2009 and 31 December 2008, funds borrowed comprise the followings in accordance with their original maturities:

	30 June 2009		31 December 2008	
	TL	**Foreign currency**	**TL**	**Foreign currency**
Short-term funds	72,960	2,079,005	130,959	1,938,162
Short-term portion of long term funds	65,611	745,445	-	3,812,037
Total short-term funds	138,571	2,824,450	130,959	5,750,199
Medium/long term funds	27,998	3,002,427	74,747	246,412
Total funds borrowed	**166,569**	**5,826,877**	**205,706**	**5,996,611**

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 11.1% (31 December 2008: 12.85%) of the Group's liabilities. There is no risk concentration on funding sources of the Group.

On 23 July 2008, the Bank has obtained the syndication loan at the amount of US Dollar 390 million and Euro 226 million with interest rates of US Libor + 0.77 % and Euribor + 0.77 %, with the participation of 25 banks. On 19 August 2009, the Bank has obtained the syndication loan at the amount of US Dollar 203.5 million and Euro 372.5 million with interest rates of US Libor + 2.50 % and Euribor + 2.50 %, with the participation of 29 banks.

On 19 December 2008, the Bank has obtained syndication loan of US Dollar 80 million and Euro 180 million with interest rates of US Libor+2% and Euribor+2% respectively, with the participation of 12 banks.

(Currency – Thousands of Turkish Lira (TL))

19. Other liabilities and provisions

The principal components of other liabilities and accrued expenses are as follows:

	30 June 2009	31 December 2008
Blocked accounts against expenditures of card holders	614,026	462,916
Private pension system payables	467,405	398,469
Life mathematical provisions	261,012	274,958
Reserve for unearned insurance premiums	213,345	210,947
Taxes payable other than income tax	150,414	144,267
Reserve for employee severance indemnity	130,384	127,012
Provision for outstanding claims for insurance contracts	123,335	123,108
Unearned income	115,782	103,024
Provision for non-cash loans	110,634	105,463
Clearing account	86,510	28,639
Reserve for short term employee benefits	72,000	100,559
Provision for unused vacations	60,355	48,358
Payables for derivative financial instruments	52,084	60,828
Other provisions	47,171	44,421
Miscellaneous payables	46,326	11,704
Payables due to insurance activities	44,013	64,364
Deferred commission income for insurance contracts	39,555	38,855
Blocked accounts	32,707	29,210
Derivative financial instruments held for trading purposes	16,156	27,127
Transfer orders	15,260	199,786
Payables to suppliers relating to finance lease activities	11,767	36,949
Other liabilities	150,919	39,067
Total other liabilities and provisions	**2,861,160**	**2,680,031**

Insurance contract liabilities are detailed in the tables below:

Reserve for unearned premiums	**30 June 2009**	**31 December 2008**
At the beginning of the period/year	210,947	190,328
Premiums written during the period/year *(Note 23)*	201,870	433,971
Premiums earned during the period/year *(Note 23)*	(199,472)	(413,352)
At the end of the period/year	**213,345**	**210,947**

Provision for outstanding claims	**30 June 2009**	**31 December 2008**
At the beginning of the period/year	123,108	98,892
Cash paid for claims settled during the period/year *(Note 25)*	(189,084)	(328,177)
Increase during the period/year *(Note 25)*	189,311	352,393
At the end of the period/year	**123,335**	**123,108**

Life mathematical provisions	**30 June 2009**	**31 December 2008**
At the beginning of the period/year	274,958	283,402
Entrance during the period/year	45,198	104,671
Withdrawals during the period/year	(59,144)	(114,625)
Change in unrecognized gains from backing assets	-	1,510
At the end of the period/year	**261,012**	**274,958**

(Currency – Thousands of Turkish Lira (TL))

19. Other liabilities and provisions *(continued)*

Movement in the reserve for employee severance indemnity is as follows:

Reserve for employee severance indemnity	30 June 2009	31 December 2008
At the beginning of the period/year	127,012	120,685
Currency translation difference/year	2	35
Payment during the period/year	(9,984)	(11,460)
Provision for the period/year *(Note 24)*	13,354	17,752
At the end of the period/year	**130,384**	**127,012**

20. Income taxes

Components of income tax expense in the consolidated statement of comprehensive income are as follows:

	30 June 2009	30 June 2008
Income tax recognised in net profit for the period		
Current income tax related to income from operations	(152,957)	(132,593)
Deferred income tax related to income from operations	21,379	10,478
	(131,578)	**(122,115)**
Income tax recognised in other comprehensive income		
Current income tax recognized in other comprehensive income	(19,519)	33,813
Deferred income tax recognized in other comprehensive income	(4,285)	30,394
	(23,804)	**64,207**
Income tax expense recognized in the consolidated statement of comprehensive income	**(155,382)**	**(57,908)**

The movement of current tax liability is as follows:

	30 June 2009	31 December 2008
At the beginning of the period/year	48,585	84,017
Current income tax charge	152,957	207,334
Current income tax recognized under equity	19,519	3,473
Taxes paid during the period/year	(149,988)	(246,239)
Current tax liabilities	**71,073**	**48,585**

(Currency – Thousands of Turkish Lira (TL))

20. Income taxes *(continued)*

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the six-month period ended 30 June 2009 and 2008 are as follows:

	30 June 2009	Tax rate (%)	30 June 2008	Tax rate (%)
Net profit from ordinary activities before income tax and minority interest	**771,054**		**669,073**	
Taxes on income per statutory tax rate	(154,211)	(20.00)	(133,815)	(20.00)
Effect of income not subject to tax	24,899	3.23	9,142	1.37
Disallowable expenses	(7,406)	(0.96)	(588)	(0.09)
Effect of others, net	5,140	0.67	3,146	0.47
Provision for taxes on income	**(131,578)**	**(17.06)**	**(122,115)**	**(18.25)**

Deferred tax assets and liabilities at 30 June 2009 and 31 December 2008 are attributable to the items below:

	30 June 2009	31 December 2008
Provision for employee severance indemnity and unused vacations	37,761	34,562
IFRS - Tax Code depreciation differences	19,156	18,901
Other provisions	18,961	8,266
Valuation differences of financial assets and liabilities	16,885	11,497
Valuation difference for associates and subsidiaries	3,318	3,622
Others	6,331	7,118
Deferred tax assets	**102,412**	**83,966**
Net-off of the deferred tax assets and liabilities from the same entity	(6,666)	(7,714)
Deferred tax assets, (net)	**95,746**	**76,252**
Valuation differences of financial assets and liabilities	2,966	2,583
Valuation difference for associates and subsidiaries	1,026	1,131
Others	10,476	10,088
Deferred tax liabilities	**14,468**	**13,802**
Net-off of the deferred tax assets and liabilities from the same entity	(6,666)	(7,714)
Deferred tax liabilities, (net)	**7,802**	**6,088**

(Currency – Thousands of Turkish Lira (TL))

21. Equity

Share capital

As at 30 June 2009, the authorized nominal share capital of the Bank amounts to TL 2,500,000 (31 December 2008: TL 2,500,000). The Bank's paid-in capital is divided into 2.500.000.000 shares with each has a nominal value of 1 Turkish Lira. As at 30 June 2009, share capital presented in the equity amounts to TL 3,300,146 (31 December 2008: TL 3,300,146). An adjustment to share capital amounted to TL 800,146 at 30 June 2009 (31 December 2008: TL 800,146) represents the restatement effect of the contributions to share capital in equivalent purchasing power of TL at 31 December 2005.

Paid-in capital of the Bank amounting to TL 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.

Legal reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits Bank and its subsidiaries at the rate of 5%, until the total reserve reaches 20% of paid-in share capital. The second legal reserve is appropriated at the rate of 10% of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Based on the resolution of 55th Annual General Assembly held on 3 April 2009, the Bank's net profit of the year 2008 subject to distribution amounting to TL 731,189 has been distributed as legal reserves in the amount of TL 73,119, as extraordinary reserves in the amount of TL 656,957 and as other reserves in the amount of TL 1,113.

As at 30 June 2009, legal reserves amounts to TL 384,293 (31 December 2008: TL 306,750).

Non-controlling interest

As at 30 June 2009, non-controlling interest is amounting to TL 313,717 (31 December 2008: TL 306,584) and is detailed as follows:

	30 June 2009	31 December 2008
Capital and other reserves	368,636	362,724
Legal reserves	24,863	23,604
Retained earnings	(89,160)	(107,625)
Net profit for the period	9,428	27,881
Total non-controlling interest	**313,767**	**306,584**

(Currency – Thousands of Turkish Lira (TL))

21. Equity *(continued)*

Fair value reserves of available-for-sale financial assets:

	30 June 2009	30 June 2008
Balance at the beginning of the period	692	126,725
Net gains/(losses) from changes in fair values	147,960	(319,672)
Related deferred and current income taxes	(24,652)	60,090
Net (losses)/gains transferred to profit or loss on disposal	18,928	(20,675)
Related deferred and current income taxes	848	4,117
Balance at the end of the period	**143,776**	**(149,415)**

22. 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. For the purpose of these consolidated financial information, shareholders and Group companies are referred to as related parties. Related parties also include individuals that are principal owners and management and members of the Group's Board of Directors and their families.

In the course of conducting its banking business, the Group conducted some business transactions with related parties on commercial terms.

The following significant balances exist and transactions have been entered into with related parties:

Outstanding balances

	30 June 2009	31 December 2008
Cash loans	13,424	8,437
Non-cash loans	76,128	13,566
Deposits taken	1,372,423	1,229,805

Transactions

	30 June 2009	30 June 2008
Interest expense	(3,699)	(8,308)
Other operating income	240	508
Other operating expense	(26,930)	(11,056)

Directors' Remuneration

As at and for the six month period ended 30 June 2009, the key management and the members of the Board of Directors received remuneration and fees amounted to TL 6,794 (30 June 2008: TL 5,536).

(Currency – Thousands of Turkish Lira (TL))

23. Other income

As at and for the six-month period ended 30 June 2009 and 2008, other income comprised the followings:

	30 June 2009	30 June 2008
Earned premiums *(Note 19)*	199,472	195,272
Written premiums *(Note 19)*	201,870	224,765
Change in reserve for unearned premiums *(Note 19)*	(2,398)	(29,493)
Excess fee charged to customers for communication expenses	42,328	35,024
Change in life mathematical provisions	13,946	22,499
Pension business income	8,174	6,541
Income from sale of fixed assets	4,994	5,485
Income from associates	5,871	4,664
Rent income	3,683	4,398
Others	23,873	33,585
Total	**302,341**	**307,468**

24. Salaries and employee benefits

As at and for the six-month period ended 30 June 2009 and 2008, salaries and employee benefits comprised the following:

	30 June 2009	30 June 2008
Wages and salaries	(160,524)	(152,187)
Other fringe benefits	(126,626)	(113,102)
Employer's share of social security premiums	(52,086)	(41,094)
Provision for short term employee benefits	(40,000)	(35,100)
Provision for liability for unused vacations	(11,997)	(10,645)
Provision for employee termination benefits *(Note 19)*	(13,354)	(2,717)
Total	**(404,587)**	**(354,845)**

The average number of employees of the Group during the period is:

	30 June 2009	30 June 2008
The Bank	9,493	8,999
Subsidiaries	2,151	1,680
Total	**11,644**	**10,679**

(Currency – Thousands of Turkish Lira (TL))

25. Other expenses

As at and for the six-month period ended 30 June 2009 and 2008, other expenses comprised the following:

	30 June 2009	30 June 2008
Incurred insurance claims *(Note 19)*	(189,311)	(172,048)
Insurance claims paid *(Note 19)*	(189,084)	(167,448)
Change in provision for outstanding claims *(Note 19)*	(227)	(4,600)
Banking services promotion expenses	(116,599)	(48,646)
Rent expenses and operating lease charges	(43,088)	(36,312)
Communication expenses	(26,896)	(20,518)
Advertising expenses	(20,572)	(19,090)
Saving Deposit Insurance Fund premiums	(18,400)	(15,970)
Cleaning service expenses	(13,412)	(11,651)
Energy expenses	(9,623)	(8,189)
Maintenance expenses	(8,954)	(7,645)
BRSA participation fee	(7,850)	(3,300)
Office supplies	(7,650)	(4,456)
Computer usage expenses	(6,641)	(8,978)
Credit card promotion expenses	(5,892)	(5,411)
Transportation expenses	(3,726)	(4,440)
Other provision expenses	(2,941)	(7,829)
Consultancy expenses	(2,919)	(4,529)
Hosting expenses	(2,449)	(2,521)
Loss on sale of assets	(1,046)	(534)
Pension business expenses	(987)	(749)
Donations	(528)	(439)
Other various administrative expenses	(91,294)	(84,116)
Total	**(580,778)**	**(467,371)**

26. Commitment and contingencies

In the normal course of business activities, the Group undertake various commitments and incur certain contingent liabilities that are not presented in the consolidated financial statements including:

	30 June 2009	31 December 2008
Letters of guarantee	5,526,093	5,694,443
Letters of credit	2,599,310	1,971,383
Acceptance credits	433,057	441,688
Other guarantees	12,045	5,274
Total non-cash loans	8,570,505	8,112,788
Credit card limit commitments	3,124,091	3,050,410
Other commitments	4,374,403	3,229,600
Total	**16,068,999**	**14,392,798**

Pending tax audits:

The tax and other government authorities (Social Security Institution) have the right to inspect the Group's tax returns and accounting records for the past five fiscal years. The Group has not recorded a provision for any additional taxes for the fiscal years that remained unaudited, as the amount cannot be estimated with any degree of certainty. The Group's management believes that no material assessment will arise from any future inspection for unaudited fiscal years.

(Currency – Thousands of Turkish Lira (TL))

27. Subsidiaries and associates

The table below sets out the Subsidiaries and shows their shareholding structure as at 30 June 2009:

Subsidiaries	*Shareholding Interest (%)*
Güneş Sigorta AŞ	36.35
Vakıf Emeklilik AŞ	75.30
Vakıf Enerji ve Madencilik AŞ	84.92
Taksim Otelcilik AŞ	51.52
Vakıf Finans Factoring Hizmetleri AŞ	86.97
Vakıf Finansal Kiralama AŞ	64.40
Vakıf Deniz Finansal Kiralama AŞ	73.95
Vakıf Menkul Kıymetler Yatırım Ortaklığı AŞ	21.77
Vakıf Yatırım Menkul Değerler AŞ	99.44
Vakıf Portföy Yönetimi AŞ	99.99
Vakıfbank International AG	90.00
World Vakıf UBB Ltd.	85.24
Kıbrıs Vakıflar Bankası Ltd.	15.00
Vakıf Gayrimenkul Yatırım Ortaklığı AŞ	29.47
VB Diversified Payment Rights Finance Company (*)	-

(*) VB Diversified Payment Rights Finance Company is a special purpose entity established for the Bank's securitization transactions. The Bank or any of its subsidiaries does not have any shareholding interest in this company.

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

World Vakıf UBB Ltd., has been established in Turkish Republic of Northern Cyprus in 1993 for offshore banking operations. Its head office is in Nicosia. The title of the Bank which was World Vakıf OffShore Banking Ltd. previously, has been changed as World Vakıf UBB. Ltd. as of 4 February 2009.

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

Vakıf Deniz Finansal Kiralama AŞ, has been established in 1993 to enter into finance lease operations through the acquisition of vessels like cargo and ro-ro ships and make related transactions and contracts. The Company qualified for TS ISO 9002 Quality Assurance Certificate in 1995 and renewed it in 1998. Its head office is in Istanbul. Based on the resolution of 55th Annual General Assembly of Vakıf Deniz Finansal Kiralama AŞ held on 29 September 2009, the title of the company has been changed as Vakıf Pazarlama ve Ticaret AŞ.

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

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

27. Subsidiaries and associates *(continued)*

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

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

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

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

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

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

Taksim Otelcilik AŞ, has been established under the adjudication of Turkish Commercial Code in 1966. The main operation of the Company is to operate hotel business or rent out the possessed hotels. Its head office is in Istanbul.

Vakıf Enerji ve Madencilik AŞ, has been established in 2001 to for producing electrical and thermal energy, and sell this energy in accordance with the related law, enactment and regulations. Its head office is in Ankara.

As per the resolution no.74887 of the Board of Directors of the Bank on 22 August 2006, it has been decided to merge Vakıf Deniz Finansal Kiralama AŞ and Vakıf Finansal Kiralama AŞ. In accordance with the "Regulation on Establishment and Operations of Leasing, Factoring and Finance Companies", temporary 1st clause and 4th subclause, permission for operations of Vakıf Deniz Finansal Kiralama AŞ has been revoked on 25 June 2009. Capital Markets Board has refused the application for the merger of Vakıf Finansal Kiralama AŞ and Vakıf Deniz Finansal Kiralama AŞ and the activities regarding the merger has been stopped as at the report date.

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

28. Significant events

- As per the 9 July 2009 dated resolution of the Board of Directors, the Bank has given up from its decision to buy the 6% of shares of Turkish Derivative Exchange Market held by Vakıf Yatırım Menkul Değerler AŞ at nominal value of TL 540 as per the 13 October 2006 dated resolution of the Board of Directors.
- The monetary losses amounting to TL 379,000 incurred in the 2001 financial year as a result of the inflation accounting applied in compliance with the Temporary article no.4 added to the Banks Law no.4389 through the Law no.4743, the tax returns of 2002, 2003 and 2004 were submitted with a condition stating that such losses should have been deducted and the Bank may appeal to the tax court for the tax return. The Bank appealed to the tax court for the corporate tax return on 22 February 2007. Ankara 5. Tax court decided in favor of the Bank and TL 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 Reconcilement" no.5736 has passed on 20 February 2008 in the Parliament and approved on 26 February 2008 by the President of the Turkish Republic. In accordance with this law's first sub clause of the third article, with the banks will not be sustained; if the banks take into consideration of 65 percent of these losses in the determination of revenues for the year 2001 as previous year losses, and admit to correct taxable income for the subsequent years and declare they have abnegated from all of the courts related to this matter in one month after this law come into effect.

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

29. Subsequent events

- On 19 August 2009, the Bank has obtained the syndication loan at the amount of US Dollar 203.5 million and Euro 372.5 million with interest rates of US Libor + 2.50 % and Euribor + 2.50 %, with the participation of 29 banks.
- In accordance with the 16 October 2009 dated press announcement of CBT regarding reserve requirements, the Turkish Lira reserve requirement ratio of the banks has been decreased from 6% to 5% by 1%.